

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.



Z H A O J I N

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)

**CONNECTED TRANSACTIONS
ACQUISITION AND DISPOSAL OF PROPERTIES**

ACQUISITION OF PROPERTIES

On 30 November 2020, the Company and Zhaojin Yinlou Development entered into the Acquisition SPA, pursuant to which, the Company agreed to acquire and Zhaojin Yinlou Development agreed to sell Zhaojin Building and Related Assets at a consideration of RMB441,427,275.84 subject to the terms and conditions set out in the Acquisition SPA. Zhaojin Building and Related Assets comprises the housing constructions (structures) of the main building of the Zhaojin Building project located at 118 Wenquan Road, Zhaoyuan City, Shandong Province and the corresponding land use right thereof, together with the low-value consumables in the building.

DISPOSAL OF PROPERTIES

On 30 November 2020, the Company and Zhaojin Yinlou entered into the Disposal SPA, pursuant to which, the Company agreed to sell and Zhaojin Yinlou agreed to acquire the Original Office of Zhaojin Mining and Related Assets at a consideration of RMB72,039,973.00 subject to the terms and conditions set out in the Disposal SPA. The Original Office of Zhaojin Mining and Related Assets comprises the housing constructions (structures) and assets of equipment category, low-value consumables located at No. 299 Jinhui Road, Zhaoyuan City, Shandong Province, together with the corresponding land use right.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Shandong Zhaojin is the controlling Shareholder of the Company and thus a connected person of the Company. Zhaojin Yinlou is held as to 40% and 60% by Shandong Zhaojin and Zhaojin Refinery, respectively, and Zhaojin Refinery is a 80.5% owned subsidiary of Shandong Zhaojin. Zhaojin Yinlou Development is a wholly-owned subsidiary of Zhaojin Yinlou. Zhaojin Yinlou and Zhaojin Yinlou Development are therefore connected persons of the Company.

Accordingly, the Acquisition SPA and the Disposal SPA both constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As the respective highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) for the Company in respect of the Acquisition SPA and the Disposal SPA exceeds 0.1% but is less than 5%, the Acquisition and the Disposal are subject to reporting and announcement requirements, but are exempt from the independent Shareholders' approval requirement for the Company under Chapter 14A of the Listing Rules.

(1) ACQUISITION SPA

The Board is pleased to announce that, on 30 November 2020, the Company and Zhaojin Yinlou Development entered into the Acquisition SPA to acquire Zhaojin Building and Related Assets. The principal terms of the Acquisition SPA and other matters related to the Acquisition are set out as follows:

Date

30 November 2020

Parties

- (i) Transferor: Zhaojin Yinlou Development
- (ii) Transferee: the Company

Information on Zhaojin Building and Related Assets

Zhaojin Building and Related Assets comprises the housing constructions (structures) of the main building of the Zhaojin Building project located at 118 Wenquan Road, Zhaoyuan City, Shandong Province, the corresponding land use right thereof, together with the low-value consumables in the building:

- (i) Land to be transferred: according to the State Owned Land Use Rights Certificate (Zhao Guo Yong (2013) No. 2018), the land use right was acquired on 22 April 2013, and the land has an area of 19,254.65 square meters;
- (ii) Real estate to be transferred: a total of one housing construction, a reinforced concrete frame structure with an aggregate gross floor area of 63,146.20 square meters, and a total of one structure and other ancillary facilities, mainly including the front and rear of Zhaojin Building; and

- (iii) Low-value consumables to be transferred: a total of 816 items, mainly including office furniture, kitchen facilities and equipment, hotel catering utensils, cleaning tools, hotel bedding, office supplies, fitness equipment, etc., which are stored on the respective floors of the Zhaojin Building.

The original acquisition cost of the land on which Zhaojin Building and Related Assets were built was RMB20,213,330, the construction cost was approximately RMB345,161,976.48 and the cost of low-value consumables was approximately RMB8,301,875.84, totalling RMB373,677,182.32.

Consideration and payment terms

After considering the evaluation results of the independent asset appraiser, the total consideration under the Acquisition SPA is RMB441,427,275.84, comprising RMB8,301,875.84 for the low-value consumables and RMB433,125,400.00 for the land and real estate. The market value of the Zhaojin Building and Related Assets was approximately RMB441,427,300.00 as at 31 May 2020 as appraised by the independent asset appraiser. The consideration under the Acquisition SPA was determined through arm's length negotiations between the Company and Zhaojin Yinlou Development on normal commercial terms and with reference to the independent valuation.

Pursuant to the Acquisition SPA, the Company shall pay the total consideration under the Acquisition SPA to Zhaojin Yinlou Development in the following manners:

- (a) 45% of the total consideration shall be paid within 7 days upon entering into the Acquisition SPA;
- (b) 30% of the total consideration under the Acquisition SPA shall be paid within three working days after the Company has provided full value-added tax invoice to Zhaojin Yinlou Development and has proceeded with the transfer procedures; and
- (c) the remaining 25% shall be paid upon completion of the relevant registration procedures and the Company has obtained the relevant registration certificate.

Pursuant to the Acquisition SPA, Zhaojin Yinlou Development shall assist the Company in registration procedures in respect of the land and real estate transfer with the competent authority.

The consideration under the Acquisition SPA shall be paid in RMB in cash.

Completion

The completion of the Acquisition will take place once the above-mentioned procedures for changes in registration have been completed.

Reasons for and the benefits of the Acquisition

As one of leading enterprises in Zhaoyuan City, with the continuous development of its business and the continuous expansion of its scale, the existing office space of the Company has been insufficient to meet the current office needs. The acquisition of Zhaojin Building and Related Assets can moderately concentrate the Company's existing office space in Zhaoyuan City, improve its office environment, alleviate the problem of insufficient office space, enhance its overall corporate image, and reserve margins for its future development.

The Directors are of the view that, the terms of the transactions under the Acquisition SPA are fair and reasonable and in the interests of the Company and Shareholders as a whole. The Directors have confirmed that, these transactions are conducted on normal commercial terms in the ordinary and usual course of business of the Group and will not have a material adverse effect on the operation and financial condition of the Group. The Directors believe that the acquisition of Zhaojin Building and Related Assets can complement the business expansion of the Group and is in the interests of the Group.

(2) DISPOSAL SPA

On 30 November 2020, the Company and Zhaojin Yinlou entered into the Disposal SPA to sell the Original Office of Zhaojin Mining and Related Assets. The principal terms of the Disposal SPA and other matters related to the Disposal are set out as follows:

Date

30 November 2020

Parties

- (i) Transferor: the Company
- (ii) Transferee: Zhaojin Yinlou

Information on the Original Office of Zhaojin Mining and Related Assets

The Original Office of Zhaojin Mining and Related Assets comprises the housing constructions (structures) and equipments, low-value consumables located at No. 299 Jinhui Road, Zhaoyuan City, Shandong Province, together with the corresponding land use right:

- (i) Land to be transferred: according to the State-Owned Land Use Rights Certificate (Zhao Guo Yong (2008) No. 0162), the land has an area of 16,173.00 square meters;
- (ii) Real estate to be transferred: a total of six real estates, mainly including comprehensive office building, workshop building (west building), boiler room, power distribution room and communication room, and employee passage; and a total of 22 items of structures and other auxiliary facilities, mainly including roads, fences, inspection wells, retaining walls and trenches; and
- (iii) Equipment and low-value consumables: a total of 28 items of beds, mattresses and office desks and chairs, and a total of 122 items of electronic equipment, mainly including water treatment equipment, switches, cameras, air conditioners, etc.

The Original Office of Zhaojin Mining and Related Assets have been held by the Company for more than 12 months.

Consideration and payment terms

After considering the evaluation results of the independent asset appraiser, the total consideration under the Disposal SPA is RMB72,039,973.00, comprising RMB735,380.00 for the low-value consumables and electronic equipment and RMB71,304,593.00 for the land and real estate. The market value of the Original Office of Zhaojin Mining and Related Assets was approximately RMB72,040,000.00 as at 31 May 2020 as appraised by the independent asset appraiser. The consideration under the Disposal SPA was determined through arm's length negotiations between the Company and Zhaojin Yinlou on normal commercial terms and with reference to the independent valuation.

Pursuant to the Disposal SPA, Zhaojin Yinlou shall pay the total consideration under the Disposal SPA to the Company in the following manners:

- (a) 45% of the total consideration shall be paid within 7 days upon entering into the Disposal SPA;
- (b) 30% of the total consideration under the Disposal SPA shall be paid within three working days after the Company had provided full value-added tax invoice to Zhaojin Yinlou and has proceeded with the transfer procedures; and
- (c) the remaining 25% shall be paid upon completion of the ownership transfer procedures provided by the Company to Zhaojin Yinlou.

Pursuant to the Disposal SPA, the Company will proceed with the procedures for the transfer of the land and the real estate with the competent authority and Zhaojin Yinlou will provide the necessary assistance.

The consideration under the Disposal SPA shall be paid in RMB in cash.

Completion

The completion of the Disposal will take place once the above-mentioned procedures for changes in registration have been completed.

Reasons for and benefits of the Disposal

The Disposal and the aforementioned Acquisition are a series of transactions. The Original Office of Zhaojin Mining and Related Assets will be idle after the acquisition of the Zhaojin Building and Related Assets. The Disposal will help to revitalize the idle assets of the Company.

Financial effect of the Disposal and the intended use of the proceeds

Upon the completion of the Disposal, the Company will no longer hold the Original Office of Zhaojin Mining and Related Assets.

Upon the completion of the Disposal, the Company is expected to record a gain on disposal of approximately RMB27 million (being revenue after taxation). The expected gain on disposal is based on the consideration of the Disposal less estimated development costs and sales expenses attributable to the Original Office of Zhaojin Mining and Related Assets.

The Group intends to use the net proceeds from the Disposal for the general working capital of the Company and its future business development.

Information on the Company, Zhaojin Yinlou Development and Zhaojin Yinlou

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

Zhaojin Yinlou Development is principally engaged in real estate investment, development and operation, real estate agency and consultancy and rental and sales of houses.

Zhaojin Yinlou is principally engaged in the production and sales of gold and silver products, jewellery and diamond ornaments, inlaid ornaments and handicrafts.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Shandong Zhaojin is the controlling Shareholder of the Company and thus a connected person of the Company. Zhaojin Yinlou is held as to 40% and 60% by Shandong Zhaojin and Zhaojin Refinery, respectively, and Zhaojin Refinery is a 80.5% owned subsidiary of Shandong Zhaojin. Zhaojin Yinlou Development is a wholly-owned subsidiary of Zhaojin Yinlou. Zhaojin Yinlou and Zhaojin Yinlou Development are therefore connected persons of the Company.

Accordingly, the Acquisition SPA and the Disposal SPA both constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) for the Company in respect of the Acquisition SPA and the Disposal SPA exceeds 0.1% but is less than 5%, the Acquisition and the Disposal are subject to reporting and announcement requirements, but are exempt from the independent Shareholders' approval requirement for the Company under Chapter 14A of the Listing Rules.

APPROVAL OF THE BOARD

The Acquisition SPA and the Disposal SPA have been approved by the Board respectively in the 15th meeting of the sixth session of the Board convened on 30 November 2020, and none of the Directors had any material interest in the transactions contemplated under the Acquisition SPA and the Disposal SPA respectively. Mr. Weng Zhanbin and Mr. Liu Yongsheng have abstained from voting in the Board meeting held to approve such agreements, as they are management personnel of Shandong Zhaojin.

The Directors (including independent non-executive Directors) are of the opinion that, the terms of the transactions under the Acquisition SPA and the Disposal SPA respectively are fair and reasonable, the Acquisition SPA and the Disposal SPA were both entered into on normal commercial terms in the ordinary course of business of the Company, and the transactions under such agreements are in the interests of the Company and its Shareholders as a whole.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following capitalised terms used shall have the following meanings:

“Acquisition”	the acquisition of Zhaojin Building and Related Assets by the Company from Zhaojin Yinlou Development under the Acquisition SPA
“Acquisition SPA”	a property transfer contract dated 30 November 2020 entered into between the Company (as transferee) and Zhaojin Yinlou Development (as transferor)
“Board”	the board of Directors of the Company
“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
“Director(s)”	director(s) of the Company
“Disposal”	the disposal of the Original Office of Zhaojin Mining and Related Assets by the Company to Zhaojin Yinlou under the Disposal SPA
“Disposal SPA”	a property transfer contract dated 30 November 2020 entered into between the Company (as transferor) and Zhaojin Yinlou (as transferee)
“Group”	the Company and its subsidiaries
“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
“Original Office of Zhaojin Mining and Related Assets”	the housing constructions (structures) and assets of equipment category, low-value consumables, and the corresponding land use right located at No. 299 Jinhui Road, Zhaoyuan City, Shandong Province
“PRC”	the People’s Republic of China
“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 incorporated in the PRC on 28 June 1992 and the founder and controlling Shareholder of the Company
“Shareholder(s)”	holder(s) of share(s) of the Company
“Zhaojin Building and Related Assets”	the housing constructions (structures) of the main building of the Zhaojin Building project located at 118 Wenquan Road, Zhaoyuan City, Shandong Province and the corresponding land use right thereof, and the low-value consumables in the building
“Zhaojin Refinery”	Shandong Zhaojin Gold and Silver Refinery Company Limited* (山東招金金銀精煉有限公司), a 80.5% owned subsidiary of Shandong Zhaojin
“Zhaojin Yinlou”	Shandong Zhaojin Yinlou Co., Ltd.* (山東招金銀樓有限公司), a non-wholly owned subsidiary of Shandong Zhaojin, details of which are set out in the section headed “Information on the Company, Zhaojin Yinlou Development and Zhaojin Yinlou”
“Zhaojin Yinlou Development”	Zhaoyuan Zhaojin Yinlou Building Comprehensive Development Co., Ltd.* (招遠市招金銀樓大廈綜合開發有限公司), a non-wholly owned subsidiary of Shandong Zhaojin and a wholly-owned subsidiary of Zhaojin Yinlou, details of which are set out in the section headed “Information on the Company, Zhaojin Yinlou Development and Zhaojin Yinlou”
“%”	per cent

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

Zhaoyuan, the PRC, 30 November 2020

As at the date of this announcement, the Board comprises Mr. Weng Zhanbin, Mr. Dong Xin and Mr. Wang Ligang as executive Directors; Mr. Zhang Banglong, Mr. Liu Yongsheng, Mr. Gao Min and Mr. Huang Zhen as non-executive Directors; and Ms. Chen Jinrong, Mr. Choy Sze Chung Jojo, Mr. Wei Junhao and Mr. Shen Shifu as independent non-executive Directors.

* For identification purposes only