

Credit Opinion

28 July 2025

Ratings	
Category	Corporate
Domicile	China
Rating Type	Solicited Rating
Long-Term Credit Rating	BBB _g +
Outlook	Stable

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Zhaojin Mining Industry Company Limited

Surveillance credit rating report

CCXAP upgrades Zhaojin Mining Industry Company Limited's long-term credit rating at BBB_g+, with stable outlook.

Summary

CCXAP has upgraded the long-term credit rating of Zhaojin Mining Industry Company Limited ("Zhaojin Mining" or the "Company") to BBB_g+, from BBB_g, with stable outlook. The rating upgrade is based on the Company's strengthening market position with increasing resource reserves and production volume. It also reflects the Company's improved profitability and credit metrics.

The BBB_g long-term credit rating of Zhaojin Mining reflects the Company's (1) good market position in the gold mining industry with increasing resource reserves; (2) rising production scale with high production growth potential; (3) improved revenue and profitability due to rising gold prices and good cost management; and (4) strong synergy with Zijin Mining Group Co., Ltd. ("Zijin Mining").

However, the rating is also constrained by the Company's (1) earnings vulnerable to global economic conditions and gold price volatility; and (2) high debt leverage due to large capital expenditure.

The rating also reflects Zhaojin Mining's high likelihood of receiving strong support from its parent, Shandong Zhaojin Group Company Limited ("Zhaojin Group"), given its (1) most important status as the sole gold mining subsidiary of Zhaojin Group; and (2) strong parent-subsidiary linkage with Zhaojin Group. It also reflects Zhaojin Mining's high likelihood of receiving support from Zhaoyuan City Government, given its (1) ultimate ownership by the local government; (2) important position in the local economic development; and (3) track record of receiving government support.

The stable outlook on Zhaojin Mining's rating reflects our expectation that the Company will maintain its market position in the mining industry, with steady growth in its production scale over the next 12-18 months.

Rating Drivers

- Good market position in the gold mining industry with increasing resource reserves
- Rising production scale with high production growth potential
- Strong synergy with Zijin Mining
- Earnings vulnerable to global economic conditions and gold price volatility
- Improved revenue and profitability due to rising gold prices and good cost management
- High debt leverage due to large capital expenditure
- Strengthened debt repayment ability and good access to capital
- Good track record of support from Zhaojin Group and the local government

Rating Sensitivities

What could upgrade the rating?

The rating could be upgraded if (1) commodity prices rise substantially, further boosting the Company's profits; (2) the Company's market position strengthens with material increase in product output; and (3) the Company demonstrates lower debt leverage and improved credit metrics.

What could downgrade the rating?

The rating could be downgraded if (1) commodity prices fell sharply, adversely affecting the Company's earnings; (2) the Company's debt burden rose sharply with aggressive business expansion; or (3) the Company demonstrates deteriorated credit metrics and weakened liquidity profile.

Key Indicators

	2022FY	2023FY	2024FY	2025Q1
Total Assets (RMB billion)	45.8	46.7	53.4	56.2
Total Equity (RMB billion)	20.0	22.2	25.1	25.8
Total Revenue (RMB billion)	8.3	8.9	12.1	3.0
Net Profits (RMB billion)	0.5	0.8	1.8	0.8
EBIT/Revenue (%)	15.0	19.6	22.7	-
EBIT/Average Assets (%)	2.7	3.8	5.5	-
Total Debt/Total Capital (%)	61.8	63.1	60.3	61.2
Total Debt/EBITDA (x)	10.8	9.4	6.7	-
EBIT/Interest (x)	1.6	1.9	3.3	-
(CFO-Dividend)/Total Debt (%)	1.2	4.0	6.6	-

All ratios and figures are calculated using CCXAP's adjustments.

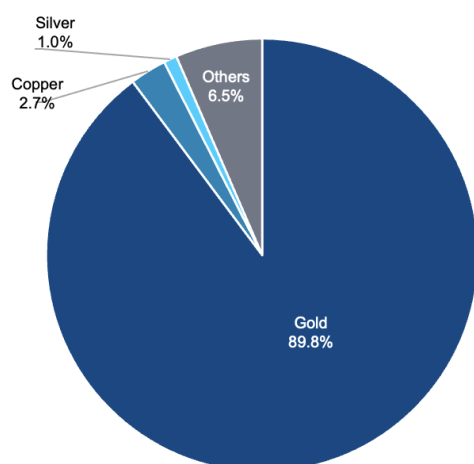
Source: Company data, CCXAP research

Corporate Profile

Founded in 2004, Zhaojin Mining (Stock Code: 1818.HK) is one of the leading gold mining companies in China engaged in the exploration, mining, smelting, and sales of gold, copper and silver, with principal products of standard Au9999 and Au9995 gold bullions. The Company was listed on the Stock Exchange of Hong Kong in 2006. As of 31 March 2025, Zhaojin Group directly held 32.07% of the equity interest in Zhaojin Mining, and the Zhaoyuan Municipal State-owned Assets Supervision Bureau is the Company's ultimate controller. Zijin Mining,

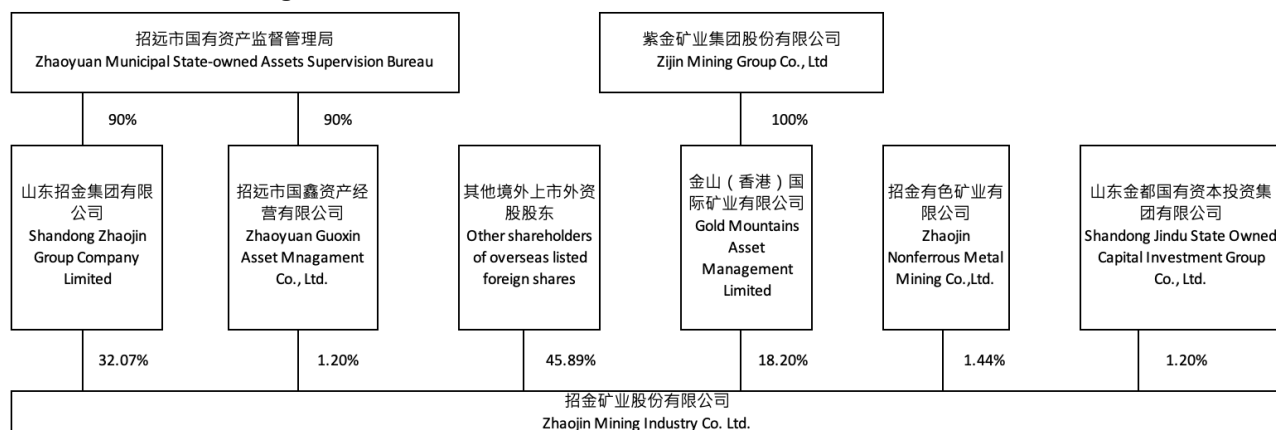
the Company's second-largest shareholder, holds an 18.20% stake in the Company through its wholly owned subsidiary, Jinshan (Hong Kong) International Mining Limited.

Exhibit 1. Revenue structure in 2024



Source: Company data, CCXAP research

Exhibit 2. Shareholding chart as of 31 March 2025



Source: Company information, CCXAP research

Rating Considerations

Good market position in the gold mining industry with increasing resource reserves

Following the Company's realization of the "Half for Shandong, half for outside Shandong" development strategy, Zhaojin Mining has set an internationalization strategy of "Half for China, half for outside China", aiming to become a world-class gold mining company. Zhaojin Mining has strengthened its market position in the gold mining industry through internal exploration, as well as mergers and acquisitions of external resources, laying the foundation for long-term performance growth. The Company indirectly owns 70% equity interests of Haiyu Gold Mine through its major subsidiary, Shandong Ruiyin Mining Industry Development Co., Ltd. ("Shandong Ruiyin"). Haiyu Gold Mine is the largest single gold mine in China, with gold resource reserves of 562.4 tons as of end-2024.

The Company has also expanded its overseas business to achieve its internationalization strategy. In 2024, the Company completed the 100% equity acquisition of Tietto Minerals Limited and the 60% equity acquisition of

Western Gold Mining Company Limited (“Western Gold Mining”). Tietto Minerals Limited owns 88% equity of Abuja Gold Mine, which holds gold reserves of approximately 119.0 tons. Western Gold Mining owns Komahun gold mine in West Africa, which holds gold reserves of approximately 22.5 tons. These acquisitions have significantly increased the gold resource reserves of the Company, strengthened its market position in gold mining industry. As of 31 December 2024, the Company had around 1,446.2 (2023: 1,185.0) tons of gold resource reserves and 517.5 (2023: 472.0) tons of high-grade recoverable reserves, laying a sound foundation for its industry position.

Rising production scale with high production growth potential

The gold mining business contributed around 90% of the Company’s revenue in 2024. Driven by the increase in gold production from overseas mine acquisitions and smelting/processing operations, the Company’s gold production (including mine-producing and processing gold) increased by 7.2% year-on-year (“YoY”) to 26.5 tons in 2024.

Exhibit 3. Production volume of gold products from 2022 to 2024

	2022	2023	2024
Gold (tons)	27.4	24.7	26.5
Mine-producing gold (tons)	19.2	17.6	18.3
Processing gold (tons)	8.1	7.1	8.1

Source: Company information, CCXAP research

With the continuous investment and robust implementation of gold mining projects, we expect the Company to have high production growth potential. Haiyu Gold Mine has entered the fast track of full-scale construction, with a designed annual gold production capacity of 15-20 tons, which is expected to commence production in 2028 and serve as the main production growth generator. Besides, Zhaojin Mining’s internationalization strategy also supplements production growth potential. The Abujar Gold Mining achieved commercial production in 2023 and can produce 4.5 to 5.0 tons of gold annually. The Komahun Gold Mine was put into production in November 2024 and is expected to further contribute to the Company’s gold production volume in 2025.

Furthermore, the Company’s mining construction projects under construction, including the mining and dressing construction project for Haiyu Gold Mine, and the infrastructure construction of Caogoutou Mining Area of Jintingling Mining, will further increase its gold production capacity. Overall, we believe the continuous investment and robust implementation of gold mining projects provide enormous support for the company’s future performance growth.

Strong synergy with Zijin Mining

In 2022, Zijin Mining acquired 20% equity interests of Zhaojin Mining with total consideration of HKD4.4 billion, becoming the second largest shareholder of the Company. According to Forbes’ Global 2000 in 2024, Zijin Mining ranked the 1st among global gold mining companies. Participated in the Haiyu Gold Mine project, Zijin Mining holds 30% equity of the project and develops the project collectively with Zhaojin Mining, unleashing the advantages of both sides. In March 2025, the Company and Zijin Mining signed a capital increase agreement to jointly invest RMB689.0 million in Shandong Ruiyin on a pro rata basis, with the Company contributing RMB482.0 million to fund the project. Given that both the Company and Zijin Mining are large gold enterprises in China with rich experience in mine operation and management, we believe that strong synergy can be generated effectively between both parties, improving the operation quality and management efficiency of the

Company. In addition, Zijin Mining's abundant experience in international mergers and acquisitions also provides solid support to the Company in achieving its internationalization strategy.

Earnings vulnerable to global economic conditions and gold price volatility

Considering that non-ferrous metal mining is a cyclical industry, metal prices have shown a strong correlation with global economic cycles, resulting in large price volatility during the economic downturn and recovery period in recent years. In 2024, the gold price showed fluctuation in upward momentum. Persistent expectations for Federal Reserve rate cuts, heightened geopolitical tensions, and expanded safe-haven demand have driven gold prices to repeatedly hit record highs, with a more than 20% annual increase in gold prices. Given the persistence of geopolitical uncertainties, US tariff policy volatility, and uncertainties in the Federal Reserve's monetary and fiscal policy decisions, gold's appeal as a safe-haven asset is poised to sustain upward momentum in investment demand, and gold prices are expected to continue fluctuating upward.

Zhaojin Mining's revenue and earnings are highly susceptible to fluctuations in gold prices. The Company has hedged the price risk of gold via gold forward contracts, which could reduce the impact of commodity price volatilities. The price range of the forward commodity contracts is closely monitored by management. Accordingly, we expect that a reasonable fluctuation in commodity prices will have no significant impact on the Company's profit and equity. Moreover, we believe the macro environment in 2025 would continue to provide certain support to the price of gold, which could alleviate the inherent volatility of its metal price-dependent revenue model.

Exhibit 4. Gold Futures Price from January 2022 to June 2025



Source: Wind, CCXAP research

Improved revenue and profitability due to rising gold prices and good cost management

Zhaojin Mining's revenue has further increased in 2024, mainly driven by the rising gold prices. The Company's total revenue increased significantly from RMB8.9 billion in 2023 to RMB12.1 billion in 2024, representing 36.5% YoY growth. The gross profit margin dropped slightly from 41.9% in 2023 to 40.8% in 2024, mainly due to the decline of the gold processing margin and lower profitability from newly acquired overseas mines. Nevertheless, the Company maintains good cost management, with its EBIT margin and return on average assets increased

to 22.7% (2023: 19.6%) and 5.5% (2023: 3.8%), respectively. The period expense ratio (including management fee, research and development fee, marketing fee, and finance cost) also dropped from 19.8% in 2023 to 15.7% in 2024. Underpinned by increased gold prices and good cost management, the net profit of the Company increased by 120.1% YoY to RMB1.8 billion in 2024. In 2025Q1, the Company recorded revenue of RMB3.0 billion with a 53.5% YoY increase. Its net profit increased by 197.9% YoY to RMB830.2 million. Benefitting from increasing gold price and output, we expect the Company will continue to demonstrate competitive profitability for the next 12 to 18 months.

High debt leverage due to large capital expenditure

Zhaojin Mining's debt leverage remains high due to the continuous external acquisitions and ongoing project investment. Zhaojin Mining recorded RMB5.3 billion for investment cash outflow in 2024, mainly including RMB180.0 million for acquiring Western Gold Mining and USD500.0 million for acquiring Tietto Minerals Limited in 2024. The Company's adjusted total debt (including perpetual securities) increased from RMB25.8 billion at end-2023 to RMB29.6 billion at end-2025Q1. The Company has strengthened its equity base through both profit accumulation and the successful completion of its H-share placement, resulting in a decline in the total capitalization ratio from 63.1% to 61.2% over the same period, which has been maintained at a high level. However, the Company's short-term debt ratio increased from 37.9% at end-2023 to 47.1% at end-2025Q1. The Company had cash reserves of RMB3.6 billion and a cash-to-short-term-debt ratio of 0.5x as of 31 March 2025.

However, Zhaojin Mining has large future capital needs for the Haiyu Gold Mine project. The period from 2024 to 2026 will be the peak phase of investment and construction for this project, which may further push up the debt scale. As of 31 March 2025, the Company had invested RMB4.8 billion into its flagship projects, with an outstanding amount of RMB2.5 billion. Given Zhaojin Mining's internationalization strategy, we expect the Company will continue to increase the investment in high-quality gold mining projects around the world through mergers and acquisitions, which may rely on debt financing. Considering the Company's relatively large capital expenditure, we expect its debt leverage to remain at a relatively high level over the next 12 to 18 months.

Strengthened debt repayment ability and good access to capital

Zhaojin Mining's credit metrics improved given its strong profitability. The Company's total debt/EBITDA ratio slightly decreased to 6.7x in 2024 from 9.4x in 2023, and its EBIT/interest coverage ratio strengthened to 3.3x from 1.9x over the same period. Furthermore, benefiting from the increase in gold sales, the Company's operating cash flow has increased greatly. In 2024, the Company's net cash flow from operations ("CFO") rose by 41.7% YoY to RMB2.6 billion. As a result, its adjusted CFO to total debt ratio increased from 4.0% in 2023 to 6.6% in 2024. We believe that with the continuous high level of gold price and rising gold sales, the Company's operating cash flow will increase, further strengthening its debt repayment ability.

Zhaojin Mining has good access to capital, supported by its sufficient standby liquidity and active funding raising. The Company has sufficient credit liquidity, mainly from large state-owned banks. As of 31 March 2025, the Company had total credit facilities of RMB46.6 billion and available credit facilities of RMB34.4 billion. Meanwhile, as a H-share listed company and a frequent bond issuer, Zhaojin Mining has a diversified and smooth access to funding. From 2024 to 2025Q1, the Company had raised RMB13.7 billion in the onshore bond market, with low coupon rates between 1.8% and 2.3%. In April 2024 and March 2025, the Company completed the H-share placement of 132 million shares and 140 million shares respectively, raising HKD3.7 billion in total.

External Support

Zhaojin Mining has a high likelihood of receiving strong support from its parent, Zhaojin Group, given its (1) most important status as the sole gold mining subsidiary of Zhaojin Group; and (2) the strong parent-subsidiary linkage with Zhaojin Group. We also believe that Zhaojin Mining has a high likelihood of receiving support from Zhaoyuan City Government, considering its (1) ultimate ownership by the local government; (2) important position in the local economic development; and (3) track record of government support.

Zhaojin Group has the most important position in the gold production of Zhaoyuan City. It is the City's leading enterprise and the largest gold producer, playing a key role in local economic development. The financial impact of Zhaojin Group's default is also very strong, accounting for over 70% of the total assets of state-owned enterprises in Zhaoyuan City, and it has received ongoing support from the government in terms of capital injections and subsidies. In addition, as Zhaojin Mining is the only gold mining subsidiary of Zhaojin Group, it holds the majority of Zhaojin Group's mining assets, demonstrating strong parent-subsidiary linkage. Zhaojin Group continues to provide support in terms of asset injection, talent, technology, and financing. Zhaojin Group has injected a number of mining assets into the Company and provided guarantees for the Company's debt financing. As the key gold mining company in Zhaoyuan City, Zhaojin Mining also regularly receives financial support from the local government. In 2024, the Company received government subsidies of RMB34.9 million.

We believe that Zhaojin Mining will remain a core subsidiary of Zhaojin Group, and the strong willingness to support the Company from the local government and Zhaojin Group is unlikely to change in the near to medium term.

Rating Methodology

The methodology used in this rating is the Rating Methodology for [Mining Industry \(December 2017\)](#).

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