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ZHAOJIN

ZHAOJIN MINING INDUSTRY COMPANY LIMITED*

招金礦業股份有限公司

(a joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 1818)

**CONNECTED TRANSACTION
CAPITAL INCREASE AGREEMENT**

The Company is pleased to announce that on 11 September 2017, the Company, Shandong Zhaojin and Zhaojin Smelting entered into the Capital Increase Agreement pursuant to which the Parties agreed to increase the registered capital of the Finance Company by RMB1,000,000,000, i.e. from RMB500,000,000 to RMB1,500,000,000, in cash in proportion to their respective shareholding interest in the Finance Company. Accordingly, each of the Company, Shandong Zhaojin and Zhaojin Smelting will contribute RMB510,000,000, RMB400,000,000 and RMB90,000,000, respectively, in respect of the Capital Increase. Upon completion of the Capital Increase, the proportion of shareholding interest of the Company, Shandong Zhaojin and Zhaojin Smelting in the Finance Company will remain unchanged.

LISTING RULES IMPLICATIONS

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. The Finance Company, being a non wholly-owned subsidiary of the Company held as to 40% by Shandong Zhaojin, 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 capital contribution by the Company to the Finance Company constitutes a connected transaction of the Company. As the highest applicable percentage ratio in relation to such capital contribution by the Company is more than 0.1% but less than 5%, such capital contribution by the Company is subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Since Shandong Zhaojin is a connected person of the Company, its capital contribution to the Finance Company (being a subsidiary of the Company) also constitutes a connected transaction of the Company. However, such capital contribution by Shandong Zhaojin will be exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules given that Shandong Zhaojin's capital contribution will be made in proportion to its shareholding interest in the Finance Company.

As the highest applicable percentage ratio in relation to the capital contribution by Zhaojin Smelting into the Finance Company is less than 5%, such capital contribution by Zhaojin Smelting is exempt from the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

Reference is made to the Establishment Announcement. As at the date of this announcement, the Finance Company, a non wholly-owned subsidiary of the Company, has a registered capital of RMB500,000,000 and is held as to 51%, 40% and 9% by the Company, Shandong Zhaojin and Zhaojin Smelting, respectively.

The Company is pleased to announce that on 11 September 2017, the Company, Shandong Zhaojin and Zhaojin Smelting entered into the Capital Increase Agreement pursuant to which the Parties agreed to increase the registered capital of the Finance Company by RMB1,000,000,000, i.e. from RMB500,000,000 to RMB1,500,000,000, in cash in proportion to their respective shareholding interest in the Finance Company. Accordingly, each of the Company, Shandong Zhaojin and Zhaojin Smelting will contribute RMB510,000,000, RMB400,000,000 and RMB90,000,000, respectively, in respect of the Capital Increase. Upon completion of the Capital Increase, the proportion of shareholding interest of the Company, Shandong Zhaojin and Zhaojin Smelting in the Finance Company will remain unchanged.

The principal terms of the Capital Increase Agreement are summarised as follows:

CAPITAL INCREASE AGREEMENT

Date:

11 September 2017

Parties:

- (a) The Company;
- (b) Shandong Zhaojin; and
- (c) Zhaojin Smelting.

Shandong Zhaojin is the controlling shareholder and a connected person of the Company. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, as at the date of this announcement, Zhaojin Smelting and its ultimate beneficial owner are third parties independent of the Company and the connected persons of the Company.

Major Terms:

- (1) The Capital Increase

According to the terms and conditions of the Capital Increase Agreement, the Company, Shandong Zhaojin and Zhaojin Smelting agreed to make a capital contribution in the aggregate amount of RMB1,000,000,000 to the Finance Company. Among which, the Company agreed to make a capital contribution of RMB510,000,000 in cash, and Shandong Zhaojin and Zhaojin Smelting agreed to make capital contributions of RMB400,000,000 and RMB90,000,000 in cash, respectively.

The Company, Shandong Zhaojin and Zhaojin Smelting shall make their respective capital contribution in cash in one lump sum to the Finance Company within 30 days after the approval of Shandong CBRC in respect of the Capital Increase has been obtained.

The amount of capital contribution under the Capital Increase Agreement was arrived at after arm's length negotiation among the Company, Shandong Zhaojin and Zhaojin Smelting having regard to the operation needs of the Finance Company and their respective shareholding interest in the Finance Company. The Company intends to fund its capital contribution by internal resources.

The articles of association of the Finance Company will be amended accordingly upon completion of the Capital Increase.

(2) Conditions precedent

The Capital Increase is subject to the approval of Shandong CBRC.

SHAREHOLDING STRUCTURE OF THE FINANCE COMPANY

Set out below is a summary of the shareholding structure and the registered capital of the Finance Company before and after the Capital Increase:

Name of Shareholder	As at the date of this announcement and prior to completion of the Capital Increase		Capital contribution contemplated under the Capital Increase Agreement (RMB)	Upon completion of the Capital Increase	
	Registered capital of the Finance Company (RMB)	Shareholding		Registered capital of the Finance Company (RMB)	Shareholding
The Company	255,000,000	51%	510,000,000	765,000,000	51%
Shandong Zhaojin	200,000,000	40%	400,000,000	600,000,000	40%
Zhaojin Smelting	45,000,000	9%	90,000,000	135,000,000	9%
Total	500,000,000	100%	1,000,000,000	1,500,000,000	100%

REASONS FOR AND BENEFITS OF THE CAPITAL INCREASE

The Finance Company, a non wholly-owned subsidiary of the Company, 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, the Shandong Zhaojin Group and the Zhaojin Smelting Group. The Finance Company is a PRC non-bank financial institution and is regulated by the CBRC.

As at the date of this announcement and prior to the Capital Increase, the Finance Company has a registered and paid up capital of RMB500,000,000 and is owned as to 51%, 40% and 9% by the Company, Shandong Zhaojin and Zhaojin Smelting, respectively.

Upon completion of the Capital Increase, the proportion of shareholding interest of each of the Company, Shandong Zhaojin and Zhaojin Smelting in the Finance Company will remain unchanged.

The Capital Increase would expand the financing channels of the Finance Company, enhance its financing capacity, allow it to obtain statutory qualification and increase its investment amount for negotiable securities. At the same time, given that the Capital Increase would lay a foundation for the Finance Company to increase its investment amount for negotiable securities, the asset allocation flexibility of the Finance Company would be effectively enhanced.

In light of the above, the Directors (including the independent non-executive Directors) consider that the terms of the Capital Increase Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the Group and in the interest of the Company and the Shareholders as a whole.

Mr. Weng Zhanbin and Mr. Li Shousheng, are Directors and also executives of Shandong Zhaojin. Accordingly, they have abstained from voting on the Board resolutions approving the Capital Increase Agreement and the transactions contemplated thereunder.

FINANCIAL INFORMATION OF THE FINANCE COMPANY

Set out below is the financial information of the Finance Company prepared in accordance with the PRC accounting standards:

	Financial year ended 31 December	
	2015^(note)	2016
	<i>RMB(ten thousand)</i>	<i>RMB(ten thousand)</i>
Net profit before tax	545.58	2,220.71
Net profit after tax	407.55	1,664.18
Net assets	50,407.32	52,071.5

Note: the Finance Company was incorporated in the PRC on 1 July 2015.

As at 31 December 2016, the net asset value of the Finance Company was approximately RMB521 million.

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 capital operation, exploration, mining, processing and smelting of gold and silver ores.

Zhaojin Smelting is principally engaged in smelting of gold and silver, manufacturing and sale of electrolytic copper, sulfuric acid and sulfur concentrate; and sale of precious metal ore, non-ferrous metal ore and other types of ores. As at the date of the Establishment Announcement, Zhaojin Smelting was a wholly-owned subsidiary of Shandong Zhaojin. As at the date of this announcement, it is no longer a subsidiary of Shandong Zhaojin and is independent of the Company and the connected persons of the Company.

LISTING RULES IMPLICATIONS

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. The Finance Company, being a non wholly-owned subsidiary of the Company held as to 40% by Shandong Zhaojin, 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 capital contribution by the Company to the Finance Company constitutes a connected transaction of the Company. As the highest applicable percentage ratio in relation to such capital contribution by the Company is more than 0.1% but less than 5%, such capital contribution by the Company is subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Since Shandong Zhaojin is a connected person of the Company, its capital contribution to the Finance Company (being a subsidiary of the Company) also constitutes a connected transaction of the Company. However, such capital contribution by Shandong Zhaojin will be exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules given that Shandong Zhaojin's capital contribution will be made in proportion to its shareholding interest in the Finance Company.

As the highest applicable percentage ratio in relation to the capital contribution by Zhaojin Smelting into the Finance Company is less than 5%, such capital contribution by Zhaojin Smelting is exempt from the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement, the following terms have the meanings set out below unless the context requires otherwise:

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of directors of the Company
“Capital Increase”	the proposed capital increase in the aggregate amount of RMB1,000,000,000 in cash to the registered capital of the Finance Company by the Company, Shandong Zhaojin and Zhaojin Smelting as contemplated under the Capital Increase Agreement
“Capital Increase Agreement”	the capital increase agreement dated 11 September 2017 entered into among the Company, Shandong Zhaojin and Zhaojin Smelting regarding the Capital Increase
“CBRC”	China Banking Regulatory Commission

“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, the H Shares of which are listed on the Main Board of the Hong Kong Stock Exchange
“connected subsidiary”	has the meaning ascribed to it under the Listing Rules
“Directors”	directors of the Company
“Establishment Announcement”	the announcement of the Company dated 11 February 2015 relating to the establishment of the Finance Company
“Finance Company”	Shandong Zhaojin Group Finance Company Limited* (山東招金集團財務有限公司), a non wholly-owned subsidiary of the Company, details of which are more particularly set out under the section headed “Reasons for and Benefits of the Capital Increase”
“Group”	the Company and its subsidiaries
“H Share(s)”	the ordinary share(s) par value of RMB1.00 each in the registered capital of the Company which are listed and traded on the Hong Kong Stock Exchange
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“Parties”	the parties to the Capital Increase Agreement
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shandong CBRC”	China Banking Regulatory Commission, Shandong Office (中國銀行業監督管理委員會山東監管局)
“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 more particularly set out under the section headed “Information on the Parties”
“Shandong Zhaojin Group”	Shandong Zhaojin and its subsidiaries which satisfy the members qualifications

“Shares”	ordinary shares of RMB1.00 each in the share capital of the Company, comprising domestic Shares and H Shares
“Shareholder(s)”	holder(s) of the Share(s)
“Zhaojin Smelting”	Shandong Zhaojin Group Zhaoyuan Gold Smelting Company Limited* (山東招金集團招遠黃金冶煉有限公司), a third party independent of the Company and the connected persons of the Company, details of which are more particularly set out under the section headed “Information on the Parties”
“Zhaojin Smelting Group”	Zhaojin Smelting and its subsidiaries which satisfy the members qualifications
“%”	per cent

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

Zhaoyuan, the PRC, 11 September 2017

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

<i>Executive Directors:</i>	Mr. Weng Zhanbin, Mr. Li Xiuchen and Mr. Cong Jianmao
<i>Non-executive Directors:</i>	Mr. Liang Xinjun, Mr. Li Shousheng, Mr. Xu Xiaoliang and Mr. Gao Min
<i>Independent non-executive Directors:</i>	Ms. Chen Jinrong, Mr. Choy Sze Chung Jojo, Mr. Wei Junhao and Mr. Shen Shifu

* For identification purpose only