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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**

CYANIDE TAILINGS PURCHASE FRAMEWORK AGREEMENT

On 22 March 2024, Zhaojin Jinhe entered into the Cyanide Tailings Purchase Framework Agreement with Guoda Gold, pursuant to which Zhaojin Jinhe and its subsidiaries will purchase Cyanide Tailings from Guoda Gold and its subsidiaries for a term from 22 March 2024 to 31 December 2026.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Zhaojin Jinhe is a subsidiary of the Company, while Shandong Zhaojin is the controlling Shareholder of the Company. Guoda Gold is a subsidiary of Shandong Zhaojin and therefore a connected person of the Company under Rule 14A.07 of the Listing Rules. Accordingly, the transactions contemplated under the Cyanide Tailings Purchase Framework Agreement constitute continuing connected transactions of the Company under 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 Cyanide Tailings Purchase Framework Agreement is more than 0.1% but less than 5%, the transactions contemplated under the Cyanide Tailings Purchase 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 22 March 2024, Zhaojin Jinhe entered into the Cyanide Tailings Purchase Framework Agreement with Guoda Gold, pursuant to which Zhaojin Jinhe and its subsidiaries will purchase Cyanide Tailings from Guoda Gold and its subsidiaries for a term from 22 March 2024 to 31 December 2026.

CYANIDE TAILINGS PURCHASE FRAMEWORK AGREEMENT

Date of agreement

22 March 2024

Parties

- (i) Purchaser: Zhaojin Jinhe (for itself and on behalf of its subsidiaries); and
- (ii) Vendor: Guoda Gold (for itself and on behalf of its subsidiaries)

Term

From 22 March 2024 to 31 December 2026

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 Cyanide Tailings Purchase Framework Agreement may be extended or renewed by the parties.

Subject

Cyanide Tailings (terminal polymetallic slag containing alkali and cyanide ions and heavy metal content generated during the gold smelting process, and pursuant to the Cyanide Tailings Purchase Framework Agreement, the Cyanide Tailings to be purchased by Zhaojin Jinhe and its subsidiaries from Guoda Gold and its subsidiaries shall have a gold grade of not less than 3.00 grams per ton).

Specific execution agreements

As the Cyanide Tailings Purchase Framework Agreement is a framework agreement in nature, during the term of the Cyanide Tailings Purchase Framework Agreement, the parties will enter into specific execution agreements for each transaction of sale of Cyanide Tailings by Guoda Gold and its subsidiaries to Zhaojin Jinhe and its subsidiaries to finalize the terms, including but not limited to the specific price, quality and quantity of the Cyanide Tailings to be purchased, and such specific execution agreements shall be in compliance with and subject to the principles agreed to in the Cyanide Tailings Purchase Framework Agreement.

Pricing policy and payment terms

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

Furthermore, the price of Cyanide Tailings shall be determined according to a pricing methodology as follows: the weighted average price of Au (T+D) on the Shanghai Gold Exchange on the pricing date will be used as the benchmark price and multiplied by the relevant price coefficient. The above price coefficient will be affected by a number of factors, including the quality and gold grade of the Cyanide Tailings. The above pricing methodology shall be applied not only to the purchase of Cyanide Tailings by Zhaojin Jinhe and its subsidiaries from Guoda Gold and its subsidiaries under the Cyanide Tailings Purchase Framework Agreement, but also to the purchase of cyanide tailings by Zhaojin Jinhe and its subsidiaries from other members of the Group. In addition, such pricing methodology is also commonly used for cyanide tailings transactions in the mining industry.

The payment method will be separately agreed by the specific parties based on the products when signing the specific execution agreements.

Other major terms

Pursuant to the Cyanide Tailings Purchase Framework Agreement, the signing of the agreement does not preclude the parties from independently selecting counterparties and entering into transactions with them.

HISTORICAL FIGURES

Zhaojin Jinhe and its subsidiaries did not purchase Cyanide Tailings from Guoda Gold in previous years and prior to entering into the Cyanide Tailings Purchase Framework Agreement.

ANNUAL CAPS

Zhaojin Jinhe and its subsidiaries expect that the annual caps for the purchase of Cyanide Tailings from Guoda Gold and its subsidiaries under the Cyanide Tailings Purchase Framework Agreement for the years ending 31 December 2024, 31 December 2025 and 31 December 2026 will not exceed RMB195 million, RMB215 million and RMB254 million, respectively.

In determining the above annual caps, the factors considered by Zhaojin Jinhe include: (i) the plan of Zhaojin Jinhe and its subsidiaries to purchase cyanide tailings; (ii) the cyanide tailings processing capacity of Zhaojin Jinhe and its subsidiaries in the past; (iii) the forecast for future increase in cyanide tailings processing capacity of Zhaojin Jinhe and its subsidiaries based on the Chlorination Roasting Upgrading and Transformation Project (as defined below); (iv) the production capacity of Guoda Gold and the amount and gold grade of cyanide tailings generated; and (v) market prices of gold denominated in RMB, on which the price of cyanide tailings is based, in prior years and the trend of future changes thereof.

REASONS FOR AND BENEFITS OF ENTERING INTO THE CYANIDE TAILINGS PURCHASE FRAMEWORK AGREEMENT

Zhaojin Jinhe intends to carry out automation upgrading and transformation of the relevant equipment of the existing chlorination roasting system (the “**Chlorination Roasting Upgrading and Transformation Project**”) in order to achieve the harmless treatment, recycling and comprehensive utilization of cyanide tailings and high silica tailings. Guoda Gold is the most suitable cyanide tailings supplier to meet the needs of Zhaojin Jinhe due to factors such as transportation distance, business management and the gold grade and production volume of its cyanide tailings. Based on the above, further reasons for and benefits of the continuing connected transactions contemplated under the Cyanide Tailings Purchase Framework Agreement are set out below:

- (i) The Chlorination Roasting Upgrading and Transformation Project can comprehensively recover valuable metals in hazardous waste resources such as Cyanide Tailings and copper-containing hazardous waste, and dispose of high silica tailings as slag-making agent in a collaborative manner, so as to enable harmless treatment and reduction of hazardous waste and reduce the damage to the environment. As such, entering into of the Cyanide Tailings Purchase Framework Agreement can not only improve the technological capability and competitiveness of the Group, but also bring economic and social benefits to the Group.
- (ii) Zhaojin Jinhe is located in Zhaoyuan, Shandong Province, and Guoda Gold is also located in Zhaoyuan, Shandong Province, thus the Cyanide Tailings under the Cyanide Tailings Purchase Framework Agreement will be transported in the same city, which enables the completion of purchase of Cyanide Tailings at a low cost.
- (iii) Shandong Zhaojin is a controlling Shareholder of the Company, and Guoda Gold is a subsidiary of Shandong Zhaojin, which can facilitate smooth communication between their respective staff, minimize the difficulty of business management and create synergy.
- (iv) Guoda Gold is a large-scale smelting enterprise in Jiaodong region with strong production capacity, which can meet the requirements of the Chlorination Roasting Upgrading and Transformation Project in terms of grade and quantity of cyanide tailings, and ensure the continuous operation of the Chlorination Roasting Upgrading and Transformation Project.

Based on the above and after taking into account the terms of the transactions under the Cyanide Tailings Purchase Framework Agreement, the Directors (including the independent non-executive Directors) consider that the entering into of the Cyanide Tailings Purchase 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 Cyanide Tailings Purchase Framework Agreement are conducted in accordance with the pricing policies and terms of the Cyanide Tailings Purchase Framework Agreement, and are on normal commercial terms. Such internal control measures mainly include the following:

- (i) Before entering into specific execution agreements pursuant to the Cyanide Tailings Purchase Framework Agreement, the business department of the Company will review the specific execution agreements and ensure that the pricing methodology has been properly adopted in determining the price of Cyanide Tailings, and the relevant price coefficient has been correctly stipulated in the specific execution 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, payment arrangements and actual transaction amounts of each of the specific execution agreement in relation to the Cyanide Tailings Purchase Framework Agreement.
- (iii) The management of the Company will regularly review the terms of the Cyanide Tailings Purchase Framework Agreement and conduct spot checks on the execution of the specific execution agreements and the relevant transactions under the Cyanide Tailings Purchase Framework Agreement to ensure that the execution of the relevant specific execution agreements and the transactions are in compliance with the terms of the Cyanide Tailings Purchase Framework Agreement and that the terms of the Cyanide Tailings Purchase Framework Agreement are fair and reasonable and in the interests 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 Cyanide Tailings Purchase 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 Cyanide Tailings Purchase 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 Cyanide Tailings Purchase Framework Agreement are conducted in accordance with the terms of such agreement and the pricing policies of the Company and on normal commercial terms, which are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

INFORMATION OF THE PARTIES

1. 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 directly holds 34.74% of the Shares of the Company. The ultimate beneficial owner of Shandong Zhaojin is People's Government of Zhaoyuan City (招遠市人民政府), which holds 90% of the equity interest of Shandong Zhaojin.
2. Guoda Gold, a subsidiary of Shandong Zhaojin, is principally engaged in the production and sale of gold, silver, electrolytic copper, sulfuric acid and iron powder in the PRC.
3. Zhaojin Jinhe, a subsidiary of the Company, is principally engaged in the processing and sales of precious metal cyanide smelting and by-products, the manufacture of sulfuric acid and the sales of high-sulfur concentrates in the PRC.

BOARD'S APPROVAL

The Cyanide Tailings Purchase Framework Agreement has been approved by the Board on 22 March 2024 and none of the Directors has any material interest in the transactions contemplated thereunder. Mr. Jiang Guipeng, Mr. Li Guanghui and Mr. Luan Wenjing have abstained from voting at the Board's meeting to approve the Cyanide Tailings Purchase Framework Agreement by virtue of being a director or management personnel of Shandong Zhaojin.

LISTING RULES IMPLICATIONS

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DEFINITIONS

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| “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 |
| “Cyanide Tailings” | terminal polymetallic slag containing alkali and cyanide ions and heavy metal content generated during the gold smelting process, and pursuant to the Cyanide Tailings Purchase Framework Agreement, the Cyanide Tailings to be purchased by Zhaojin Jinhe and its subsidiaries from Guoda Gold and its subsidiaries shall have a gold grade of not less than 3.00 grams per ton |
| “Cyanide Tailings Purchase Framework Agreement” | cyanide tailings purchase framework agreement dated 22 March 2024 entered into between Zhaojin Jinhe and Guoda Gold in relation to the purchase of cyanide tailings by Zhaojin Jinhe and its subsidiaries from Guoda Gold and its subsidiaries |
| “Directors” | directors of the Company |
| “Domestic Share(s)” | the ordinary shares of the Company with a par value of RMB1 each, which were subscribed for and paid up in RMB |
| “Group” | the Company and its subsidiaries |
| “Guoda Gold” | Shandong Guoda Gold Co., Ltd* (山東國大黃金股份有限公司), a limited liability company established in the PRC on 25 January 1999, and a subsidiary indirectly owned as to 66.20% by Shandong Zhaojin as at the date of this announcement |
| “H Share(s)” | the overseas-listed foreign invested shares of the Company with a par value of RMB1 each, which are listed on the Stock Exchange and traded in Hong Kong dollar |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Listing Rules” | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited |
| “PRC” | the People’s Republic of China, which for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region and Taiwan region |

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| “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 of the Company and the controlling Shareholder |
| “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 |
| “Zhaojin Jinhe” | Zhaoyuan Zhaojin Jinhe Technology Co., Ltd.* (招遠市招金金合科技有限公司), a limited liability company established in the PRC on 8 January 2013, and a wholly-owned subsidiary of the Company 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, 22 March 2024

As at the date of this announcement, the Board comprises Mr. Jiang Guipeng, Mr. Duan Lei, Mr. Wang Ligang and Mr. Chen Lunan as executive Directors, Mr. Long Yi, Mr. Li Guanghui and Mr. Luan Wenjing 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