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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

MAJOR TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS RENEWAL OF FINANCIAL SERVICES AGREEMENTS

References are made to the announcement and the circular dated 31 December 2020 published by the Company in respect of, among other things, the 2020 Group Financial Services Agreement and the 2020 Parent Group Financial Services Agreement.

The 2020 Group Financial Services Agreement and the 2020 Parent Group Financial Services Agreement will expire on 31 December 2023.

As the parties intend to continue to enter into transactions of a similar nature from time to time after 31 December 2023, on 29 December 2023, the Company and Finance Company entered into the 2023 Group Financial Services Agreement, and Shandong Zhaojin and Finance Company entered into the 2023 Parent Group Financial Services Agreement, on terms which are similar to that of the 2020 Group Financial Services Agreement and the 2020 Parent Group Financial Services Agreement, respectively.

LISTING RULES IMPLICATIONS UNDER THE 2023 GROUP FINANCIAL SERVICES AGREEMENT, THE 2023 PARENT GROUP FINANCIAL SERVICES AGREEMENT AND THE TRANSACTIONS DURING THE TRANSITION PERIOD

As at the date of this announcement, Shandong Zhaojin is the controlling Shareholder of the Company and is therefore a connected person of the Company. Finance Company is a non-wholly-owned subsidiary of the Company and is directly held as to 51% by the Company and as to 40% by Shandong Zhaojin. Finance Company is also a connected person of the Company given that it is a connected subsidiary of the Company and also an associate of Shandong Zhaojin. Accordingly, the transactions contemplated under the 2023 Group Financial Services Agreement and the 2023 Parent Group Financial Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

2023 Group Financial Services Agreement

Deposit Services and Bill Discounting Services

Given that the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of each of (i) the maximum daily outstanding balance of deposits (including interest accrued thereon) in relation to the provision of deposit services by Finance Company to the Qualified Entities (as defined below); and (ii) the maximum daily outstanding balance of funds (including interest accrued thereon) in relation to the provision of bill discounting services by Finance Company to the Qualified Entities (as defined below) under the 2023 Group Financial Services Agreement is more than 25%, respectively, the provision of deposit services and bill discounting services under the 2023 Group Financial Services Agreement constitutes (i) major transactions subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules; and (ii) non-exempt continuing connected transactions subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Loan Services

The provision of loan services by Finance Company to the Qualified Entities (as defined below) under the 2023 Group Financial Services Agreement constitutes a form of financial assistance under the Listing Rules. Given that the loan interest rates charged by Finance Company shall not be higher than that charged by other major independent financial institutions and commercial banks for providing comparable loans in the PRC, such financial assistance is on normal commercial terms similar to or even more favourable than those offered by independent third parties for comparable services in the PRC which is not secured by the assets of the Qualified Entities (as defined below) and it is exempt from the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

2023 Parent Group Financial Services Agreement

Deposit Services, Bill Discounting Services and Loan Services

Given that the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of each of (i) the maximum daily outstanding balance of deposits (including interest accrued thereon) in relation to the provision of deposit services by Finance Company to the Zhaojin Qualified Entities (as defined below); (ii) the maximum daily outstanding balance of funds (including interest accrued thereon) in relation to the provision of bill discounting services by Finance Company to the Zhaojin Qualified Entities (as defined below); and (iii) the maximum outstanding loan amount (including interest accrued thereon) at any one point in time that may be provided by Finance Company to the Zhaojin Qualified Entities (as defined below) under the 2023 Parent Group Financial Services Agreement is more than 25%, respectively, the provision of deposit services, bill discounting services and loan services under the 2023 Parent Group Financial Services Agreement constitute (i) major transactions subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules; and (ii) non-exempt continuing connected transactions subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Transactions during the Transition Period

2023 Group Financial Services Agreement

Given that, during the Transition Period, the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of each of (i) the maximum daily outstanding balance of deposits (including interest accrued thereon) in relation to the provision of deposit services by Finance Company to the Qualified Entities (as defined below); and (ii) the maximum daily outstanding balance of funds (including interest accrued thereon) in relation to the provision of bill discounting services by Finance Company to the Qualified Entities (as defined below) under the 2023 Group Financial Services Agreement, will not exceed Transition Period Limitation 1 (as defined below), which is more than 0.1% but is less than 5%, the provision of deposit services and bill discounting services during the Transition Period under the 2023 Group Financial Services Agreement are subject to the reporting and announcement requirements but are exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

2023 Parent Group Financial Services Agreement

Given that, during the Transition Period, the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of each of (i) the maximum daily outstanding balance of deposits (including interest accrued thereon) in relation to the provision of deposit services by Finance Company to the Zhaojin Qualified Entities (as defined below); (ii) the maximum daily outstanding balance of funds (including interest accrued thereon) in relation to the provision of bill discounting services by Finance Company to the Zhaojin Qualified Entities (as defined below); and (iii) the maximum outstanding loan amount (including interest accrued thereon) at any one point in time that may be provided by Finance Company to the Zhaojin Qualified Entities (as defined below) under the 2023 Parent Group Financial Services Agreement, will not exceed Transition Period Limitation 2 (as defined below), which is more than 0.1% but is less than 5%, the provision of deposit services, bill discounting services and loan services during the Transition Period under the 2023 Parent Group Financial Services Agreement are subject to the reporting and announcement requirements but are exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee has been formed to advise the Independent Shareholders in connection with the 2023 Group Financial Services Agreement and the 2023 Parent Group Financial Services Agreement.

Maxa Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the 2023 Group Financial Services Agreement and the 2023 Parent Group Financial Services Agreement.

DESPATCH OF CIRCULAR

A circular containing, among other matters, (i) further information on each of 2023 Group Financial Services Agreement and 2023 Parent Group Financial Services Agreement; (ii) a letter of recommendation from the Independent Board Committee; (iii) a letter of advice from the Independent Financial Adviser; and (iv) a notice of the EGM, is expected to be despatched to the Shareholders on or before 15 January 2024.

INTRODUCTION

References are made to the announcement and the circular dated 31 December 2020 published by the Company in respect of, among other things, the 2020 Group Financial Services Agreement and the 2020 Parent Group Financial Services Agreement.

The 2020 Group Financial Services Agreement and the 2020 Parent Group Financial Services Agreement will expire on 31 December 2023.

As the parties intend to continue to enter into transactions of a similar nature from time to time after 31 December 2023, on 29 December 2023, the Company and Finance Company entered into the 2023 Group Financial Services Agreement, and Shandong Zhaojin and Finance Company entered into the 2023 Parent Group Financial Services Agreement, on terms which are similar to that of the 2020 Group Financial Services Agreement and the 2020 Parent Group Financial Services Agreement.

Set out below are the details of the 2023 Group Financial Services Agreement and the 2023 Parent Group Financial Services Agreement.

(I) 2023 GROUP FINANCIAL SERVICES AGREEMENT

On 29 December 2023, the Company and Finance Company entered into the 2023 Group Financial Services Agreement, pursuant to which Finance Company agreed to provide financial services to the Qualified Entities (as defined below), including but not limited to deposit services, loan services and bill discounting services, on terms which are similar to the 2020 Group Financial Services Agreement.

The principal terms of the 2023 Group Financial Services Agreement are set out below:

Date:

29 December 2023

Parties:

- (1) The Company; and
- (2) Finance Company

Term:

From 1 January 2024 to 31 December 2026.

The 2023 Group Financial Services Agreement has become effective upon duly signed by the legal representatives or authorized agent of the parties and affixed with their respective company chops. The provision of deposit services and bill discounting services by the Finance Company under the 2023 Group Financial Services Agreement beyond the Transition Period Limitation 1 (as defined below) during the Transition Period is subject to the approval of the Independent Shareholders at the EGM.

During the Transition Period, the Company and Finance Company will monitor and keep the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of each of (i) the maximum daily outstanding balance of deposits (including interest accrued thereon) in relation to the provision of deposit services by Finance Company under the 2023 Group Financial Services Agreement; and (ii) the maximum daily outstanding balance of funds (including interest accrued thereon) in relation to the provision of bill discounting services by Finance Company under the 2023 Group Financial Services Agreement, less than 5%, respectively (collectively, the “**Transition Period Limitation 1**”).

Major Terms:

- (1) Finance Company agreed to provide the following major services to the Company and corporations which satisfy the following qualifications: (i) any companies which the Company holds more than 51% equity interest (the “**Controlled Corporations**”); (ii) any companies which the Company and the Controlled Corporations individually or collectively hold(s) more than 20% equity interest; (iii) any companies which the Company and the Controlled Corporations individually or collectively hold(s) less than 20% but being the single largest shareholder of such companies; and (iv) the institutional entity or social organization legal persons of the Company and the Controlled Corporations (collectively, the “**Qualified Entities**”):
 - i. deposit services;
 - ii. bill discounting services;
 - iii. loans services; and
 - iv. other financial services including (a) entrusted loans, bond underwriting, non-finance guarantees, financial consultation, credit certification and other relevant advisory and agency services; (b) acceptance services; (c) fund settlement and payment services; (d) interbank lending; (e) fixed-income portfolio investment; and (f) other services as approved by CBIRC (collectively, “**Other Group Financial Services**”).

As each of the applicable percentage ratios in respect of the estimated aggregate amount of the service fees in connection with Other Group Financial Services on an annual basis is less than 0.1%, the Other Group Financial Services under the 2023 Group Financial Services Agreement will be fully exempt under Rule 14A.76(1) of the Listing Rules.

- (2) The Company shall choose Finance Company to provide deposit services to the Qualified Entities provided that: (i) the deposit services and deposit products to be provided by Finance Company shall comply with the requirements of the PBOC (*Note 1*); and (ii) the interest rates for the deposit paid by Finance Company shall not be lower than the interest rates paid by other major independent financial institutions and commercial banks for the provision of the same or similar deposit services in the PRC.

Note:

1. According to the requirements under the “Measures for the Administration of Finance Companies of Enterprise Groups (《企業集團財務公司管理辦法》)” issued by the CBRC, finance companies shall abide by the provisions on administration of interest rates of the PBOC. Accordingly, the interest rate on the deposit services provided by Finance Company under the 2023 Group Financial Services Agreement shall be based on the benchmark interest rate promulgated by the PBOC and such interest rate shall not exceed the range of deposit interest rate promulgated by the PBOC from time to time, which means any adjustment on the deposit interest rate offered by Finance Company under the 2023 Group Financial Services Agreement shall be within the interest rate offered by the PBOC on comparable deposit.

- (3) The Company shall choose Finance Company to provide bill discounting services to the Qualified Entities provided that the interest rates for the provision of bill discounting services to be charged by Finance Company shall not be higher than the interest rates charged by other major independent financial institutions and commercial banks for the provision of same or similar level of bill discounting services in the PRC.
- (4) The Company shall choose Finance Company to provide loan services to the Qualified Entities provided that the loan interest rates charged by Finance Company shall not be higher than the interest rates charged by other major independent financial institutions and commercial banks for providing comparable loans in the PRC.
- (5) The 2023 Group Financial Services Agreement is only a framework agreement and the parties shall enter into specific contracts setting out specific terms about the service arrangements in relation to the financial services to be provided under the 2023 Group Financial Services Agreement and such specific contracts shall be consistent with the principles and terms of the 2023 Group Financial Services Agreement.
- (6) The Company and/or Finance Company will undertake the following capital risks control measures in respect of the 2023 Group Financial Services Agreement:
 - i. Finance Company will ensure the safe and stable operation of the funds management system, which has undergone the security test in respect of connection to online commercial banking system and has reached the national security standards for commercial banks to ensure the security of the funds of the Qualified Entities.
 - ii. The Company will ensure that it is in strict compliance with the risk monitoring indicators for financial institutions issued by the CBIRC and that its major regulatory indicators such as gearing ratio, interbank borrowing ratio and liquidity ratio will also comply with the requirements of the CBIRC.
 - iii. The Company will monitor the transactions under the 2023 Group Financial Services Agreement and ensure that the transaction amount will not exceed the relevant annual caps under the 2023 Group Financial Services Agreement.
 - iv. A monthly report of Finance Company and a “comprehensive table of continuing connected transactions” of the preceding month will be delivered by Finance Company to the Company before the tenth day of each month so that the Company can monitor and ensure the relevant transaction amounts will not exceed its respective annual caps under the 2023 Group Financial Services Agreement.

INTERNAL CONTROL ON PRICING

The interest rates for deposit, loan and bill discounting services will be determined after considering the interest rates and service fees charged by/offered by other independent commercial banks and financial institutions in the PRC for the provision of same or similar loans, deposit and bill discounting services.

There are stringent internal control policies implemented by the Company with regard to financial services transactions under the 2023 Group Financial Services Agreement. Prior to the entering into specific contracts under the 2023 Group Financial Services Agreement, the finance department of the Company would compare the interest rates on deposits, loans and bill discounting offered by Finance Company with the terms from other independent third parties (including at least three major financial institutions and commercial banks in the PRC) and the relevant transactions will be reported to and approved by the head of the finance department of the Company to ensure that the most favourable terms are obtained from Finance Company.

In addition, the management of the Company will regularly review and conduct spot checks on the execution of the specific contracts under the 2023 Group Financial Services Agreement to ensure that (i) the staff of the finance department of the Company have compared the terms provided by Finance Company with the terms from other independent third parties; and (ii) the terms offered by Finance Company are no less favorable than those offered by major financial institutions and commercial banks in the PRC.

By adopting the policies set out above, the Directors are of the view that the Company can ensure (i) the interest rates payable for the Company's deposits shall not be lower than the interest rates offered by other major independent financial institutions and commercial banks for comparable deposit services in the PRC; (ii) the loan and bill discounting interest rates and service fees charged by Finance Company shall not be higher than that charged by other major independent financial institutions and commercial banks for providing comparable loans and bill discounting services in the PRC; and (iii) the terms of the 2023 Group Financial Services Agreement are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

HISTORICAL TRANSACTION AMOUNTS

Deposit Services

The table below sets forth the maximum daily outstanding balance of deposits (including interest accrued thereon) in relation to the provision of deposit services by Finance Company to the qualified entities which satisfy the members qualifications under the 2020 Group Financial Services Agreement (the “**2020 Qualified Entities**”) for each of the two years ended 31 December 2021 and 31 December 2022, and the eleven months ended 30 November 2023:

	For the year ended 31 December		For the eleven months ended
	2021	2022	30 November 2023
Maximum daily outstanding balance of deposits (including interest accrued thereon) placed by the 2020 Qualified Entities with Finance Company	RMB2,078 million	RMB3,115 million	RMB4,113 million

Reference is made to the 2020 Group Financial Services Agreement which stated that, for each of the three financial years ending 31 December 2023, the maximum daily outstanding balance of deposits (including interest accrued thereon) placed by the 2020 Qualified Entities with Finance Company under the 2020 Group Financial Services Agreement shall not exceed RMB4,000 million, RMB4,500 million and RMB5,000 million.

The Directors have been monitoring the maximum daily outstanding balance of deposits (including interest accrued thereon) placed by the 2020 Qualified Entities with Finance Company under the 2020 Group Financial Services Agreement, and such amounts did not exceed the caps for the two years ended 31 December 2022. For the year ending 31 December 2023, the maximum daily outstanding balance of deposits (including interest accrued thereon) in relation to the provision of deposit services by Finance Company to the 2020 Qualified Entities under the 2020 Group Financial Services Agreement is RMB5,000 million. which has not been exceeded as at the date of this announcement and is not expected to be exceeded as at 31 December 2023.

Bill Discounting Services

The table below sets forth the maximum daily outstanding balance of funds (including interest accrued thereon) in relation to the provision of bill discounting services by Finance Company to the 2020 Qualified Entities under the 2020 Group Financial Services Agreement for each of the two years ended 31 December 2021 and 31 December 2022, and the eleven months ended 30 November 2023:

	For the year ended 31 December		For the eleven months ended
	2021	2022	30 November 2023
Maximum daily outstanding balance of funds (including interest accrued thereon) provided by Finance Company to the 2020 Qualified Entities for bill discounting services	RMB610 million	RMB520 million	RMB400 million

Reference is made to the 2020 Group Financial Services Agreement which stated that, for each of the three financial years ending 31 December 2023, the maximum daily outstanding balance of funds (including interest accrued thereon) in relation to the provision of bill discounting services by Finance Company to the 2020 Qualified Entities under the 2020 Group Financial Services Agreement shall not exceed RMB1,500 million, RMB2,000 million and RMB2,500 million.

The Directors have been monitoring the maximum daily outstanding balance of funds (including interest accrued thereon) provided by Finance Company to the 2020 Qualified Entities for bill discounting services under the 2020 Group Financial Services Agreement, and such amounts did not exceed the caps for the two years ended 31 December 2022. For the year ending 31 December 2023, the maximum daily outstanding balance of funds (including interest accrued thereon) in relation to the provision of bill discounting services by Finance Company to 2020 Qualified Entities under the 2020 Group Financial Services Agreement is RMB2,500 million, which has not been exceeded as at the date of this announcement and is not expected to be exceeded as at 31 December 2023.

Loan Services

The table below sets forth the maximum outstanding loan amount (including interest accrued thereon) at any one point in time provided by Finance Company to the 2020 Qualified Entities under the 2020 Group Financial Services Agreement for each of the two years ended 31 December 2021 and 31 December 2022, and the eleven months ended 30 November 2023:

	For the year ended 31 December		For the eleven months ended
	2021	2022	30 November 2023
Maximum outstanding loan amount (including interest accrued thereon) provided by Finance Company to the 2020 Qualified Entities	RMB1,643 million	RMB1,727 million	RMB1,151 million

Reference is made to the 2020 Group Financial Services Agreement which stated that, for each of the three financial years ending 31 December 2023, the maximum outstanding loan amount (including interest accrued thereon) provided by Finance Company to the 2020 Qualified Entities under the 2020 Group Financial Services Agreement shall not exceed RMB4,500 million, RMB5,000 million and RMB5,500 million.

The Directors have been monitoring the maximum outstanding loan amount (including interest accrued thereon) provided by Finance Company to the 2020 Qualified Entities under the 2020 Group Financial Services Agreement, and such amounts did not exceed the caps for the two years ended 31 December 2022. For the year ending 31 December 2023, the maximum outstanding loan amount (including interest accrued thereon) at any one point in time provided by Finance Company to 2020 Qualified Entities under the 2020 Group Financial Services Agreement is RMB5,500 million, which has not been exceeded as at the date of this announcement and is not expected to be exceeded as at 31 December 2023.

PROPOSED ANNUAL CAPS

Deposit Services

The maximum daily outstanding balance of deposits (including interest accrued thereon) in relation to the provision of deposit services by Finance Company to the Qualified Entities pursuant to the 2023 Group Financial Services Agreement for each of the three years ending 31 December 2026 are as follows:

	For the year ending 31 December		
	2024	2025	2026
Maximum daily outstanding balance of deposits (including interest accrued thereon) placed by the Qualified Entities with Finance Company	RMB5,000 million	RMB5,500 million	RMB6,000 million

The above amounts are arrived at after considering the following factors:

- (1) The level of cashflow of the Group in the past three financial years: the cash and cash equivalent of the Group as at 31 December 2020, 31 December 2021 and 31 December 2022 were approximately RMB1,840 million, RMB2,998 million and RMB3,583 million, respectively. The average level of cashflow for the past three financial years ended 31 December 2022 was approximately RMB2,807 million.
- (2) The expected increase in deposit of the Group in the three years ending 31 December 2026 resulting from the expected increase in cashflow of the Group resulting from the possible implementation of financing plan of the Group in the ensuing three years, including but not limited to, the loans obtained from financial institutions other than Finance Company, the possible issue of corporate bonds, medium-term notes, perpetual medium-term notes, renewable corporate bonds and/or super-short-term notes (the “**Group Financing Plan**”).

According to the Group Financing Plan, the capital to be raised by the Group are expected to be RMB3,500 million, RMB3,500 million and RMB3,500 million for each of the three financial years ending 31 December 2026, which is expected to bring an increase in cash inflow for the Group.

- (3) The expected increasing level of deposit of the Group every year as a result of the increasing scale of assets of the Group in the ensuing three years.
- (4) The Group is fully promoting the construction of the Ruihai Mining project, which is expected to increase the Group’s revenue upon commencement of production, leading to the expected increase in cash flow of the Group and the amount of deposit to be placed with Finance Company.

- (5) Based on the monitoring of past gold prices and the judgement on the development trend of domestic and international markets, it is expected that there will be further increase in gold prices in the future, which would increase the Group's revenue and the amount of deposits to be placed with Finance Company.
- (6) Based on the business objective of Finance Company to centralize the management and unify the allocation of the Group's funds in order to enhance the fund utilization efficiency and reduce financial risks, the Group will make adjustments to increase the concentration of capital of the Group in Finance Company, which will result in an expected increase in the amount of deposit to be placed with Finance Company.

As a result of the factors set out in (2) to (6) above, there is an increasing trend for the maximum daily outstanding balance of deposit for the three years ending 31 December 2026.

Bill Discounting Services

The maximum daily outstanding balance of funds (including interest accrued thereon) in relation to the provision of bill discounting services by Finance Company to the Qualified Entities pursuant to the 2023 Group Financial Services Agreement for the three years ending 31 December 2026 are as follows:

	For the year ending 31 December		
	2024	2025	2026
Maximum daily outstanding balance of funds (including interest accrued thereon) provided by Finance Company to the Qualified Entities for bill discounting services	RMB1,000 million	RMB1,500 million	RMB2,000 million

The above amounts are determined after taking into account the following factors:

- (1) The 2020 Qualified Entities' actual maximum daily outstanding balance of funds (including interest accrued thereon) in relation to the provision of bill discounting services by Finance Company to the 2020 Qualified Entities under the 2020 Group Financial Services Agreement for each of the two years ended 31 December 2021 and 31 December 2022, and the eleven months ended 30 November 2023 were lower than the annual caps under the 2020 Group Financial Services Agreement. Accordingly, the proposed maximum daily outstanding balance of funds (including interest accrued thereon) in relation to the provision of bill discounting services by Finance Company to the Qualified Entities pursuant to the 2023 Group Financial Services Agreement for the three years ending 31 December 2026 has been adjusted downwards, with a view to better aligning with the actual demand of the Qualified Entities' business for bill discounting services.

- (2) Finance Company obtained the necessary regulatory authorisations from the PBOC under the Measures for the Administration of the Business of Electronic Commercial Draft (電子商業匯票業務管理辦法) for conducting electronic bill discounting services in May 2017. Following the obtaining of the relevant regulatory authorisations, the methods for settlement of debt between Finance Company and the Qualified Entities were gradually changed from cash settlement to settlement by electronic bill discounting according to the policy of the PBOC. The use of electronic bill discounting enables Finance Company to obtain a lower interest rate in re-discounting or forward-discounting of the electronic bills, so that Finance Company lowers its financing cost and provides bill discounting services to the Qualified Entities in a more cost-efficient manner. Based on the above, it is expected that the proportion of settlement by Qualified Entities using electronic bill discounting will further increase in the three years ending 31 December 2026.

Taking into account the adjustment to the amount of proposed annual caps, the increasing use of bill discounting services to provide funding to the Qualified Entities and the availability of Finance Company to provide such services on an ongoing basis, it is expected that the maximum daily outstanding balance of funds (including interest accrued thereon) to be provided by Finance Company to the Qualified Entities for bill discounting services for the three years ending 31 December 2026 are reasonable.

Loan Services

The provision of loan services by Finance Company to the Qualified Entities under the 2023 Group Financial Services Agreement constitutes a form of financial assistance under the Listing Rules. Given that the loan interest rates charged by Finance Company shall not be higher than that charged by other major independent financial institutions and commercial banks for providing comparable loans in the PRC, such financial assistance is on normal commercial terms similar to or even more favourable than those offered by independent third parties for comparable services in the PRC which is not secured by the assets of the Qualified Entities, it is exempt from the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The Company expects that the maximum outstanding loan amount (including interest accrued thereon) at any one point in time provided by Finance Company to the Qualified Entities under the 2023 Group Financial Services Agreement for each of the three years ending 31 December 2026 shall not exceed RMB4,500 million, RMB5,000 million and RMB5,500 million, respectively.

(II) 2023 PARENT GROUP FINANCIAL SERVICES AGREEMENT

On 29 December 2023, Shandong Zhaojin and Finance Company entered into the 2023 Parent Group Financial Services Agreement, pursuant to which Finance Company agreed to provide financial services, including but not limited to deposit services, loan services and bill discounting services to Zhaojin Qualified Entities (as defined below), on terms which are similar to the 2020 Parent Group Financial Services Agreement.

The principal terms of the 2023 Parent Group Financial Services Agreement are set out below:

Date:

29 December 2023

Parties:

- (1) Shandong Zhaojin; and
- (2) Finance Company

Term:

From 1 January 2024 to 31 December 2026.

The 2023 Parent Group Financial Services Agreement has become effective upon duly signed by the legal representatives or authorized agent of the parties and affixed with their respective company chops. The provision of deposit services, bill discounting services and loan services by the Finance Company under the 2023 Parent Group Financial Services Agreement beyond the Transition Period Limitation 2 (as defined below) during the Transition Period is subject to the approval of the Independent Shareholders at the EGM.

During the Transition Period, Shandong Zhaojin and Finance Company will monitor and keep the highest applicable percentage (as defined under Rule 14.07 of the Listing Rules) ratio in respect of each of (i) the maximum daily outstanding balance of deposits (including interest accrued thereon) in relation to the provision of deposit services by Finance Company; (ii) the maximum daily outstanding balance of funds (including interest accrued thereon) in relation to the provision of bill discounting services by Finance Company; and (iii) the maximum outstanding loan amount (including interest accrued thereon) at any one point in time that may be provided by Finance Company under the 2023 Parent Group Financial Services Agreement, less than 5%, respectively (collectively, the “**Transition Period Limitation 2**”).

Major Terms:

- (1) Finance Company agreed to provide the following major services to Shandong Zhaojin and its subsidiaries (other than the Company and its subsidiaries) which satisfy the following members qualifications: (i) any companies which Shandong Zhaojin holds more than 51% equity interest (the “**Zhaojin Controlled Corporations**”); (ii) any companies which Shandong Zhaojin and the Zhaojin Controlled Corporations individually or collectively hold(s) more than 20% equity interest; (iii) any companies which Shandong Zhaojin and the Zhaojin Controlled Corporations individually or collectively hold(s) less than 20% but being the single largest shareholder of such companies; and (iv) the institutional entity or social organization legal persons of Shandong Zhaojin and the Zhaojin Controlled Corporations (collectively, the “**Zhaojin Qualified Entities**”):
 - i. deposit services;
 - ii. bill discounting services;
 - iii. loans services; and
 - iv. other financial services including (a) entrusted loans, bond underwriting, non-finance guarantees, financial consultation, credit certification and other relevant advisory and agency services; (b) acceptance services; (c) fund settlement and payment services; (d) interbank lending; (e) fixed-income portfolio investment; and (f) other services as approved by CBIRC (collectively, “**Other Parent Group Financial Services**”).

As each of the applicable percentage ratios in respect of the estimated aggregate amount of the service fees in connection with Other Parent Group Financial Services on an annual basis is less than 0.1%, the Other Parent Group Financial Services under the 2023 Group Financial Services Agreement will be fully exempt under Rule 14A.76(1) of the Listing Rules.

- (2) Shandong Zhaojin shall choose Finance Company to provide deposit services to the Zhaojin Qualified Entities provided that: (i) the deposit services and deposit products to be provided shall comply with the requirements of the PBOC (*Note 1*); and (ii) the interest rates for the deposit paid by Finance Company shall be determined according to the negotiation between the parties with reference to the interest rates offered by other major independent financial institutions and commercial banks for the provision of same or similar deposit services in the PRC and shall not be higher than the interest rates paid by Finance Company for the provision of the same deposit services to other parties.

Note:

1. According to the requirements under the “Measures for the Administration of Finance Companies of Enterprise Groups” (《企業集團財務公司管理辦法》) issued by the CBRC, finance companies shall abide by the provisions on administration of interest rates of the PBOC. Accordingly, the interest rate on the deposit services provided by Finance Company under the 2023 Parent Group Financial Services Agreement shall be based on the benchmark interest rate promulgated by the PBOC and such interest rate shall not exceed the range of deposit interest rate promulgated by the PBOC from time to time, which means any adjustment on the interest rate offered by Finance Company under the 2023 Parent Group Financial Services Agreement shall be within the interest rate offered by the PBOC on comparable deposit.

- (3) Shandong Zhaojin shall choose Finance Company to provide bill discounting services to the Zhaojin Qualified Entities provided that the interest rates for the bill discounting services provided by Finance Company shall be determined according to the negotiation between the parties with reference to the interest rates offered by other major independent financial institutions and commercial banks for the provision of same or similar bill discounting services in the PRC and shall not be lower than the interest rates charged by Finance Company for the provision of same level of bill discounting services to other parties.
- (4) Shandong Zhaojin shall choose Finance Company to provide loan services to the Zhaojin Qualified Entities provided that the interest rates for the loan services charged by Finance Company shall be determined according to the negotiation between the parties with reference to the interest rates charged by other major independent financial institutions and commercial banks for the provision of same or similar loan services in the PRC and shall not be lower than the interest rates charged by Finance Company for the provision of the same loan services to other parties.
- (5) The 2023 Parent Group Financial Services Agreement is only a framework agreement and the parties shall enter into specific contracts setting out specific terms about the service arrangements in relation to the financial services to be provided under the 2023 Parent Group Financial Services Agreement and such specific contracts shall be consistent with the principles and terms of the 2023 Parent Group Financial Services Agreement.
- (6) The Company and/or Finance Company will undertake the following capital risks control measures in respect of the 2023 Parent Group Financial Services Agreement:
 - i. Finance Company will ensure the safe and stable operation of the funds management system, which has undergone the security test in respect of connection to online commercial banking system and has reached the national security standards for commercial banks to ensure the security of the funds of the Zhaojin Qualified Entities.
 - ii. The Company will ensure that it is in strict compliance with the risk monitoring indicators for financial institutions issued by the CBIRC and that its major regulatory indicators such as gearing ratio, interbank borrowing ratio and liquidity ratio will also comply with the requirements of the CBIRC.
 - iii. The Company will monitor the transactions under the 2023 Parent Group Financial Services Agreement and ensure that the transaction amounts will not exceed the relevant annual caps under the 2023 Parent Group Financial Services Agreement.
 - iv. A monthly report of Finance Company and a “comprehensive table of continuing connected transactions” of the preceding month will be delivered by Finance Company to the Company and Shandong Zhaojin before the tenth day of each month so that the Company and Shandong Zhaojin can monitor and ensure the relevant transaction amounts will not exceed its respective annual caps under the 2023 Parent Group Financial Services Agreement.

INTERNAL CONTROL ON PRICING

The interest rates for deposit, loan and bill discounting services have been determined after taking into account the interest rates and service fees charged by/offered by other major independent commercial banks and financial institutions in the PRC for the provision of same or similar loan, deposit and bill discounting services.

There are stringent internal control policies implemented by the Company with regard to financial services transactions under the 2023 Parent Group Financial Services Agreement. The finance department of the Company will compare the interest rates on deposits, loans and bill discounting offered by Finance Company to the Zhaojin Qualified Entities with those offered by Finance Company to other parties.

The Company's finance department will review the relevant interest rates and fees on a regular basis to ensure due observance and performance of the 2023 Parent Group Financial Services Agreement.

By adopting the above measures, the Directors are of the view that the Company can ensure (i) the interest rates provided on deposits placed by the Zhaojin Qualified Entities will not be higher than those to be provided by Finance Company to other parties for comparable deposits; (ii) the interest rates on loans and bill discounting charged by Finance Company will not be lower than those to be charged by Finance Company to other parties for the provision of comparable loans and services; and (iii) the terms of the 2023 Parent Group Financial Services Agreement are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

HISTORICAL TRANSACTION AMOUNTS

Deposit Services

The table below sets forth the maximum daily outstanding balance of deposits (including interest accrued thereon) in relation to the provision of deposit services by Finance Company to the qualified entities which satisfy the members qualifications under the 2020 Parent Group Financial Services Agreement (the “2020 Zhaojin Qualified Entities”) for each of the two years ended 31 December 2021 and 31 December 2022, and the eleven months ended 30 November 2023:

	For the year ended 31 December		For the eleven months ended
	2021	2022	30 November 2023
Maximum daily outstanding balance of deposits (including interest accrued thereon) placed by the 2020 Zhaojin Qualified Entities with Finance Company	RMB2,315 million	RMB3,133 million	RMB1,730 million

Reference is made to the 2020 Parent Group Financial Services Agreement which stated that, for each of the three financial years ending 31 December 2023, the maximum daily outstanding balance of deposits (including interest accrued thereon) placed by the 2020 Zhaojin Qualified Entities with Finance Company under the 2020 Parent Group Financial Services Agreement shall not exceed RMB5,000 million, RMB5,500 million and RMB6,000 million.

The Directors have been monitoring the maximum daily outstanding balance of deposits (including interest accrued thereon) placed by the 2020 Zhaojin Qualified Entities with Finance Company under the 2020 Parent Group Financial Services Agreement, and such amounts did not exceed the caps for the two years ended 31 December 2022. For the year ending 31 December 2023, the maximum daily outstanding balance of deposits (including interest accrued thereon) in relation to the provision of deposit services by Finance Company to the 2020 Zhaojin Qualified Entities under the 2020 Parent Group Financial Services Agreement is RMB6,000 million, which has not been exceeded as at the date of this announcement and is not expected to be exceeded as at 31 December 2023.

Bill Discounting Services

The table below sets forth the maximum daily outstanding balance of funds (including interest accrued thereon) in relation to the provision of bill discounting services by Finance Company to the 2020 Zhaojin Qualified Entities under the 2020 Parent Group Financial Services Agreement for each of the two years ended 31 December 2021 and 31 December 2022, and the eleven months ended 30 November 2023:

	For the year ended 31 December		For the eleven months ended
	2021	2022	30 November 2023
Maximum daily outstanding balance of funds (including interest accrued thereon) provided by Finance Company to the 2020 Zhaojin Qualified Entities for bill discounting services	RMB725 million	RMB940 million	RMB900 million

Reference is made to the 2020 Parent Group Financial Services Agreement which stated that, for each of the three financial years ending 31 December 2023, the maximum daily outstanding balance of funds (including interest accrued thereon) in relation to the provision of bill discounting services by Finance Company to the 2020 Zhaojin Qualified Entities under the 2020 Parent Group Financial Services Agreement shall not exceed RMB2,000 million, RMB2,500 million and RMB2,500 million.

The Directors have been monitoring the maximum daily outstanding balance of funds (including interest accrued thereon) provided by Finance Company to the 2020 Zhaojin Qualified Entities for bill discounting services under the 2020 Parent Group Financial Services Agreement, and such amounts did not exceed the caps for the two years ended 31 December 2022. For the year ending 31 December 2023, the maximum daily outstanding balance of funds (including interest accrued thereon) in relation to the provision of bill discounting services by Finance Company to the 2020 Zhaojin Qualified Entities under the 2020 Parent Group Financial Services Agreement is RMB2,500 million, which has not been exceeded as at the date of this announcement and is not expected to be exceeded as at 31 December 2023.

Loan Services

The table below sets forth the maximum outstanding loan amount (including interest accrued thereon) at any one point in time provided by Finance Company to the 2020 Zhaojin Qualified Entities under the 2020 Parent Group Financial Services Agreement for each of the two years ended 31 December 2021 and 31 December 2022, and the eleven months ended 30 November 2023:

	For the year ended 31 December		For the eleven months ended 30 November
	2021	2022	2023
Maximum outstanding loan amount (including interest accrued thereon) provided by Finance Company to the 2020 Zhaojin Qualified Entities	RMB1,517 million	RMB1,655 million	RMB1,941 million

Reference is made to the 2020 Parent Group Financial Services Agreement which stated that, for each of the three financial years ending 31 December 2023, the maximum outstanding loan amount (including interest accrued thereon) provided by Finance Company to the 2020 Zhaojin Qualified Entities under the 2020 Parent Group Financial Services Agreement shall not exceed RMB4,000 million, RMB4,500 million and RMB5,000 million.

The Directors have been monitoring the maximum outstanding loan amount (including interest accrued thereon) provided by Finance Company to the 2020 Zhaojin Qualified Entities under the 2020 Parent Group Financial Services Agreement, and such amounts did not exceed the caps for the two years ended 31 December 2022. For the year ending 31 December 2023, the maximum outstanding loan amount (including interest accrued thereon) at any one point in time provided by Finance Company to the 2020 Zhaojin Qualified Entities under the 2020 Parent Group Financial Services Agreement is RMB5,000 million, which has not been exceeded as at the date of this announcement and is not expected to be exceeded as at 31 December 2023.

PROPOSED ANNUAL CAPS

Deposit Services

The maximum daily outstanding balance of deposits (including interest accrued thereon) in relation to the provision of deposit services by Finance Company to the Zhaojin Qualified Entities pursuant to the 2023 Parent Group Financial Services Agreement for the three years ending 31 December 2026 are as follows:

	For the year ending 31 December		
	2024	2025	2026
Maximum daily outstanding balance of deposits (including interest accrued thereon) placed by Zhaojin Qualified Entities with Finance Company	RMB5,000 million	RMB5,500 million	RMB6,000 million

The above amounts are arrived at after considering the following factors:

- (1) The level of cashflow of Shandong Zhaojin Group in the past three financial years: the cash and cash equivalent of Shandong Zhaojin Group as at 31 December 2020, 31 December 2021 and 31 December 2022 were approximately RMB3,265 million, RMB3,317 million and RMB4,569 million, respectively. The average level of cashflow for the past three financial years ended 31 December 2022 was approximately RMB3,717 million.
- (2) The expected increase in deposit of Shandong Zhaojin Group in the three years ending 31 December 2026 resulting from the expected increase in cashflow of Shandong Zhaojin Group resulting from the possible implementation of financing plan of Shandong Zhaojin Group in the ensuing three years, including but not limited to, the loans obtained from financial institutions other than Finance Company, the possible issue of corporate bonds, medium-term notes and/or super-short-term notes (the “**Zhaojin Financing Plan**”).

According to the Zhaojin Financing Plan, the capital to be raised by Shandong Zhaojin Group are expected to be RMB3,500 million, RMB3,500 million and RMB3,500 million for each of the three financial years ending 31 December 2026, which is expected to bring an increase in cash inflow to Shandong Zhaojin Group.

- (3) The expected increasing level of deposit of Shandong Zhaojin Group every year as a result of the increasing scale of assets of Shandong Zhaojin Group in the ensuing three years.

- (4) Based on the monitoring of past gold prices and the judgement on the development trend of domestic and international markets, it is expected that there will be further increase in gold prices in the future, which would increase the Shandong Zhaojin Group's revenue and the amount of deposits placed with Finance Company.
- (5) Based on the business objective of Finance Company to centralize the management and unify the allocation of the Group's funds in order to enhance the fund utilization efficiency and reduce financial risks, Shandong Zhaojin Group will make adjustments to increase the concentration of capital of Shandong Zhaojin Group in Finance Company, which will result in an expected increase in the amount of deposit to be placed with Finance Company.

As a result of the factors set out in (2) to (5) above and considering the relevant pool rate of approximately 50% (*Note 1*) of Shandong Zhaojin, there is an increasing trend for the maximum daily outstanding balance of deposit for the three years ending 31 December 2026.

Bill Discounting Services

The maximum daily outstanding balance of funds (including interest accrued thereon) in relation to the provision of bill discounting services by Finance Company to the Zhaojin Qualified Entities pursuant to the 2023 Parent Group Financial Services Agreement for the three years ending 31 December 2026 are as follows:

	For the year ending 31 December		
	2024	2025	2026
Maximum daily outstanding balance of funds (including interest accrued thereon) provided by Finance Company to the Zhaojin Qualified Entities for bill discounting services	RMB1,500 million	RMB2,000 million	RMB2,000 million

Note:

1. Pool rate is arrived at by dividing the amount of deposit of the member companies of Shandong Zhaojin Group in Finance Company with the total cash and cash equivalents of Shandong Zhaojin Group.

In accordance with the relevant requirements of the Shandong Bureau of CBIRC, the pool rate of financial companies or institutions in Shandong Province shall not be lower than 50%. Pursuant to the "Finance Companies of Enterprises Groups Risk Assessment Grading Operation Checklist" (《企業集團財務公司風險評分操作表》), financial companies with pool rate of approximately 60% may be awarded with better year-end assessment results by the relevant authority and is beneficial for Finance Company to apply for operation of new business from CBIRC.

The above amounts are determined after taking into account the following factors:

- (1) The 2020 Zhaojin Qualified Entities' actual maximum daily outstanding balance of funds (including interest accrued thereon) in relation to the provision of bill discounting services by Finance Company to the 2020 Zhaojin Qualified Entities under the 2020 Parent Group Financial Services Agreement for each of the two years ended 31 December 2021 and 31 December 2022, and the eleven months ended 30 November 2023 were lower than the annual caps under the 2020 Parent Group Financial Services Agreement. Accordingly, the proposed maximum daily outstanding balance of funds (including interest accrued thereon) in relation to the provision of bill discounting services by Finance Company to the Zhaojin Qualified Entities pursuant to the 2023 Parent Group Financial Services Agreement for the three years ending 31 December 2026 has been adjusted downwards, with a view to better aligning with the actual demand of the Zhaojin Qualified Entities' business for bill discounting services.
- (2) Finance Company obtained the necessary regulatory authorisations from the PBOC under the Measures for the Administration of the Business of Electronic Commercial Draft (電子商業匯票業務管理辦法) for conducting electronic bill discounting services in May 2017. Following the obtaining of the relevant regulatory authorisations, the methods for settlement of debt between Finance Company and Zhaojin Qualified Entities were gradually changed from cash settlement to settlement by electronic bill discounting since following the policy of the PBOC, the use of electronic bill discounting enables Finance Company to obtain a lower interest rate in re-discounting or forward-discounting of the electronic bills, so that Finance Company lowers its financing cost and provides bill discounting services to Zhaojin Qualified Entities in a more cost-efficient manner. Based on the above, it is expected that the proportion of settlement by Zhaojin Qualified Entities using electronic bill discounting will further increase in the three years ending 31 December 2026.

Taking into account the adjustment to the amount of proposed annual caps, the increasing use of bill discounting services to provide funding to the Zhaojin Qualified Entities and the availability of Finance Company to provide such services on an ongoing basis, it is expected that the maximum daily outstanding balance of funds to be provided by Finance Company to the Zhaojin Qualified Entities for bill discounting services for the three years ending 31 December 2026 are reasonable.

Loan Services

The maximum outstanding loan amount (including interest accrued thereon) at any one point in time to be provided by Finance Company to the Zhaojin Qualified Entities pursuant to the 2023 Parent Group Financial Services Agreement for the three years ending 31 December 2026 are as follows:

	For the year ending 31 December		
	2024	2025	2026
Maximum outstanding loan amount provided by Finance Company to the Zhaojin Qualified Entities (including interest accrued thereon)	RMB4,000 million	RMB4,500 million	RMB5,000 million

The above amounts are arrived at after considering the maximum outstanding loan amount provided by Finance Company to the 2020 Zhaojin Qualified Entities in the past three years, and the level of loan and financing services required by the Zhaojin Qualified Entities in view of the development and operation plan of the Zhaojin Qualified Entities in the three years ending 31 December 2026.

In 2024, the maximum outstanding amount of loan to be obtained by the Zhaojin Qualified Entities from Finance Company shall be not more than RMB4,000 million. It is expected that Zhaojin Qualified Entities will use (i) no more than RMB2,000 million to repay the maturing loans; (ii) no more than RMB500 million for the import of refined gold for recruitment and gold processing; (iii) no more than RMB500 million for the construction of the Phase II project of the Golden Vocational College; and (iv) no more than RMB1,000 million to supplement working capital.

In 2025, the maximum outstanding amount of loan to be obtained by the Zhaojin Qualified Entities from Finance Company shall be not more than RMB4,500 million. It is expected that Zhaojin Qualified Entities will use (i) no more than RMB500 million for the import of refined gold for recruitment and gold processing; (ii) no more than RMB500 million as equity investment funds for the acquisition of non-ferrous domestic and foreign mining investment projects; (iii) no more than RMB2,500 million to repay the maturing loans; and (iv) no more than RMB1,000 million loan to supplement working capital.

In 2026, the maximum outstanding amount of loan to be obtained by the Zhaojin Qualified Entities from Finance Company shall be not more than RMB5,000 million. It is expected that Zhaojin Qualified Entities will use (i) no more than RMB500 million as funds for the real estate development projects; (ii) no more than RMB500 million for the import of refined gold for recruitment and gold processing; (iii) no more than RMB500 million as investment funds for the acquisition of non-ferrous equity and the construction of overseas mining projects; and (iv) no more than RMB3,500 million to repay the maturing loan.

REASONS FOR AND BENEFITS OF ENTERING INTO THE 2023 GROUP FINANCIAL SERVICES AGREEMENT AND THE 2023 PARENT GROUP FINANCIAL SERVICES AGREEMENT

1. The interest rate to be charged by/offered by Finance Company for the provision of deposit, bill discounting and loans to the Qualified Entities will be similar to or even more favourable than those charged by/offered by other major commercial banks in the PRC.
2. With the entry into the 2023 Group Financial Services Agreement and the 2023 Parent Group Financial Services Agreement, the Qualified Entities and the Zhaojin Qualified Entities will be able to centralize control and management of their financial resources, promote wider uses and use efficiency of capital and accelerate capital turnover, so as to reduce the transaction costs and financial expenses, and further enhance the amount and utilization of capital. Meanwhile, diverse services can be provided under the 2023 Group Financial Services Agreement and the 2023 Parent Group Financial Services Agreement to satisfy the business needs of the Qualified Entities and the Zhaojin Qualified Entities.
3. Finance Company is a non-wholly-owned subsidiary of the Company and the financial services it provided under the 2023 Group Financial Services Agreement and the 2023 Parent Group Financial Services Agreement will contribute to the Group in terms of revenue increase and new profit growth points.
4. Subject to supervision and regulation of the PBOC and the CBIRC, Finance Company is a non-bank financial institute and provides services in accordance with rules and operation provisions of such regulatory bodies. In addition, capital risks may be reduced through risk control measures as stipulated in the 2023 Group Financial Services Agreement and the 2023 Parent Group Financial Services Agreement.

DIRECTORS' VIEW

The Directors (including independent non-executive Directors) are of the view that: (i) the terms of the 2023 Group Financial Services Agreement and the 2023 Parent Group Financial Services Agreement are fair and reasonable, have been entered into after arm's length negotiation between all parties thereto and determined on normal commercial terms in ordinary and usual course of business and are in the interests of the Company and its Shareholders as a whole; and (ii) the relevant annual cap amounts are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

BOARD'S APPROVAL

The Board has approved the 2023 Group Financial Services Agreement and the 2023 Parent Group Financial Services Agreement. None of the Directors has any material interests in the proposed transactions under the 2023 Group Financial Services Agreement and the 2023 Parent Group Financial Services Agreement.

Mr. Jiang Guipeng, Mr. Li Guanghui and Mr. Luan Wenjing, being a director or management personnel of Shandong Zhaojin, had abstained from voting at the Board meeting for approving the 2023 Group Financial Services Agreement and the 2023 Parent Group Financial Services Agreement.

INFORMATION ON THE PARTIES

The Company is principally engaged in gold exploration, mining, ore processing and smelting, as well as processing and sale of by-products in the PRC.

Shandong Zhaojin is principally engaged in gold exploration, mining and refinery business, as well as investing in gold exploration, mining, smelting and refinery, and other gold-related businesses. Shandong Zhaojin is the controlling shareholder of the Company, directly holding 34.74% of the Shares of the Company as at the date of this announcement. The ultimate beneficial owner of Shandong Zhaojin is the People's Government of Zhaoyuan City (招遠市人民政府) which holds 90% of the equity interest of Shandong Zhaojin.

Finance Company, a non-wholly-owned subsidiary of the Company directly held as to 51% by the Company and as to 40% by Shandong Zhaojin, respectively, is a limited liability company established in the PRC on 1 July 2015 and is operating in accordance with the Measures for the Administration of Finance Companies of Enterprise Groups as well as other applicable PRC laws and regulations. It is principally engaged in, among others, providing internal financial services to the Group and the Shandong Zhaojin Group. The Finance Company is a PRC non-bank financial institution and is regulated by the CBIRC.

LISTING RULES IMPLICATIONS UNDER THE 2023 GROUP FINANCIAL SERVICES AGREEMENT, THE 2023 PARENT GROUP FINANCIAL SERVICES AGREEMENT AND THE TRANSACTIONS DURING THE TRANSITION PERIOD

As at the date of this announcement, Shandong Zhaojin is the controlling Shareholder of the Company and is therefore a connected person of the Company. Finance Company is a non-wholly-owned subsidiary of the Company and is directly held as to 51% by the Company and as to 40% by Shandong Zhaojin, respectively. Finance Company is also a connected person of the Company given that it is a connected subsidiary of the Company and also an associate of Shandong Zhaojin. Accordingly, the transactions contemplated under the 2023 Group Financial Services Agreement and the 2023 Parent Group Financial Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

2023 Group Financial Services Agreement

Deposit Services and Bill Discounting Services

Given that the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of each of (i) the maximum daily outstanding balance of deposits (including interest accrued thereon) in relation to the provision of deposit services by Finance Company to the Qualified Entities; and (ii) the maximum daily outstanding balance of funds (including interest accrued thereon) in relation to the provision of bill discounting services by Finance Company to the Qualified Entities under the 2023 Group Financial Services Agreement is more than 25%, respectively, the provision of deposit services and bill discounting services under the 2023 Group Financial Services Agreement constitutes (i) major transactions subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules; and (ii) non-exempt continuing connected transactions subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Loan Services

The provision of loan services by Finance Company to the Qualified Entities under the 2023 Group Financial Services Agreement constitutes a form of financial assistance under the Listing Rules. Given that the loan interest rates charged by Finance Company shall not be higher than that charged by other major independent financial institutions and commercial banks for providing comparable loans in the PRC, such financial assistance is on normal commercial terms similar to or even more favourable than those offered by independent third parties for comparable services in the PRC which is not secured by the assets of the Qualified Entities, it is exempt from the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

2023 Parent Group Financial Services Agreement

Deposit Services, Bill Discounting Services and Loan Services

Given that the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of each of (i) the maximum daily outstanding balance of deposits (including interest accrued thereon) in relation to the provision of deposit services by Finance Company to the Zhaojin Qualified Entities; (ii) the maximum daily outstanding balance of funds (including interest accrued thereon) in relation to the provision of bill discounting services by Finance Company to the Zhaojin Qualified Entities; and (iii) the maximum outstanding loan amount (including interest accrued thereon) at any one point in time that may be provided by Finance Company to the Zhaojin Qualified Entities under the 2023 Parent Group Financial Services Agreement is more than 25%, respectively, the provision of deposit services, bill discounting services and loan services under the 2023 Parent Group Financial Services Agreement constitute (i) major transactions subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules; and (ii) non-exempt continuing connected transactions subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Transactions during the Transition Period

2023 Group Financial Services Agreement

Given that, during the Transition Period, the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of each of (i) the maximum daily outstanding balance of deposits (including interest accrued thereon) in relation to the provision of deposit services by Finance Company to the Qualified Entities under the 2023 Group Financial Services Agreement; and (ii) the maximum daily outstanding balance of funds (including interest accrued thereon) in relation to the provision of bill discounting services by Finance Company to the Qualified Entities under the 2023 Group Financial Services Agreement, will not exceed Transition Period Limitation 1, which is more than 0.1% but is less than 5%, the provision of deposit services and bill discounting services during the Transition Period under the 2023 Group Financial Services Agreement are subject to the reporting and announcement requirements but are exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

2023 Parent Group Financial Services Agreement

Given that, during the Transition Period, the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of each of (i) the maximum daily outstanding balance of deposits (including interest accrued thereon) in relation to the provision of deposit services by Finance Company to the Zhaojin Qualified Entities under the 2023 Parent Group Financial Services Agreement; (ii) the maximum daily outstanding balance of funds (including interest accrued thereon) in relation to the provision of bill discounting services by Finance Company to the Zhaojin Qualified Entities under the 2023 Parent Group Financial Services Agreement; and (iii) the maximum outstanding loan amount (including interest accrued thereon) at any one point in time that may be provided by Finance Company to the Zhaojin Qualified Entities under the 2023 Parent Group Financial Services Agreement, will not exceed Transition Period Limitation 2, which is more than 0.1% but is less than 5%, the provision of deposit services, bill discounting services and loan services during the Transition Period under the 2023 Parent Group Financial Services Agreement are subject to the reporting and announcement requirements but are exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee has been formed to advise the Independent Shareholders in connection with the 2023 Group Financial Services Agreement and the 2023 Parent Group Financial Services Agreement.

Maxa Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the 2023 Group Financial Services Agreement and the 2023 Parent Group Financial Services Agreement.

DESPATCH OF CIRCULAR

A circular containing, among other matters, (i) further information on each of the 2023 Group Financial Services Agreement and 2023 Parent Group Financial Services Agreement; (ii) a letter of recommendation from the Independent Board Committee; (iii) a letter of advice from the Independent Financial Adviser; and (iv) a notice of the EGM, is expected to be despatched to the Shareholders on or before 15 January 2024.

DEFINITIONS

“2020 Group Financial Services Agreement”	the financial services agreement entered into between the Company and Finance Company on 31 December 2020 for the provision of various financial services by Finance Company
“2020 Parent Group Financial Services Agreement”	the financial services agreement entered into between Shandong Zhaojin and Finance Company on 31 December 2020 for the provision of various financial services by Finance Company
“2023 Group Financial Services Agreement”	the financial services agreement entered into between the Company and Finance Company on 29 December 2023 for the provision of various financial services by Finance Company
“2023 Parent Group Financial Services Agreement”	the financial services agreement entered into between Shandong Zhaojin and Finance Company on 29 December 2023 for the provision of various financial services by Finance Company
“Articles of Association”	the articles of association of the Company
“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“CBIRC”	China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會)
“CBRC”	China Banking Regulatory Commission (中國銀行業監督管理委員會)
“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 subsidiary”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the directors of the Company
“Domestic Share(s)”	the ordinary shares issued by the Company, with RMB denominated par value of RMB1.00 each, which were subscribed for and paid up in RMB

“EGM”	the 2024 first extraordinary general meeting of the Company to be held and convened for the Shareholders to consider and approve, among other things, (i) (a) the provision of deposit and bills discounting services and the relevant proposed annual caps under the 2023 Group Financial Services Agreement; and (b) the provision of deposit services and bill discounting services under the 2023 Group Financial Services Agreement beyond the Transition Period Limitation 1 during the Transition Period (if any); and (ii) (a) the provision of deposit, loan and bills discounting services and the relevant proposed annual caps under the 2023 Parent Group Financial Services Agreement; and (b) the provision of deposit, loan and bills discounting services under the 2023 Parent Group Financial Services Agreement beyond the Transition Period Limitation 2 during the Transition Period (if any)
“Finance Company”	Shandong Zhaojin Finance Company Limited* (山東招金集團財務有限公司), a connected subsidiary of the Company, details of which are set forth in the section headed “INFORMATION ON THE PARTIES”
“Financial Services Agreements”	collectively, the 2023 Parent Group Financial Services Agreement and the 2023 Group Financial Services Agreement
“Group”	the Company and its subsidiaries from time to time
“H Share(s)”	the overseas-listed foreign invested shares of RMB1.00 each in the share capital of the Company, which are denominated in RMB and listed on the main board of the Hong Kong Stock Exchange and traded in Hong Kong dollar
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Independent Board Committee”	the independent board committee of the Company, comprising four independent non-executive Directors, and each of them does not have any material interest in the Financial Services Agreements
“Independent Financial Adviser”	Maxa Capital Limited (邁時資本有限公司), a corporation licensed under the SFO to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the provision of deposit services and bill discounting services under the 2023 Group Financial Services Agreement (including the relevant proposed annual caps) and the deposit services, loan services and bill discounting services under the 2023 Parent Group Financial Services Agreement (including the relevant proposed annual caps)

“Independent Shareholders”	Shareholders other than (i) Shandong Zhaojin and its associates; and (ii) those with a material interest in the transactions contemplated under the Financial Services Agreements, if any
“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“PBOC”	People’s Bank of China
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571, of the laws of Hong Kong)
“Shandong Zhaojin”	Shandong Zhaojin Group Company Limited* (山東招金集團有限公司), the controlling Shareholder of the Company, details of which are set forth in the section headed “INFORMATION ON THE PARTIES”
“Shandong Zhaojin Group”	Shandong Zhaojin and its subsidiaries from time to time
“Shareholder(s)”	shareholder(s) of the Company
“Shares”	the ordinary shares of RMB1.00 each in the share capital of the Company, comprising Domestic Shares and H Shares
“subsidiary(ies)”	has the meaning ascribed thereto in the Listing Rules
“Transition Period”	the period from 1 January 2024 to the date of the EGM on which the Independent Shareholders approve (i) the provision of deposit and bills discounting services and the relevant proposed annual caps under the 2023 Group Financial Services Agreement, and (ii) the provision of deposit, loan and bills discounting services and the relevant proposed annual caps under the 2023 Parent Group Financial Services Agreement

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

Zhaoyuan, the PRC, 29 December 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

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

** For identification purpose only*