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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
CONTINUING CONNECTED TRANSACTIONS**

GOLD CONCENTRATES SALES FRAMEWORK AGREEMENT

On 25 August 2023, the Company entered into the Gold Concentrates Sales Framework Agreement with Shandong Zhaojin, pursuant to which the Group has agreed to sell Gold Concentrates to the Purchaser for a term of three years from 1 January 2023 to 31 December 2025.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Shandong Zhaojin is a controlling Shareholder of the Company. Shandong Zhaojin and its subsidiaries are connected persons of the Company pursuant to Rule 14A.07 of the Listing Rules. Accordingly, the transactions contemplated under the Gold Concentrates Sales Framework Agreement constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) of the annual caps of the transactions contemplated under the Gold Concentrates Sales Framework Agreement is more than 0.1% but less than 5%, the transactions contemplated under the Gold Concentrates Sales Framework Agreement shall be subject to the reporting, annual review and announcement requirements but are exempt from the circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 25 August 2023, the Company entered into the Gold Concentrates Sales Framework Agreement with Shandong Zhaojin, pursuant to which the Group has agreed to sell Gold Concentrates to the Purchaser for a term of three years from 1 January 2023 to 31 December 2025.

GOLD CONCENTRATES SALES FRAMEWORK AGREEMENT

Date of agreement

25 August 2023

Parties

- (i) Vendor: the Company (for itself and on behalf of the Group); and
- (ii) Purchaser: Shandong Zhaojin (for itself and on behalf of its subsidiaries, but excluding Zhaojin Non-Ferrous and its subsidiaries)

Term

From 1 January 2023 to 31 December 2025 (no transaction was made under the Gold Concentrates Sales Framework Agreement from 1 January 2023 to the date of entering into the Gold Concentrates Sales Framework Agreement)

Subject to the compliance with applicable laws and regulations including the Listing Rules as well as the articles of association of each of the parties, the Gold Concentrates Sales Framework Agreement may be extended or renewed by the parties.

Products to be sold under the Gold Concentrates Sales Framework Agreement

Gold Concentrates.

Principal terms

Pursuant to the Gold Concentrates Sales Framework Agreement, the Group has agreed to sell, and the Purchaser has agreed to purchase, the Gold Concentrates. The Group and the Purchaser shall determine the details of the quantity and price of Gold Concentrates to be sold by the Group to the Purchaser depending on the market conditions and the demand of the Purchaser, and set out such details in the specific executive agreements.

Specific executive agreement

During the term of the Gold Concentrates Sales Framework Agreement, the Group and the Purchase may, from time to time and as necessary, enter into specific executive agreement in respect of each transaction contemplated under the Gold Concentrates Sales Framework Agreement.

Pricing policy

The pricing of Gold Concentrates shall be determined with reference to the market prices of gold concentrates at the time of the specific transactions to be made under the Gold Concentrates Sales Framework Agreement and on a fair basis. The parties will also fully consider factors including the quality, grade, recovery rate, capital security and delivery time of the products, and reflect such factors in the specific executive agreements.

Furthermore, the following factors shall be taken into account and the following measures shall be implemented when determining the selling price of Gold Concentrates:

- (i) The price of Gold Concentrates shall be determined according to a pricing methodology (the “**Gold Price Based Pricing Methodology**”) as follows:

in view of the different business locations of the Group, (a) the pricing of Gold Concentrates produced from abroad is based on the closing price of international spot gold on the price determination date as the benchmark price, and then multiplied by the relevant price coefficient; (b) while the pricing of domestic Gold Concentrates is based on the weighted average price of spot 1# gold, 2# gold or TD quoted on the Shanghai Gold Exchange (上海黄金交易所) on the price determination date as the benchmark price, and then multiplied by the relevant price coefficient. The above price coefficient will be affected by a number of factors, including the quality, grade and recovery rate of the Gold Concentrates. The Gold Price Based Pricing Methodology shall be applied not only to the sale of Gold Concentrates by the Group to the Purchaser under the Gold Concentrates Sales Framework Agreement (the “**Connected Sales**”), but also to the sale of gold concentrates by the Group to other independent third parties. Such pricing methodology is also commonly used in the mining industry.

- (ii) In addition to the Gold Price Based Pricing Methodology, the price at which the Group sells Gold Concentrates under the Connected Sales shall be no less favourable to the Group than the prices at which the Group sells comparable gold concentrates to independent third parties within one month prior to the Connected Sales (the “**Comparable Sales**”). As the Group also sells gold concentrates in the ordinary course of business, the Group has always been able to identify Comparable Sales.

Payment arrangement

The payment method shall be separately agreed by both parties according to the product conditions when they enter into the specific executive agreement, but for each specific transaction, the Purchaser shall take delivery of the goods after making full payment.

Other principal terms

Pursuant to the Gold Concentrates Sales Framework Agreement, entering into the Gold Concentrates Sales Framework Agreement does not preclude the parties from selecting counterparties and conducting transactions with them independently.

HISTORICAL FIGURES

The Group did not sell gold concentrates to the Purchaser in previous years and prior to entering into the Gold Concentrates Sales Framework Agreement.

ANNUAL CAPS

The Group expects that the annual caps for the sales of Gold Concentrates to the Purchaser under the Gold Concentrates Sales Framework Agreement for the years ending 31 December 2023, 31 December 2024 and 31 December 2025 will not exceed RMB70 million, RMB150 million and RMB200 million, respectively.

In determining the above annual caps, the factors considered by the Group include: (i) the Group's previous and future production capacity of gold concentrates; (ii) the historical transaction amounts and volume of gold concentrates sold by the Group to independent third parties; (iii) the market prices of gold concentrates in previous years and the trend of its future movements; (iv) the Purchaser's historical demand and estimated future demand for gold concentrates; and (v) the Purchaser's historical processing capacity and estimated future processing capacity for gold concentrates.

REASONS FOR AND BENEFITS OF ENTERING INTO THE GOLD CONCENTRATES SALES FRAMEWORK AGREEMENT

- (i) Some of the gold concentrates produced by the Group contain complex elements and the Group's smelting process and technology are temporarily unable to commercialise these gold concentrates, while the smelting process and technology of the Purchaser can commercialise these gold concentrates. Therefore, the sale of these gold concentrates to the Purchaser can increase the utilisation rate of the gold concentrates of the Group and generate stable income for the Group.
- (ii) Shandong Zhaojin, as the controlling Shareholder of the Company, has good reputation and strong financial strength that can guarantee the timely and full payment for the transactions contemplated under the Gold Concentrates Sales Framework Agreement.
- (iii) Entering into the Gold Concentrates Sales Framework Agreement will enable the Company to generate stable income and the Purchaser will take delivery of the goods by itself after making full payment for each specific transaction, so as to save the cost of sales while minimizing the sales risk of the Company.

Based on the above and after taking into account the terms of the transactions under the Gold Concentrates Sales Framework Agreement, the Directors (including the independent non-executive Directors) consider that the entering into of the Gold Concentrates Sales Framework Agreement is in the interests of the Company and the Shareholders as a whole, and the terms thereof are fair and reasonable and are 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 Gold Concentrates Sales Framework Agreement are conducted in accordance with the pricing policies and terms of the Gold Concentrates Sales Framework Agreement, and are on normal commercial terms which are no less favourable than those offered to independent third parties. Such internal control measures mainly include the following:

- (i) Before entering into specific executive agreements pursuant to the Gold Concentrates Sales Framework Agreement, the business department of the Company will review the specific executive agreements and ensure that the Gold Price Based Pricing Methodology has been properly adopted in determining the price of Gold Concentrates, and the relevant price coefficient has been correctly stipulated in the specific executive agreements. If the terms and conditions are subject to revision due to actual changes in circumstances, the appropriate approval process shall be re-performed.
- (ii) The business department of the Company will continuously monitor the pricing terms, collection arrangements and actual transaction amounts of each of the specific executive agreement in relation to the Gold Concentrates Sales Framework Agreement, and will continuously identify and record the prices of gold concentrates under the Comparable Sales, and compare them with the prices of Gold Concentrates under the Connected Sales. The audit department and compliance department of the Company will check the execution of the relevant management systems of the Company in the internal control evaluation on a semi-annual basis, and conduct spot checks on the above information to ensure that the transactions under the Gold Concentrates Sales Framework Agreement are in compliance with the relevant management systems of the Company.
- (iii) The management of the Company will regularly review the terms of the Gold Concentrates Sales Framework Agreement and conduct spot checks on the execution of specific executive agreements and relevant transactions under the Gold Concentrates Sales Framework Agreement, in particular, on whether (a) the Gold Price Based Pricing Methodology has been properly adopted; (b) the relevant price coefficient has been correctly stipulated; and (c) the staff of the business department of the Company have compared the price of Gold Concentrates under the Connected Sales with the prices of gold concentrates under the Comparable Sales, to ensure that the execution of such specific executive agreements and transactions are in compliance with the provisions of the Gold Concentrates Sales Framework Agreement, and the terms of the Gold Concentrates Sales Framework Agreement are fair and reasonable and in the interest of the Company and its Shareholders as a whole.
- (iv) The business department of the Company will consolidate, on a monthly basis, the transaction accounts under the agreement incurred for the preceding month, and the accounts will be reported to the management of the Company and the Board. The business department of the Company will inform the management of the Company and the Board on a timely basis in the event the annual cap for the agreement is likely to be exceeded.
- (v) 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 (including the Gold Concentrates Sales Framework Agreement) conducted throughout the preceding financial year pursuant to the Listing Rules in relation to the pricing policies and annual caps therein.

- (vi) The independent non-executive Directors of the Company will conduct an annual review with respect to the continuing connected transactions of the Company (including the Gold Concentrates Sales Framework Agreement) throughout the preceding financial year pursuant to the requirements under the Listing Rules, and confirm on the transaction amounts and terms of such continuing connected transactions in the annual report of the Company and make sure that these transactions are entered into on normal commercial terms, which are fair and reasonable, and are in compliance with 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 Gold Concentrates Sales Framework Agreement are conducted in accordance with the terms of such agreement and the pricing policies of the Company and on normal commercial terms (or terms no less favourable than those available to or offered to independent third parties), which are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

INFORMATION OF THE PARTIES

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

Shandong Zhaojin is a promoter and controlling Shareholder of the Company, which 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 business. As at the date of this announcement, Shandong Zhaojin is interested in 596,693,597 H Shares and 618,437,607 Domestic Shares.

BOARD'S APPROVAL

The Gold Concentrates Sales Framework Agreement have been approved by the Board on 25 August 2023 and none of the Directors has any material interest in the transactions contemplated thereunder. As Mr. Li Guanghui and Mr. Luan Wenjing are the management members of Shandong Zhaojin, they have abstained from voting at the Board's meeting to approve the Gold Concentrates Sales Framework Agreement.

LISTING RULES IMPLICATIONS

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DEFINITIONS

“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
“Directors”	directors of the Company
“Domestic Shares(s)”	the ordinary share(s) of the Company with a nominal value of RMB1 each, which are subscribed for and fully paid up in RMB
“Gold Concentrates”	the gold concentrates to be sold by the Group to the Purchaser pursuant to the Gold Concentrates Sales Framework Agreement. For the avoidance of doubt, excluding the gold concentrates purchased by the Group from Zhaojin Non-Ferrous and its subsidiaries under the Gold Concentrates Purchase Framework Agreement
“Gold Concentrates Purchase Framework Agreement”	the gold concentrates purchase framework agreement entered into between the Company and Zhaojin Non-Ferrous on 12 July 2023 in relation to the purchase of gold concentrates by the Group from Zhaojin Non-Ferrous and its subsidiaries
“Gold Concentrates Sales Framework Agreement”	the gold concentrates sales framework agreement entered into between the Company and Shandong Zhaojin on 25 August 2023 in relation to the sale of Gold Concentrates by the Group to the Purchaser
“Group”	the Company and its subsidiaries
“H Shares”	overseas listed foreign share(s) 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
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Purchaser”	Shandong Zhaojin and its subsidiaries (excluding Zhaojin Non-Ferrous and its subsidiaries)

“RMB”	Renminbi, the lawful currency of the PRC
“Shandong Zhaojin”	Shandong Zhaojin Group Company Limited* (山東招金集團有限公司), a state-owned limited company established in the PRC on 28 June 1992 and a promoter and the controlling Shareholder of the Company
“Share(s)”	share(s) of RMB1 each in the share capital of the Company, comprising of the Domestic Shares and H shares
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Zhaojin Non-Ferrous”	Zhaojin Non-Ferrous Mining Company Limited* (招金有色礦業有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of Shandong Zhaojin as at the date of this announcement
“%”	per cent

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

Zhaoyuan, the PRC, 25 August 2023

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

* For identification purpose only