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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)**

## **ENTERING INTO THE FRAMEWORK AGREEMENT ON JOINTLY DEVELOPING FENGCHENG GOLD RESOURCES WITH FENGCHENG MUNICIPAL GOVERNMENT**

On 30 December 2009, the Company and Fengcheng Municipal Government of Liaoning Province in the PRC entered into the Framework Agreement on Jointly Developing Fengcheng Gold Resources.

Pursuant to the Framework Agreement, the Company and Fengcheng Municipal Government shall jointly engage in the integration, utilization and development of gold mineral resources in Fengcheng City based on the principles of equality, mutual benefits, mutual support of advantages and joint development and participate in restructuring of Baiyun Gold Mine and set up the New Company where the Company shall hold a minimum equity interest of 51%.

The Board considers that entering into the Framework Agreement can leverage on the technological and management strengths of the Company and tie in with the geographical location, favorable policies and mineral resources of Fengcheng City of Liaoning Province to jointly explore with Fengcheng City the gold resources under its jurisdiction. It is expected that such strategic cooperation will allow the Company to generate more returns in the Liaoning region.

This announcement is voluntarily made by the Company.

### **SUMMARY OF THE FRAMEWORK AGREEMENT**

In order to accelerate the Company's external expansion, standardize development and utilization of gold resources in Fengcheng, Liaoning Province and further develop and strengthen the gold industry, on 30 December 2009, the Company entered into the Framework Agreement on Jointly Developing Fengcheng Gold Resources with Fengcheng Municipal Government with details as follows:

## **I. SCOPE OF THE COOPERATION**

1. Gold resources in the southern region of Fengcheng.
2. Baiyun Gold Mine in the northern region of Fengcheng and the gold resources in its surrounding areas.

## **II. METHODS OF THE COOPERATION**

1. The Company, taking a principal role of integration of gold resources, will engage in the integration and development of gold resources in Fengcheng.
2. The Company will participate in the restructuring of Baiyun Gold Mine, an enterprise under Fengcheng City, with compensation and in accordance with laws (by investing RMB100 million as a deposit of restructuring of Baiyun Gold Mine, which will be transferred to as an investment of the Company if the restructuring is successful) and set up the New Company where the Company will have a minimum equity interest of 51%, as a basis for comprehensive resources integration and development in Fengcheng.
3. The Company will integrate the resources in the gold exploration and mining regions in Fengcheng where gold mining rights have been set through government coordination and market operation.
4. Fengcheng Municipal Government will deploy the regions in Fengcheng where no gold mining right is set, to the Company in priority as the Company may request in accordance with laws and assist to apply to the Ministry of Land and Resources for mining rights.
5. Fengcheng Gold Group will be an equity participant of the New Company on behalf of Fengcheng Municipal Government to engage in initial preparation, production and operational activities of the project.

## **III. OBJECTIVES OF THE COOPERATION**

1. The Company will participate in the restructuring of Baiyun Gold Mine, set up the New Company where the Company will hold a minimum equity interest of 51% and depending on the condition of mineral resources, increase its investment by RMB150-200 million to expand the production capacity of Baiyun Gold Mine to 1,000-2,000 tonnes per day from currently 400 tonnes per day.
2. The Company will look for and explore mines in initial stages in respect of the exploration rights obtained in accordance with laws to develop and strengthen the gold industry of the Company in Fengcheng as soon as possible.

#### **IV. PLANNING FOR IMPLEMENTATION OF THE COOPERATION**

1. Fengcheng Municipal Government will set up a special team to assist the Company in preparation work after signing of the Framework Agreement.
2. The restructuring of Baiyun Gold Mine is planned to be completed within six months after signing of the Framework Agreement.

#### **PREFERENTIAL POLICIES**

If the Company succeeds in restructuring Baiyun Gold Mine and establishing the New Company, Fengcheng Municipal Government will exempt some land requisition fees and administrative fees for basic construction of the New Company and will refund some land grant fees, water and soil erosion prevention fees, pollutant charges and charges for water resources. In terms of taxation, the New Company will be exempted from corporate income tax for three years, while resources tax and resources compensation fees will be levied at the same rates as those of similar enterprises of the Company in other areas.

#### **REASONS FOR AND BENEFITS OF ENTERING INTO THE FRAMEWORK AGREEMENT**

The Company is an integrated gold enterprise with exploration, mining, ore processing and smelting operations.

Fengcheng City is one of the regions with the richest mineral resources in Liaoning Province as well as one of the key gold production areas in the PRC and has tremendous potentials for gold resources development. The Board considers that the strategic cooperation through the Framework Agreement can leverage on the technological and management strengths of the Company and tie in with the geographical location, favorable policies and mineral resources of Fengcheng City of Liaoning Province to develop the gold resources under the jurisdiction in Fengcheng City. The Company expects to set up a sizable and highly effective gold enterprise and establish a more competitive gold industrial park with longer industrial chain in Fengcheng, Liaoning, which lays a solid foundation for the Company's external expansion in Liaoning and creates a good political, economic and cultural environment. It is expected that such strategic cooperation will allow the Company to generate more returns in Liaoning, thereby maximizing the shareholders' value.

Such strategic cooperation has gained strong support from Fengcheng Municipal Government, which offers preferential policies on project approval, land requisition and taxation etc.

#### **ABOUT BAIYUN GOLD MINE**

According to the information provided by the other party of the Framework Agreement, Baiyun Gold Mine, situated in Baiyun Mountain, Qingchengzi Town, Fengcheng City (鳳城市青城子鎮白雲山), was established in 1984 as an enterprise directly under Fengcheng Gold Group and is also the first gold mining enterprise in Fengcheng. Following years of development, it has grown into a modernized enterprise integrating the whole chain of mining, processing and smelting, with daily combined production capacity of 400 tonnes, fixed assets of RMB72 million and annual gold output of 11,000 taels (approximately 344 kilograms). Baiyun Gold Mine currently has retained ores of 3.5 million tonnes and gold metal of 11,314 kilograms. In 2009, ore reserves of approximately 2.6 million tonnes and gold metal of around more than 9,000 kilograms were newly obtained in the eastern part of the mining area. As at the date here of, the aggregate ore reserves of more than 6 million tons and gold metal of more than 21 tons have been recorded in Baiyun Gold Mine.

## **ABOUT FENGCHENG CITY**

Fengcheng City, located in the eastern Liaodong Peninsula and the eastern Bohai-Rim Economic Circle, a county-level city governed by Dandong City of Liaoning Province with a total area of 5,514 square kilometers, and situated in Liaonan Zhuanghe – Fengcheng Fault (遼南莊河—鳳城斷裂構造帶). According to the information provided by the other party of the Framework Agreement, Fengcheng has rich gold reserves and is one of the key gold production areas in the PRC. Currently, it has proven gold metal of 70.2 tonnes with an average grade of 6.66 grams per tonne, and prospective gold metal of 470 tonnes.

Fengcheng City was listed as one of the key gold production areas in the PRC in 1989 and ranked the first in Liaoning province by gold output for consecutive 20 years. In recent years, the production scale of gold in Fengcheng has been continuously developed and expanded. The gold industry in Fengcheng City has formed an industry chain with integration of exploration, mining and smelting, which is one of the five mainstay industries in the economic development of Fengcheng City. At present, it has 25 gold production and processing enterprises with an annual output of gold of 110,000 taels (approximately 3,438 kilograms), ranking the seventh in the PRC by gold output.

## **ABOUT FENGCHENG GOLD GROUP**

Fengcheng Gold Group is a wholly state-owned enterprise subordinate to People's Government of Fengcheng City. It is located in Fengcheng City, currently has fixed assets of approximately RMB200 million and a daily integrated production capacity of mining, processing and smelting of 2,000 tonnes.

## **COMPLIANCE WITH THE LISTING RULES**

Further announcement will be made by the Company as and when appropriate in accordance with the requirements of the Listing Rules regarding any material development or other agreements entered into in relation to the Framework Agreement.

This announcement is voluntarily made by the Company.

## **DEFINITIONS**

In this announcement, the following expressions shall have the meanings set out below unless the context otherwise requires:

“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
“Directors”	directors of the Company
“Fengcheng City”	Fengcheng City of Liaoning Province
“Fengcheng Gold Group”	鳳城市黃金(集團)有限公司 (Fengcheng Gold (Group) Co., Ltd.*)

“Framework Agreement”	the Framework Agreement on Jointly Developing Fengcheng Gold Resources dated 30 December 2009 entered into between the Company and Fengcheng Municipal Government, Liaoning Province
“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
“Liaoning Province”	Liaoning Province, the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Company”	a new company, where the Company will hold a minimum equity interest of 51%, which will be set up by the Company and Fengcheng Gold Group if the restructuring of Baiyun Gold Mine is successful. The Company will participate in the restructuring of Baiyun Gold Mine with compensation and in accordance with laws
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

By order of the Board  
**Zhaojin Mining Industry Company Limited\***  
**Lu Dongshang**  
*Chairman*

24 January 2010, Zhaoyuan, the PRC

*As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Lu Dongshang, Mr. Wang Peifu and Mr. Ma Yushan, four non-executive Directors, namely Mr. Liang Xinjun, Mr. Wu Ping, Mr. Chen Guoping and Mr. Cong Jianmao, and four independent non-executive Directors, namely Mr. Yan Hongbo, Mr. Ye Tianzhu, Ms. Chen Jinrong and Mr. Choy Sze Chung Jojo.*

\* For identification purposes only