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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**

**FRAMEWORK AGREEMENT ON TECHNICAL SERVICES FOR UNDERGROUND
HYDROGEOLOGY AND WATER CONTROL**

On 23 August 2024, Zhaojin Geological Prospecting and Ruihai Mining entered into the Framework Agreement on Technical Services for Underground Hydrogeology and Water Control, pursuant to which Zhaojin Geological Prospecting and/or its subsidiaries shall provide underground hydrogeology and water control technical services to Ruihai Mining for a term from 1 January 2024 to 31 December 2026.

LISTING RULES IMPLICATION

As at the date of this announcement, Zhaojin Geological Prospecting is a wholly-owned subsidiary of the Company. In addition, Ruihai Mining is wholly owned by Shandong Ruiyin, another non wholly-owned subsidiary of the Company, which is owned by the Company as to 70% and owned by Zijin Mining (through Zijin Investment) as to 30%; and Zijin Mining is a substantial Shareholder of the Company. Pursuant to the Rule 14A.07 and Rule 14A.16 of the Listing Rules, Ruihai Mining is a connected subsidiary of the Company and a connected person of the Company. Accordingly, the transactions contemplated under the Framework Agreement on Technical Services for Underground Hydrogeology and Water Control 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 Framework Agreement on Technical Services for Underground Hydrogeology and Water Control is more than 0.1% but less than 5%, the transactions contemplated under the Framework Agreement on Technical Services for Underground Hydrogeology and Water Control 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 23 August 2024, Zhaojin Geological Prospecting and Ruihai Mining entered into Framework Agreement on Technical Services for Underground Hydrogeology and Water Control, pursuant to which Zhaojin Geological Prospecting and/or its subsidiaries shall provide underground hydrogeology and water control technical services to Ruihai Mining for a term from 1 January 2024 to 31 December 2026.

FRAMEWORK AGREEMENT ON TECHNICAL SERVICES FOR UNDERGROUND HYDROGEOLOGY AND WATER CONTROL

Principal terms of the Framework Agreement on Technical Services for Underground Hydrogeology and Water Control are summarised as following:

Date

23 August 2024

Parties

- (i) Ruihai Mining; and
- (ii) Zhaojin Geological Prospecting (for itself and on behalf of its subsidiaries)

Term

From 1 January 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 Framework Agreement on Technical Services for Underground Hydrogeology and Water Control may be extended or renewed by the parties.

Services

Pursuant to the Framework Agreement on Technical Services for Underground Hydrogeology and Water Control, Zhaojin Geological Prospecting and/or its subsidiaries shall provide the underground hydrogeology and water control technical services to Ruihai Mining. The services mainly include: the establishment of underground water monitoring system in mining area, the preparation of special hydrogeological reports, and the development of tunnel advance water exploration and grouting water plugging while conducting hydrogeological supplementary exploration.

Specific Execution Agreements

During the term of the Framework Agreement on Technical Services for Underground Hydrogeology and Water Control, Ruihai Mining and Zhaojin Geological Prospecting and/or its subsidiaries shall enter into the specific execution agreements (the “**Specific Execution Agreements**”) for the provision of underground hydrogeology and water control services from time to time to finalize the terms, including but not limited to monitoring scope, service unit price and payment method, etc. However, such Specific Execution Agreements shall be subject to the terms of the Framework Agreement on Technical Services for Underground Hydrogeology and Water Control.

Pricing policy and payment terms

When entering into the Specific Execution Agreements under the Framework Agreement on Technical Services for Underground Hydrogeology and Water Control, the terms shall be determined after arm's length negotiations on normal commercial terms in the ordinary course of business between the parties, after taking into account factors such as the scope and conditions of the monitoring, the degree of difficulty of the monitoring and the level of technology required and the investment in the construction of the monitoring projects, as well as the price of similar services in the local market at the time of the entering into of the Specific Execution Agreements.

The service fee to be charged by Zhaojin Geological Prospecting and/or its subsidiaries for the provision of the relevant services under the Framework Agreement on Technical Services for Underground Hydrogeology and Water Control shall be based on a market price basis and shall be determined with reference to the price then charged by Zhaojin Geological Prospecting and/or its subsidiaries for the provision of similar services to any independent third party customer (the “**Independent Customer**”) in the ordinary course of its business or the standard of rates then being offered by Zhaojin Geological Prospecting and/or its subsidiaries, to any Independent Customer as well as a reasonable fee (the “**Reasonable Service Fee**”) for the services provided by Zhaojin Geological Prospecting and/or its subsidiaries. The Reasonable Service Fee shall be determined with reference to the construction conditions, technical difficulty, actual costs of the services to be provided by Zhaojin Geological Prospecting and/or its subsidiaries under the Framework Agreement on Technical Services for Underground Hydrogeology and Water Control and shall be no less favourable to Zhaojin Geological Prospecting and/or its subsidiaries than the terms and conditions offered by any Independent Customer in the ordinary course of business in respect of the same or similar services.

HISTORICAL FIGURES

The amounts of past transactions (“**Historical Transaction Amounts**”) in which Zhaojin Geological Prospecting and/or its subsidiaries provided related services in underground hydrogeology and water control to Ruihai Mining for the three years ended 31 December 2023 and since 1 January 2024 to the date of this announcement are set out below:

	For the year ended 31 December 2021 <i>RMB'000</i> (unaudited)	For the year ended 31 December 2022 <i>RMB'000</i> (unaudited)	For the year ended 31 December 2023 <i>RMB'000</i> (unaudited)	Since 1 January 2024 to the date of this announcement <i>RMB'000</i> (unaudited)
Historical Transaction Amounts	0	0	0	1,449.5

ANNUAL CAPS

Zhaojin Geological Prospecting and/or its subsidiaries expect that the annual caps for the provision of underground hydrogeology and water control technical services to Ruihai Mining in accordance with the Framework Agreement on Technical Services for Underground Hydrogeology and Water Control will not exceed RMB26.0 million, RMB40.0 million and RMB40.0 million for the years ending 31 December 2024, 2025 and 2026 respectively.

In determining the above annual caps, the factors considered by the parties include:

- (i) the construction and development plans of Ruihai Mining's projects such as Haiyu Gold Mine in the second half of 2024, as well as 2025 and 2026;
- (ii) the future estimation of demands for underground hydrogeology and water control services in the abovementioned period made by Ruihai Mining based on the abovementioned construction and development plans;
- (iii) the ability of Zhaojin Geological Prospecting and its subsidiaries to provide underground hydrogeology and water control technical services in the past and their technical level; and
- (iv) the prevailing standard of rates and the price charged by Zhaojin Geological Prospecting and its subsidiaries for the provision of similar services to independent third party customers in the ordinary course of its business, as well as the future price trend in 2024, 2025 and 2026.

REASONS FOR AND BENEFITS OF ENTERING INTO THE FRAMEWORK AGREEMENT ON TECHNICAL SERVICES FOR UNDERGROUND HYDROGEOLOGY AND WATER CONTROL

The reasons and benefits of entering into the Framework Agreement on Technical Services for Underground Hydrogeology and Water Control are as follows:

- (i) Entering into the Framework Agreement on Technical Services for Underground Hydrogeology and Water Control could consolidate and improve the technical level and competitiveness of Zhaojin Geological Prospecting and its subsidiaries in practice, and bring economic benefits to the Group.
- (ii) Zhaojin Geological Prospecting has a solid mineral exploration Class A certificate registered by the former Ministry of Land and Resources, and a surveying and mapping Class B qualification certificate issued by the Provincial Department of Natural Resources, which meets the qualification requirements of Ruihai Mining for engaging in underground water hydrogeology and water control work.
- (iii) Zhaojin Geological Prospecting has advanced equipment and instruments, strong technical equipment, and work efficiency far exceeding the industry average level. In addition, Zhaojin Geological Prospecting's ultra-high-pressure grouting technology is in a leading position in the PRC, and its customized supporting facilities and materials according to the mine water control requirements and geological conditions can fully guarantee the safety production efficiency of Ruihai Mining and reduce the risk of accidents.

- (iv) Zhaojin Geological Prospecting has rich experience in underground operation of metal mines and is familiar with the geological conditions of Ruihai Mining area, which facilitates the smooth development of the project and greatly reduces the time cost of mine construction.
- (v) Zhaojin Geological Prospecting and Ruihai Mining are both subsidiaries of the Company, and Zhaojin Geological Prospecting is very familiar with all aspects of Ruihai Mining's infrastructure construction, which is convenient for the Company to make overall scheduling and planning, and ensure the smooth progress of project of Haiyu Gold Mine.

Based on the above and after taking into account the terms of the transactions under the Framework Agreement on Technical Services for Underground Hydrogeology and Water Control, the Directors (including the independent non-executive Directors) consider that the entering into of the Framework Agreement on Technical Services for Underground Hydrogeology and Water Control 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 to ensure that the transactions contemplated under the Framework Agreement on Technical Services for Underground Hydrogeology and Water Control are in accordance with the pricing policies and the terms of the Framework Agreement on Technical Services for Underground Hydrogeology and Water Control, and are on normal commercial terms. Such internal control measures mainly include the following:

- (i) Before entering into the Specific Execution Agreements pursuant to the Framework Agreement on Technical Services for Underground Hydrogeology and Water Control, the business department of the Company will review the Specific Execution Agreements and ensure that the prices agreed under the Specific Execution Agreements were determined after arm's length negotiations in the ordinary course of business and on normal commercial terms, and is in line with the pricing policy and terms of the Framework Agreement on Technical Services for Underground Hydrogeology and Water Control.
- (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 Agreements in relation to the Framework Agreement on Technical Services for Underground Hydrogeology and Water Control.
- (iii) The management of the Company will regularly review the terms of the Framework Agreement on Technical Services for Underground Hydrogeology and Water Control and conduct spot checks on the execution of the relevant transactions thereunder to ensure that the execution of the relevant Specific Execution Agreements and the transactions are in compliance with the terms of the Framework Agreement on Technical Services for Underground Hydrogeology and Water Control.

- (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 caps 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 Framework Agreement on Technical Services for Underground Hydrogeology and Water Control) 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 Framework Agreement on Technical Services for Underground Hydrogeology and Water Control) 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 that the relevant continuing connected transactions under the Framework Agreement on Technical Services for Underground Hydrogeology and Water Control are conducted on normal commercial terms in accordance with the terms of the such agreement and the relevant pricing policy, and are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

INFORMATION OF THE PARTIES

1. Zhaojin Geological Prospecting is a professional geological exploration company. It has advanced water geophysical exploration equipment, drilling equipment, water quality testing equipment and related surveying and mapping, testing and other instruments and technologies. As at the date of this announcement, Zhaojin Geological Prospecting is a wholly-owned subsidiary of the Company.
2. Ruihai Mining is a company mainly engaged in the technical development and sales of metal mineral products. As at the date of this announcement, Ruihai Mining is wholly owned by Shandong Ruiyin, another non wholly-owned subsidiary of the Company, which is owned by the Company as to 70% and owned by Zijin Mining (through Zijin Investment) as to 30%.

BOARD’S APPROVAL

The Framework Agreement on Technical Services for Underground Hydrogeology and Water Control was approved by the Board on 23 August 2024 and none of the Directors has any material interest in the transactions contemplated under it. As Mr. Long Yi and Mr. Chen Lunan are the management personnel of Zijin Mining, they have abstained from voting on the approval of the Framework Agreement on Technical Services for Underground Hydrogeology and Water Control and the relevant proposed annual caps at the Board meeting.

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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 Framework Agreement on Technical Services for Underground Hydrogeology and Water Control is more than 0.1% but less than 5%, the transactions contemplated under the Framework Agreement on Technical Services for Underground Hydrogeology and Water Control 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.

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
“connected transaction”	has the meaning ascribed to it under the Listing Rules
“Directors”	directors of the Company
“Framework Agreement on Technical Services for Underground Hydrogeology and Water Control”	the framework agreement on underground hydrogeology and water control technical services between Zhaojin Geological Prospecting and Ruihai Mining entered on 23 August 2024 in relation to the provision of the underground hydrogeology and water control technical services by Zhaojin Geological Prospecting and/or its subsidiaries to Ruihai Mining.

“Group”	the Company and its subsidiaries
“Haiyu Gold Mine”	a gold mine owned by Ruihai Mining located at the north of Sanshan Island in Laizhou City, Shandong Province (山東省萊州市三山島北部)
“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
“RMB”	Renminbi, the lawful currency of the PRC
“Ruihai Mining”	Laizhou Ruihai Mining Industry Company Limited* (萊州市瑞海礦業有限公司)
“Shandong Ruiyin”	Shandong Ruiyin Mining Industry Company Limited* (山東瑞銀礦業發展有限公司), of which 70% equity is held by the Company, 30% equity is held by Zijin Investment, and holds 100% equity in Ruihai Mining
“Share(s)”	share(s) of RMB1 each in the capital of the Company, comprising the Domestic Shares and the H Shares
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Zhaojin Geological Prospecting”	Shandong Zhaojin Geological Prospecting Co., Ltd* (山東招金地質勘查有限公司), a wholly-owned subsidiary of the Company
“Zijin Investment”	Zijin Mining Group Southern Investment Co., Ltd.* (紫金礦業集團南方投資有限公司), a limited liability company incorporated in the PRC and a wholly owned subsidiary of Zijin Mining

“Zijin Mining” Zijin Mining Group Co., Ltd.* (紫金礦業集團股份有限公司), a joint stock limited company incorporated in the PRC, whose H shares and A shares are listed on the Stock Exchange (stock code: 2899) and the Shanghai Stock Exchange (stock code 601899), respectively

“%” per cent.

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

Zhaoyuan, the PRC, 23 August 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