

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



**ZHAOJIN**

**ZHAOJIN MINING INDUSTRY COMPANY LIMITED\***

**招金礦業股份有限公司**

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

**(Stock Code: 1818)**

## **ANNOUNCEMENT**

### **CONTINUING CONNECTED TRANSACTIONS**

#### **(1) LAND LEASE AGREEMENT**

On 31 December 2017, the Company entered into the Land Lease Agreement with Shandong Zhaojin, pursuant to which Shandong Zhaojin agreed to lease certain land use rights to the Group for a term of three years commencing from 1 January 2018 to 31 December 2020.

#### **(2) GOLD REFINERY AGREEMENT**

On 31 December 2017, the Company entered into the Gold Refinery Agreement with Zhaojin Refinery, pursuant to which Zhaojin Refinery agreed to provide gold refining services to the Group for a term of three years commencing from 1 January 2018 to 31 December 2020.

#### **(3) DIGITAL MINE CONSTRUCTION TECHNOLOGY SERVICES AGREEMENT**

On 31 December 2017, the Company entered into the Digital Mine Construction Technology Services Agreement with Goldsoft Technology, pursuant to which Goldsoft Technology agreed to provide the Digital Mine Construction Technology Services to the Group for a term of three years commencing from 1 January 2018 to 31 December 2020.

#### **(4) FRAMEWORK AGREEMENT FOR SALES OF SILVER**

On 31 December 2017, the Company entered into the Framework Agreement for Sales of Silver with Zhaojin Import and Export, pursuant to which the Group agreed to sell silver to Zhaojin Import and Export and its subsidiaries for a term of three years commencing from 1 January 2018 to 31 December 2020.

## **CONTINUING CONNECTED TRANSACTIONS**

As at the date of this announcement, Shandong Zhaojin is the controlling Shareholder of the Company. Zhaojin Refinery, Goldsoft Technology and Zhaojin Import and Export are subsidiaries of Shandong Zhaojin and are therefore connected persons of the Company. Accordingly, the transactions contemplated under the Land Lease Agreement, the Gold Refinery Agreement, the Digital Mine Construction Technology Services Agreement and the Framework Agreement for Sales of Silver constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Given that the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of each of the Land Lease Agreement, the Gold Refinery Agreement, the Digital Mine Construction Technology Services Agreement and the Framework Agreement for Sales of Silver is more than 0.1% but less than 5%, the transactions contemplated under the Land Lease Agreement, the Gold Refinery Agreement, the Digital Mine Construction Technology Services Agreement and the Framework Agreement for Sales of Silver are subject to the reporting and announcement requirements but are exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

### **(1) LAND LEASE AGREEMENT**

#### **Date**

31 December 2017

#### **Parties**

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

#### **Leased land**

The land use rights of 20 parcels of land covering a total area of 649,689.64 sq.m. in Zhaoyuan, Shandong, the PRC.

#### **Term**

From 1 January 2018 to 31 December 2020

The Company has a priority right to lease the Subject Land Use Rights from Shandong Zhaojin in the event that Shandong Zhaojin continues to lease out the Subject Land Use Rights after expiry of the lease term under the Land Lease Agreement.

Subject to compliance with applicable laws and regulations and the articles of association of the Company and Shandong Zhaojin, the Land Lease Agreement may be renewed for a further term of one year at the request of the Company.

After the expiry of the term of the Subject Land Use Rights, if the Company needs to continue to lease the Subject Land Use Rights, Shandong Zhaojin shall be responsible for renewing the term of the Subject Land Use Rights.

The Company has the right to terminate the lease of some of the Subject Land Use Rights under the Land Lease Agreement by giving one month's prior written notice.

### **Rental and payment**

Shandong Zhaojin will lease the Subject Land Use Rights to the Company at market rates on a fair and reasonable basis. The parties to the Land Lease Agreement have agreed that the rentals charged by Shandong Zhaojin on the Company shall not be higher than the rentals charged by Shandong Zhaojin on any independent third party at that time for the same type of land in the normal course of business.

According to the Land Lease Agreement, the annual rentals for the Subject Land Use Rights for the three years ending 31 December 2018, 31 December 2019 and 31 December 2020 will be RMB9,700,662.97, RMB9,562,242.58 and RMB9,420,635.86, respectively. The rentals payable under the Land Lease Agreement are higher than that under the 2015 Land Lease Agreement mainly because the terms of certain Subject Land Use Rights are subject to renewal during the duration of the Land Lease Agreement and Shandong Zhaojin has to pay for the relevant land extension transfer fee and tax.

The rentals are payable by the Company to Shandong Zhaojin before 31 December of each year, in respect of the rentals of that year, by way of cash, bank transfer, bank acceptance bills or commercial bills. If the Company terminates the lease of all or some of the Subject Land Use Rights before the expiry of the Land Lease Agreement, the rentals shall be paid on the basis of the actual term for the lease of such Subject Land Use Right(s).

### **Other major terms**

The Company shall be responsible for the water, electricity and heating bills, as well as expenses for making alterations and additions (if Shandong Zhaojin consents to such alterations and additions) to the structures or buildings on the leased land. After the expiry of the lease term or termination of the Land Lease Agreement, Shandong Zhaojin has the priority right to purchase the additions made by the Company on the leased land.

During the term of the lease, if Shandong Zhaojin transfers the Subject Land Use Rights, Shandong Zhaojin should, by 30 days' prior written notice, inform the Company of such transfer and the Company has the priority right to purchase such land use rights on the same terms offered by the third party purchaser. Shandong Zhaojin has the obligation to notify the new holder of the land use rights of the existence and the terms of the Land Lease Agreement. If there is a change of the land use rights holder during the term of the lease, the Land Lease Agreement shall have legal effect between the Company and the new holder of the land use rights.

## Historical figures

The historical amounts of the rental for the leasing of land use rights by the Company from Shandong Zhaojin for the two years ended 31 December 2015 and 31 December 2016 and the eleven months ended 30 November 2017 are set out as follows:

	<b>For the year ended 31 December 2015</b>	<b>For the year ended 31 December 2016</b>	<b>For the eleven months ended 30 November 2017</b>
	<i>RMB' million</i>	<i>RMB' million</i>	<i>RMB' million</i>
	(approximately)	(approximately)	(approximately)
Land use rights rentals payable by the Company to Shandong Zhaojin	6.53	5.78	4.55

The annual cap of the rental for the leasing of land use rights by the Company from Shandong Zhaojin for the financial year ending 31 December 2017 under the 2015 Land Lease Agreement was RMB4,660,000, which has not been exceeded as at the date of this announcement and is not expected to be exceeded before 31 December 2017.

## Annual caps

The Company expects the annual caps for the annual rentals of the land use rights for the three years ending 31 December 2018, 31 December 2019 and 31 December 2020 shall not exceed RMB9,750,000, RMB9,600,000 and RMB9,450,000, respectively. These annual caps for the three years ending 31 December 2020 have been derived at after taking into consideration (i) the historical fees payable by the Company for the lease of the Subject Land Use Rights; (ii) the rentals payable by the Company under the Land Lease Agreement which have taken into account the land extension transfer fee and tax payable by Shandong Zhaojin in respect of the renewal of the terms of certain Subject Land Use Rights; and (iii) the depreciation and amortisation rates of the leased land. In view of factors such as the depreciation and amortisation rates of the leased land, the rentals for the three years ending 31 December 2020 show a decreasing trend.

## Pricing policies

The rental payable by the Company to Shandong Zhaojin for each parcel of land leased under the Land Lease Agreement is determined by the parties after arm's length negotiation having regard to the prevailing rental rate of comparable land in the proximity, taking into consideration the historical transaction amounts incurred, the rental charged by independent third party for similar type of land and the actual circumstances of the location of the leased land such as the applicable land use tax and depreciation and amortisation rates of the relevant piece of land.

The Land Lease Agreement also provided that the rental charged by Shandong Zhaojin on the Company shall not be higher than the rental charged by Shandong Zhaojin on any independent third party at that time for the same type of land in the normal course of business.

The pricing policies under the Land Lease Agreement will be reviewed regularly and if necessary to ensure that it is consistent with market-oriented, fair and reasonable principles.

## **Reasons for and benefits of entering into the Land Lease Agreement**

The Company has been leasing certain land use rights from Shandong Zhaojin for certain gold mines of the Company for ancillary and non-production purposes. The Directors consider that the continual use of the relevant land can facilitate and avoid unnecessary disruptions to the operations of the Group.

Given the aforesaid and after taking into account the terms of the Land Lease Agreement, the Directors (including the independent non-executive Directors) consider that the entering into of the Land Lease Agreement is in the interests of the Company and the Shareholders as a whole, and the terms thereof are fair and reasonable, and is entered into on normal commercial terms in the ordinary and usual course of business of the Company.

## **(2) GOLD REFINERY AGREEMENT**

### **Date**

31 December 2017

### **Parties**

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

### **Term**

From 1 January 2018 to 31 December 2020

Both parties are entitled to terminate the Gold Refinery Agreement by giving one month's prior written notice to the other party to the Gold Refinery Agreement.

### **Services**

The Company shall provide crude gold to Zhaojin Refinery to be refined into standard gold bullion and Zhaojin Refinery shall provide gold refining services to the Company to process the crude gold provided by the Company into standard 3kg Au99.95 gold bullion.

### **Consideration and payment**

The fees payable to Zhaojin Refinery shall be calculated based on the weight and gold content of the crude gold provided by the Company. The processing fee to be charged for the processing of crude gold shall be:

- (i) for crude gold with a gold content being greater than or equal to 99%, the processing fee will be RMB0.35 per gram of the crude gold;
- (ii) for crude gold with a gold content being less than 99%, the processing fee per gram of the crude gold will be arrived at after arm's length negotiations between the parties.

The parties to the Gold Refinery Agreement agreed that the fees at which Zhaojin Refinery provides gold refining services to the Company shall not be higher than the fees charged by Zhaojin Refinery on any independent third party at that time for the same type of services provided in the normal course of business and shall not be higher than the price offered by any independent third party to the Company at that time for same type of services provided.

Refining fees should be settled based on the weight of the crude gold processed each month, and payment should be made by the Company in the following month by way of bank acceptance bills, commercial bills or any other method accepted by Zhaojin Refinery.

### **Other major terms**

The Company is entitled to engage any other third party to provide gold refining services without seeking the consent of Zhaojin Refinery.

In the event that Zhaojin Refinery's production capacity is insufficient to accommodate the needs of all its customers, under the same terms and conditions, it will give priority to the Group's processing needs.

In the event that the amount of crude gold provided to Zhaojin Refinery is within 150 kilograms, Zhaojin Refinery shall deliver the standard gold bullion within three days. In the event that the amount of crude gold provided to Zhaojin Refinery is greater than 150 kilograms, Zhaojin Refinery shall deliver 150 kilogram of standard gold bullion within three days and the delivery time for the remaining gold bullion shall be agreed by both parties taking into account the amount of crude gold to be processed and the production conditions (the production capacity of standard gold bullion within three days should be 150 kilograms) of Zhaojin Refinery.

### **Historical figures**

The historical amounts of the fees for the provision of gold refining services by Zhaojin Refinery to the Group for the two years ended 31 December 2015 and 31 December 2016 and the eleven months ended 30 November 2017 are set out as follows:

	<b>For the year ended 31 December 2015</b>	<b>For the year ended 31 December 2016</b>	<b>For the eleven months ended 30 November 2017</b>
	<i>RMB' million</i>	<i>RMB' million</i>	<i>RMB' million</i>
	(approximately)	(approximately)	(approximately)
Gold refinery fee payable by the Group to			
Zhaojin Refinery	7.41	7.23	5.15

The annual cap of the fee for the provision of gold refining services by Zhaojin Refinery to the Group for the financial year ending 31 December 2017 under the 2015 Gold Refinery Agreement was RMB9,900,000 which has not been exceeded as at the date of this announcement and is not expected to be exceeded before 31 December 2017.

## **Annual caps**

The Company expects that the annual caps for the annual fees payable by the Company to Zhaojin Refinery for the provision of gold refining services for each of the three years ending 31 December 2018, 31 December 2019 and 31 December 2020 shall not exceed RMB12.60 million.

The above annual caps are arrived at after taking into account (i) the historical fees payable by the Company to Zhaojin Refinery for the provision of gold refining services; and (ii) the expected sales and production of gold by the Group. In view of the anticipated increase in our gold production capacity and other factors such as sales strategy having regard to anticipated gold price trend and production capability, the annual caps for the transactions under the Gold Refinery Agreement will be higher than those in the past three years.

## **Pricing policies**

The processing fee per gram for crude gold with gold content less than 99% is determined by the parties to the Gold Refinery Agreement after arm's length negotiation having regard to the price charged by similar service providers in the local market. The terms offered by Zhaojin Refinery to the Company shall be no less favourable than that offered by independent third party refineries to the Company.

The Gold Refinery Agreement also provided that the fees at which Zhaojin Refinery provides gold refining services to the Company shall not be higher than the fees charged by Zhaojin Refinery on any independent third party at that time for the same type of services provided in the normal course of business and shall not be higher than the fees charged by any independent third party to the Group at that time for the provision of same type of services.

The pricing policies under the Gold Refinery Agreement will be reviewed regularly and if necessary to ensure that it is consistent with market-oriented, fair and reasonable principles.

## **Reasons for and benefits of entering into the Gold Refinery Agreement**

PRC laws and regulations require gold refining to be carried out at a refinery that has been licensed by the Shanghai Gold Exchange to produce standard gold bullion. The Group is not a qualified gold refinery and has to rely on other enterprises that possess the relevant licence to refine crude gold to standard gold bullion. Zhaojin Refinery is a licensed gold refinery in the PRC and has been being commissioned by the Company to refine golds since its incorporation.

Given the aforesaid and after taking into account the terms of the Gold Refinery Agreement, the Directors (including the independent non-executive Directors) consider that the entering into of the Gold Refinery Agreement is in the interests of the Company and the Shareholders as a whole, and the terms thereof are fair and reasonable, and is entered into on normal commercial terms in the ordinary and usual course of business of the Company.

### **(3) DIGITAL MINE CONSTRUCTION TECHNOLOGY SERVICES AGREEMENT**

#### **Date**

31 December 2017

#### **Parties**

- (i) The Company; and
- (ii) Goldsoft Technology

#### **Term**

From 1 January 2018 to 31 December 2020

The Company is entitled to terminate the Digital Mine Construction Technology Services Agreement by giving one month's prior written notice to Goldsoft Technology.

#### **Digital Mine Construction Technology Services**

Goldsoft Technology agreed to provide to the Group overall planning, specified implementation and technology services for its digital mining, which include (i) digital mine construction services such as informatization, automation, digitalization and intelligentization of mines, mainly including digital systems for mine exploration and mining, and information systems for assessment of economic ore bodies, dispatching command for safety production, production and operation management, business integration platform and data integration platform; (ii) "six major systems" for safe operation and monitoring and control systems such as industrial network and monitoring, underground wireless communication, tracking and positioning of personnel and equipment, underground online monitoring and control, safe operation, dispatching command for safety production, monitoring and early warning for tailings safety and earth pressure monitoring, automation control systems for underground ventilation, drainage, transportation, promotion and ore processing, filling and smelting; and (iii) digitalization and intelligentization systems for integration of digitalization and intelligentization, big data analysis and cloud platform.

As the Digital Mine Construction Technology Services Agreement is only a framework agreement, the parties will enter into specific product or services contracts for the Digital Mine Construction Technology Services to be provided by Goldsoft Technology to the Group and such specific product or services contracts shall be in line with the principles of the Digital Mine Construction Technology Services Agreement.

#### **Consideration and payment**

The parties to the Digital Mine Construction Technology Services Agreement agreed that the price at which Goldsoft Technology provides the Digital Mine Construction Technology Services to the Company shall be based on market rates and shall not be higher than the price charged by Goldsoft Technology on any independent third party at that time for the provision of the same type of services in the normal course of business and shall not be higher than the price offered by any independent third party to the Group at that time for the provision of same type of services.



## Other major terms

The services provided by Goldsoft Technology to the Company shall not be inferior to those supplied by other third parties.

The Company is entitled to engage any other third parties to provide the Digital Mine Construction Technology Services. In the event that Goldsoft Technology cannot meet the demand of the Company in any aspect (including but not limited to technology, quality and quantity), the Company is entitled to instruct other third parties for the provision of the same or similar kinds of Digital Mine Construction Technology Services.

In the event that Goldsoft Technology's capability of its technological services is insufficient to accommodate the needs of all its customers, it will give priority to the Group's needs provided that the terms offered by the Group to Goldsoft Technology are no less favourable than the terms offered by third parties.

## Historical figures

The historical amounts of the fees for the provision of Digital Mine Construction Technology Services by Goldsoft Technology to the Group for the two years ended 31 December 2015 and 31 December 2016 and the eleven months ended 30 November 2017 are set out as follows:

	<b>For the year ended 31 December 2015</b>	<b>For the year ended 31 December 2016</b>	<b>For the eleven months ended 30 November 2017</b>
	<i>RMB' million</i>	<i>RMB' million</i>	<i>RMB' million</i>
	(approximately)	(approximately)	(approximately)
Fee payable by the Group to Goldsoft Technology for the Digital Mine Construction Technology Services	15.74	17.66	11.39

The annual cap of the fee for the provision of digital mine construction technology services by Goldsoft Technology to the Group for the financial year ending 31 December 2017 under the 2015 Digital Mine Construction Technology Services Agreement was RMB65,000,000 which has not been exceeded as at the date of this announcement and is not expected to be exceeded before 31 December 2017.

## Annual caps

The Company expects the annual caps for the provision of the Digital Mine Construction Technology Services for the three years ending 31 December 2018, 31 December 2019 and 31 December 2020 shall not exceed RMB30 million, RMB32 million and RMB35 million, respectively.

The annual caps have been determined with reference to: (i) the historical fees paid by the Company to Goldsoft Technology for the provision of the Digital Mine Construction Technology Services; (ii) the need for the Digital Mine Construction Technology Services in upgrading / enhancing the facilities of the existing mines of the Group; (iii) the need for the Digital Mine Construction Technology Services in the newly-acquired mines of the Group; and (iv) the price of the Digital Mine Construction Technology Services as quoted by Goldsoft Technology.

### **Pricing policies**

The Company will have a public tender process to invite bids from service providers for the provision of the Digital Mine Construction Technology Services. Only when the price tendered by Goldsoft Technology is fair and reasonable, having regard to factors such as the site of provision of such kind of services, the complexity of the services provided, the actual workload required and the time of completion, may Goldsoft Technology be awarded with a specific operational contract.

The Digital Mine Construction Technology Services Agreement also provided that the prices at which Goldsoft Technology provides the Digital Mine Construction Technology Services to the Company shall not be higher than the prices charged by Goldsoft Technology on any independent third party at that time for the provision of the same type of services provided in the normal course of business and shall not be higher than the price offered by any independent third party to the Company at that time for the provision of same type of services.

The pricing policies under the Digital Mine Construction Technology Services Agreement will be reviewed regularly and if necessary to ensure that it is consistent with market oriented, fair and reasonable principles.

### **Reasons for and benefits of entering into the Digital Mine Construction Technology Services Agreement**

In recent years, the Company has been committed to the safe production of non-coal mine, the enhancement of its safe production and management level, the promotion of digitalisation of mining process and the construction of digital mine. The Group considers that a comprehensive improvement of the application of information technology and computers is important for enhancing the geology, survey and mining processes and facilitating production planning and management and safety, which in turn will accelerate the pace of mechanization, automation and digitalization of the Group's mines. Goldsoft Technology, being a well-known high-tech enterprise in the gold industry, is engaged in the provision of information technology services and digital mine construction services, and possesses years of experience in the provision of information, automated and digital systems for mines and has been providing the Digital Mine Construction Technology Services to Shandong Zhaojin over the years.

Given the aforesaid and after taking into account the terms of the Digital Mine Construction Technology Services Agreement, the Directors (including the independent non-executive Directors) consider that the entering into of the Digital Mine Construction Technology Services Agreement is in the interests of the Company and the Shareholders as a whole, and the terms thereof are fair and reasonable, and is entered into on normal commercial terms in the ordinary and usual course of business of the Company.

#### **(4) FRAMEWORK AGREEMENT FOR SALES OF SILVER**

##### **Date**

31 December 2017

##### **Parties**

- (i) The Company; and
- (ii) Zhaojin Import and Export

##### **Term**

From 1 January 2018 to 31 December 2020

Subject to compliance with applicable laws and regulations and the Listing Rules, the Framework Agreement for Sales of Silver may be extended or renewed by the parties.

##### **Products to be sold by the Group to Zhaojin Import and Export**

Silver (around Ag 99.0%)

##### **Consideration and payment**

The Group agreed to sell silver to Zhaojin Import and Export at market price, which will be determined on a fair basis with reference to the morning or afternoon spot settlement price of No. 2 Silver quoted on Shanghai Huatong on the date of price determination and taking the highest price quoted by other buyers of silver during the period of 1 January 2018 to 31 December 2020. The parties to the Framework Agreement for Sales of Silver have agreed that the price at which the Group sells silver to Zhaojin Import and Export shall not be lower than the price charged by the Group on independent third parties for the sales of same type of silver.

Payment should be made by Zhaojin Import and Export within two days from the date of price determination by bank draft or telegraphic transfer. After full payment of the purchase price by Zhaojin Import and Export, the Group shall deliver silver to Zhaojin Import and Export.

##### **Other major terms**

According to the Framework Agreement for Sales of Silver, each party shall give priority in purchasing products from or selling products to the other party provided that the terms offered by third parties are no more favourable than the terms offered by the other party.

Both parties are entitled to sell products to, or purchase products from, third parties if the third parties purchase or sell the same or similar products at a more favourable price than the price available under the Framework Agreement for Sales of Silver.

Subject to compliance with the provisions of the Framework Agreement for Sales of Silver, the purchasing party is entitled to purchase the same or similar products from third parties if the provision of products sold by the selling party cannot meet the demand (either quantitative or qualitative) of the purchasing party.

The parties shall ensure and procure their respective subsidiaries to enter into specific product supply agreements, subject to compliance with the terms of the Framework Agreement for Sales of Silver.

### Historical figures

The historical amounts of the fees for sales of silver by the Group to Zhaojin Import and Export for the two years ended 31 December 2015 and 31 December 2016 and the eleven months ended 30 November 2017 are set out as follows:

	<b>For the year ended 31 December 2015</b>	<b>For the year ended 31 December 2016</b>	<b>For the eleven months ended 30 November 2017</b>
	<i>RMB' million</i>	<i>RMB' million</i>	<i>RMB' million</i>
	(approximately)	(approximately)	(approximately)
Sales of silver by the Group to Zhaojin Import and Export	7	198.70	59.41

The annual cap of the fee for sales of silver by the Group to Shandong Zhaojin Group for the financial year ending 31 December 2017 under the 2015 Framework Agreement for Sales of Silver was RMB270,000,000 which has not been exceeded as at the date of this announcement and is not expected to be exceeded before 31 December 2017.

### Annual caps

The Company expects the annual caps for the sales of silver (excluding value-added tax) for the three years ending 31 December 2018, 31 December 2019 and 31 December 2020 shall not exceed RMB200 million, RMB240 million and RMB288 million, respectively, which are determined with reference to: (i) the historical sales of silver by the Group; (ii) the market price of silver; and (iii) the possible increase in the price of silver in light of the historical fluctuations in the price of silver.

### Pricing Policies

The prices of silver to be sold to Zhaojin Import and Export will be based on market price, which will be determined on a fair basis with reference to the morning or afternoon spot settlement price of No. 2 Silver quoted on Shanghai Huatong on the date of price determination and taking the highest price quoted by other buyers of silver. The price at which the Group sells silver to Zhaojin Import and Export shall not be lower than the price charged by the Group on independent third parties for the sales of same type of silver.

### Reasons for and benefits of entering into the Framework Agreement for Sales of Silver

Zhaojin Import and Export is a well-established enterprise and a member of Shanghai Huatong. As the Company and Zhaojin Import and Export are both subsidiaries of Shandong Zhaojin and according to the payment terms of the Framework Agreement for Sales of Silver, the Company is entitled to deliver silver to Zhaojin Import and Export after payment is received by the Company, which can ensure that the payment will not be delayed and minimizes the credit risks involved.

Given the aforesaid and after taking into account the terms of the transactions under the Framework Agreement for Sales of Silver, the Directors (including the independent non-executive Directors) consider that the entering into of the Framework Agreement for Sales of Silver is in the interests of the Company and the Shareholders as a whole, and the terms thereof are fair and reasonable, and is entered into on normal commercial terms in the ordinary and usual course of business of the Company.

## **INTERNAL CONTROL MEASURES**

The Company has established various internal control measures in order to ensure that the transactions contemplated under the Land Lease Agreement, the Digital Mine Construction Technology Services Agreement, the Gold Refinery Agreement and the Framework Agreement for Sales of Silver are in accordance with the pricing policies and the terms of each of the Land Lease Agreement, the Digital Mine Construction Technology Services Agreement, the Gold Refinery Agreement and the Framework Agreement for Sales of Silver and are on normal commercial terms and no less favourable to the Company than terms quoted to independent third parties. Such internal control measures mainly include the following:

- (i) the managers overseeing the transactions will regularly review the terms of such transactions to ensure that the rentals/fees charged by Shandong Zhaojin, Goldsoft Technology and Zhaojin Refinery, respectively, and the prices charged to Zhaojin Import and Export will reflect the prevailing market rates and will be on an arm's length basis under normal commercial terms;
- (ii) the financial department of the Company will consolidate, on a monthly basis, the transaction amounts under each of these agreements incurred for the previous month and the results will be reported to the management of the Company and the Board. The financial department will inform the management of the Company and the Board on a timely basis in the event the annual cap for any of these agreements is likely to be exceeded;
- (iii) the external auditors of the Company will report by issuing a letter to the Board every year on the continuing connected transactions of the Company in relation to the pricing policies and annual caps of the continuing connected transactions (including the transactions contemplated under the Land Lease Agreement, the Digital Mine Construction Technology Services Agreement, the Gold Refinery Agreement and the Framework Agreement for Sales of Silver) of the Company conducted during the preceding financial year pursuant to the Listing Rules; and
- (iv) the independent non-executive Directors of the Company will conduct an annual review with respect to the continuing connected transactions of the Company throughout the preceding financial year and confirm on the transactional amounts and terms of the continuing connected transactions in the annual report of the Company pursuant to the requirements under the Listing Rules, and to ensure that they are entered into on normal commercial terms, are fair and reasonable, and are carried out pursuant to the terms of the relevant agreements governing the continuing connected transactions.

By implementing the above procedures and measures, the Directors consider that the Company has established an adequate internal control system to ensure the relevant continuing connected transactions under the Land Lease Agreement, the Digital Mine Construction Technology Services Agreement, the Gold Refinery Agreement and the Framework Agreement for Sales of Silver are conducted in accordance with the terms of such agreements, on normal commercial terms (or terms no less favourable to the Company than terms available to or offered by independent third parties) and in accordance with the pricing policies of the Company, which are fair and reasonable and in the interest of the Company and its shareholders as a whole.

## **INFORMATION ON THE PARTIES**

1. The Group is principally engaged in gold exploration, mining, ore processing and smelting, and processing and sales of by-products in the PRC.
2. Shandong Zhaojin is principally engaged in the business of gold exploration, mining and refining, and has investments in gold exploration, mining, smelting and refining and other gold-related businesses.
3. Zhaojin Refinery is principally engaged in the smelting of gold and silver, acquisition, processing and sales of precious metal compounds in the PRC.
4. Goldsoft Technology is principally engaged in the provision of information and automated systems for mines and digital mine and smart mine construction in the PRC.
5. Zhaojin Import and Export is principally engaged in import and export of goods and technology, industry investment permitted under the state policies, mining technology consulting services (other than those prohibited by the state, and those a operating permit is required should be operated with permits) and sales of gold, silver, jewellery and chemical products (except chemical hazards).

## **BOARD'S APPROVAL**

The Land Lease Agreement, the Gold Refinery Agreement, the Digital Mine Construction Technology Services Agreement and the Framework Agreement for Sales of Silver were approved by the Board on 31 December 2017 and none of the Directors has any material interest in the transactions contemplated thereunder. Mr. Weng Zhanbin and Mr. Li Shousheng have abstained from voting at the Board's meeting to approve the Land Lease Agreement, the Gold Refinery Agreement, the Digital Mine Construction Technology Services Agreement and the Framework Agreement for Sales of Silver by virtue of being management staffs of Shandong Zhaojin.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, Shandong Zhaojin is the controlling Shareholder of the Company. Zhaojin Refinery, Goldsoft Technology and Zhaojin Import and Export are subsidiaries of Shandong Zhaojin and are therefore connected persons of the Company. Accordingly, the transactions contemplated under the Land Lease Agreement, the Gold Refinery Agreement, the Digital Mine Construction Technology Services Agreement and the Framework Agreement for Sales of Silver constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Given that the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of each of the Land Lease Agreement, the Gold Refinery Agreement, the Digital Mine Construction Technology Services Agreement and the Framework Agreement for Sales of Silver is more than 0.1% but less than 5%, the transactions contemplated under the Land Lease Agreement, the Gold Refinery Agreement, the Digital Mine Construction Technology Services Agreement and the Framework Agreement for Sales of Silver are subject to the reporting and announcement requirements but are exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

## DEFINITIONS

“2015 Digital Mine Construction Technology Services Agreement”	the digital mine construction technology services agreement dated 20 March 2015 entered into between the Company and Goldsoft Technology
“2015 Gold Refinery Agreement”	the gold refinery agreement dated 20 March 2015 entered into between the Company and Zhaojin Refinery
“2015 Land Lease Agreement”	the land lease agreement dated 20 March 2015 entered into between the Company and Shandong Zhaojin
“2015 Framework Agreement for Sales of Silver”	The framework agreement for sales of silver dated 20 March 2015 entered into between the Company and Zhaojin Import and Export
“Ag”	the symbol of the chemical element of silver
“Au99.95”	the common standard for denoting gold purity adopted by the Shanghai Gold Exchange to conform with international practice, in which Au99.95 gold denotes gold contents of 99.95% or above
“Board”	the board of Directors
“Company”	Zhaojin Mining Industry Company Limited* (招金礦業股份有限公司) (Stock Code: 1818), a joint stock limited company established in the PRC on 16 April 2004, the issued H Shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Digital Mine Construction Technology Services”	digital mine construction software and digital mine system integration, details of which are set out in the paragraph headed “Digital Mine Construction Technology Services” in the section headed “Digital Mine Construction Technology Services Agreement” in this announcement
“Digital Mine Construction Technology Services Agreement”	the framework agreement dated 31 December 2017 entered into between Goldsoft Technology and the Company in relation to the provision of Digital Mine Construction Technology Services by Goldsoft Technology to the Group
“Directors”	directors of the Company
“Framework Agreement for Sales of Silver”	the framework agreement for sales of silver dated 31 December 2017 entered into between the Company and Zhaojin Import and Export in relation to the sales of silver by the Group to Zhaojin Import and Export and its subsidiaries

“Gold Refinery Agreement”	the agreement dated 31 December 2017 entered into between Zhaojin Refinery and the Company in relation to the provision of gold refining services by Zhaojin Refinery to the Group
“Goldsoft Technology”	山東金軟科技股份有限公司 (Shandong Goldsoft Technology Company Limited*), a limited liability company established in the PRC on 27 August 2001, which is owned as to 67.37% by Shandong Zhaojin as at the date of this announcement
“Group”	the Company and its subsidiaries from time to time
“H Shares”	overseas listed foreign shares of the Company with a nominal value of RMB1 each which are listed on the Stock Exchange and traded in Hong Kong dollars
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Land Lease Agreement”	the land lease agreement dated 31 December 2017 entered into between Shandong Zhaojin and the Company in relation to the lease of the land use rights for 20 parcels of land with an aggregate areas of 649,689.64 sq.m. in Zhaoyuan, Shandong, the PRC by Shandong Zhaojin to the Group
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“No. 2 Silver”	2號國標白銀, being silver with a silver content of 99.95%
“PRC”	the People’s Republic of China
“Shandong Zhaojin”	山東招金集團有限公司 (Shandong Zhaojin Group Company Limited*), a state-owned limited company established in the PRC on 28 June 1992 and a promoter of the Company and the controlling Shareholder as at the date of this announcement
“Shandong Zhaojin Group”	Shandong Zhaojin and its subsidiaries from time to time
“Shanghai Huatong”	Shanghai Huatong Silver Exchange (上海華通鎊銀交易市場), an integrated non-ferrous metals service provider established by the China General Chamber of Commerce in July 2003, which is principally engaged in the trading of silver and bidding and sales of non-ferrous metals, as well as an authority of the price quotation of valuable metals



“Share(s)”	share(s) of RMB1 each in the capital of the Company, comprising the domestic shares of the Company and the H Shares
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subject Land Use Rights”	the land use rights which are the subject matter under the Land Lease Agreement
“Zhaojin Import and Export”	山東招金進出口股份有限公司 (Shandong Zhaojin Import and Export Company Limited*), which is owned as to 54% by Shandong Zhaojin and 10% by Zhaojin Refinery as at the date of this announcement
“Zhaojin Refinery”	山東招金金銀精煉有限公司 (Shandong Zhaojin Gold and Silver Refinery Company Limited*), a limited liability company established in the PRC on 16 October 2001 and a 80.5% owned subsidiary of Shandong Zhaojin as at the date of this announcement
“RMB”	Renminbi, the lawful currency of the PRC
“sq.m.”	square meter(s)
“%”	per cent.

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

Zhaoyuan, the PRC, 31 December 2017

*As at the date of this announcement, the Board comprises Mr. Weng Zhanbin, Mr. Li Xiuchen and Mr. Cong Jianmao as executive Directors, Mr. Liang Xinjun, Mr. Li Shousheng, Mr. Xu Xiaoliang and Mr. Gao Min as non-executive Directors, Ms. Chen Jinrong, Mr. Choy Sze Chung Jojo, Mr. Wei Junhao and Mr. Shen Shifu as independent non-executive Directors.*

\* For identification purposes only