Credit Opinion

6 August 2026

Ratings	
Category	Corporate
Domicile	China
Rating Type	Solicited Rating
Long-Term Credit Rating	BBB_g+
Outlook	Positive

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Zhaojin Mining Industry Company Limited

Surveillance credit rating report

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

Summary

The BBB_g+ long-term credit rating of Zhaojin Mining Industry Company Limited ("Zhaojin Mining" or the "Company") 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) status as the most important gold mining subsidiary of Zhaojin Group; and (2) the 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 control by the local government; (2) important position in the local economic development; and (3) track record of receiving government support.

The change in outlook on Zhaojin Mining's rating to positive from stable reflects our expectation that the Company's credit metrics will continue to improve over the next 12-18 months, and its production scale will significantly expand following the full commencement of the Haiyu Gold Mine, which will strengthen its market position in the gold mining industry.

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 a 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 significantly with aggressive business expansion; or (3) the Company demonstrates deteriorated credit metrics and a weakened liquidity profile.

Key Indicators

	2023FY	2024FY	2025FY	2026Q1
Total Assets (RMB billion)	46.7	53.4	57.1	61.2
Total Equity (RMB billion)	22.2	25.1	29.0	30.4
Total Revenue (RMB billion)	8.9	12.1	18.8	4.5
Net Profits (RMB billion)	0.8	1.8	4.4	1.5
EBIT/Revenue (%)	19.6	22.7	31.9	-
EBIT/Average Assets (%)	3.8	5.5	10.8	-
Total Debt/Total Capital (%)	64.3	61.5	52.1	52.9
Total Debt/EBITDA (x)	9.9	7.0	3.3	-
EBITDA/Interest (x)	3.0	4.9	10.1	-
FFO/Total Debt (x)	0.1	0.1	0.2	-

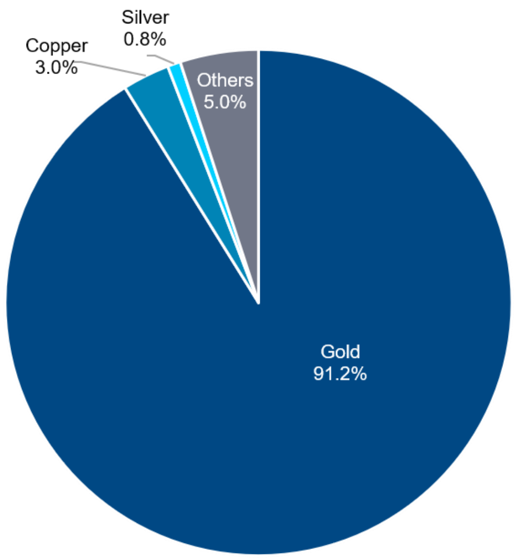
All ratios and figures are calculated using CCXAP's adjustments.

Source: Company data, CCXAP research

Corporate Profile

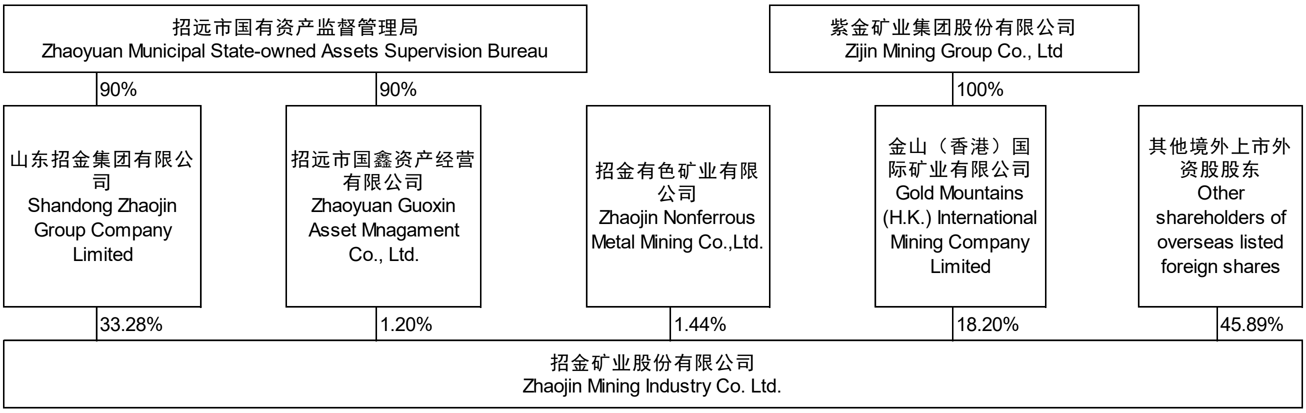
Founded in 2004, Zhaojin Mining (Stock Code: 1818.HK) is one of the leading gold mining companies in China engaged in the exploration, mining, smelting, and sales of gold, copper and silver, with principal products of standard Au9999 and Au9995 gold bullions. The Company was listed on the Stock Exchange of Hong Kong in 2006. As of 31 March 2026, Zhaojin Group directly held 33.28% of the equity interest in Zhaojin Mining, and indirectly held an additional 1.99% stake through its subsidiaries, bringing its total ownership to 35.27%. The Zhaoyuan Municipal State-owned Assets Supervision and Administration Bureau is the Company's ultimate controller. Zijin Mining, the Company's second-largest shareholder, held an 18.20% stake in the Company through its wholly owned subsidiary, Gold Mountains (H.K.) International Mining Company Limited.

Exhibit 1. Revenue structure in 2025



Source: Company data, CCXAP research

Exhibit 2. Shareholding chart as of 31 March 2026



Source: Company information, CCXAP research

Rating Considerations

Business Profile

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 a 70% equity interests of Haiyu Gold Mine through its major subsidiary, Shandong Ruiyin Mining Industry Co., Ltd. ("Shandong Ruiyin"). As of end-2025, Haiyu Gold Mine had gold resource reserves of 562.4 tons. In 2025, the Company acquired the remaining 59.0% equity in Shandong Zeqing Enterprise Management Co., Ltd., making it a wholly owned subsidiary and adding the Hushan Gold Mine to its portfolio, which has 6.8 tons of gold reserves.

The Company has continued to strengthen its gold resource base through a combination of overseas acquisitions and exploration. The acquisitions of Tietto Minerals Limited and Western Gold Mining Company Limited in 2024 have brought in the Abujar Gold Mine and the Komahun Gold Mine in West Africa, contributing to the Company's growing resource portfolio. In 2025, the Company added 71.33 tons of gold resources through exploration, and it plans to invest RMB221.0 million in exploration during 2026. As of 31 December 2025, the Company had around 1,504.7 (2024: 1,446.2) tons of gold resources and 521.2 (2024: 517.5) tons of high-grade 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 2025. The mine-produced gold rose by 7.9% year-on-year ("YoY") to 19.8 tons, mainly driven by the successful commissioning of the AGN area at the Abujar Gold Mine, higher production from domestic operations, and the full-year consolidation of Abujar Gold Mine. As a result, the gold production (including mine-producing and processing gold) increased to 27.2 tons in 2025, representing a 2.9% YoY increase.

Exhibit 3. Production volume of gold products from 2023 to 2025

	2023	2024	2025
Gold (tons)	24.7	26.5	27.2
Mine-producing gold (tons)	17.6	18.3	19.8
Processing gold (tons)	7.1	8.1	7.4

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 to full-scale construction, with a designed mining and processing capacity of 12,000 tons per day, which is expected to commence production in 2027 and serve as the main production growth driver. Besides, Zhaojin Mining's internationalization strategy also complements its production growth potential. The development of the APG area at the Abujar Gold Mine and the ramp-up of the Komahun Gold Mine expansion project are expected to provide additional production upside, reinforcing the Company's growth momentum.

Strong synergy with Zijin Mining

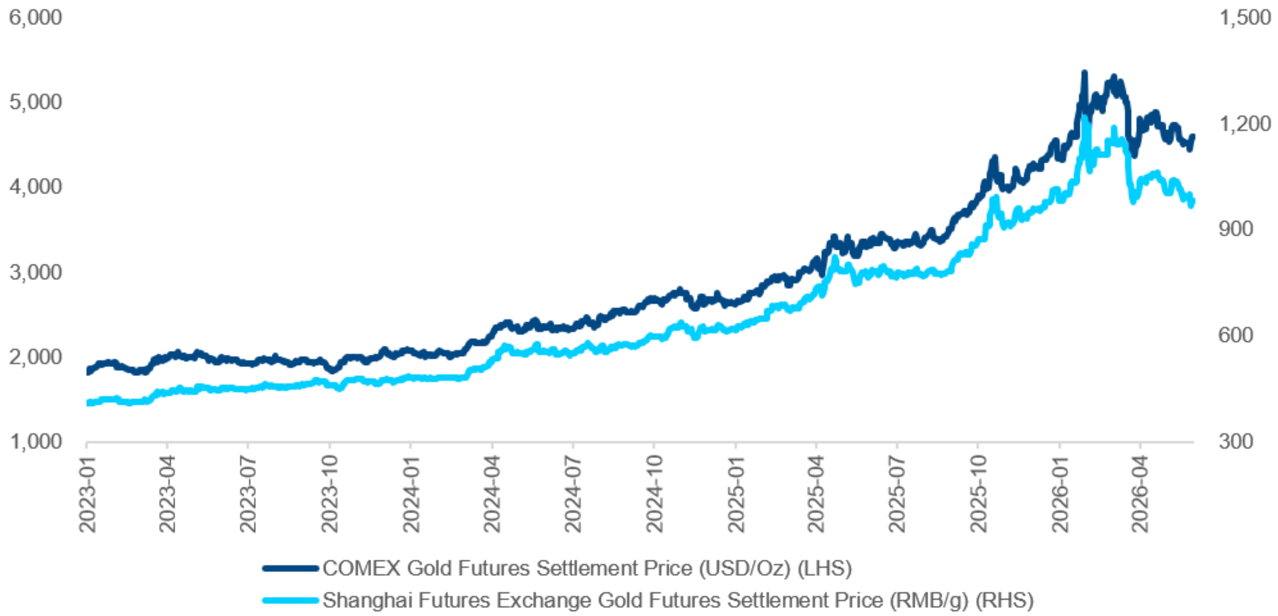
In 2022, Zijin Mining acquired 20% equity interest in Zhaojin Mining with total consideration of HKD4.4 billion, becoming the second largest shareholder of the Company. According to Forbes' 2025 Global 2000 List, Zijin Mining ranked the 1st among global gold mining companies. As a participant in the Haiyu Gold Mine project, Zijin Mining holds a 30% equity interest in the project and develops it jointly with Zhaojin Mining, leveraging the strengths of both parties. 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 effectively generated between them, improving the operation quality and management efficiency of the Company. In addition, Zijin Mining's abundant experience in global 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

Gold prices are influenced by a range of factors including global economic conditions, geopolitical risks, monetary policy, and inflation expectations, leading to significant price volatility. In 2025, uncertainties associated with trade frictions, weakening US dollar credit, and geopolitical tensions have driven safe-haven demand higher, driving gold prices to climb continuously and surge by over 60% during the year. However, since the first quarter of 2026, prices have experienced a certain degree of pullback. Looking ahead, gold prices are expected to remain supported by escalating geopolitical risks, policy uncertainties at the Federal Reserve, and the lack of a strong global economic recovery, though further upward potential may be limited.

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 price volatility. 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 2026 will continue to provide some support to gold prices, which could alleviate the inherent volatility of its metal price-dependent revenue model.

Exhibit 4. Gold Futures Price from January 2023 to June 2026



Source: Wind, CCXAP research

Financial Profile

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

Zhaojin Mining's revenue increased further in 2025, mainly driven by rising gold prices and higher production volumes. The Company's total revenue increased significantly from RMB12.1 billion in 2024 to RMB18.8 billion in 2025, representing 55.5% YoY growth. The gross profit margin rose from 40.8% to 43.6% over the same period. The Company maintains good cost management, as its EBIT margin and return on average assets increased to 31.9% (2024: 22.7%) and 10.8% (2024: 5.5%), respectively. The period expense ratio also dropped from 15.7% in 2024 to 10.7% in 2025. Supported by increased gold prices and good cost management, the net profit of the Company increased by 141.2% YoY to RMB4.4 billion in 2025. In 2026Q1, the Company recorded revenue of RMB4.5 billion, representing a 46.7% YoY increase, and net profit of RMB1.5 billion, up 82.6% YoY.

Benefiting from rising gold prices and growing 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 ongoing project investments and external acquisitions. The Company recorded a net investment cash outflow of RMB3.8 billion in 2025. The Company's adjusted total debt decreased from RMB28.8 billion at end-2024 to RMB25.8 billion at end-2025, before increasing to RMB28.1 billion at end-2026Q1. 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 61.5% to 52.9% over the same period, though it remains relatively high. In addition, the Company has high short-term repayment pressure, with short-term debt ratio of 52.0% and cash to short-term debt ratio of 0.5x as of 31 March 2026.

Zhaojin Mining has large future capital needs for the Haiyu Gold Mine project, together with infrastructure and technological upgrades for its mines. The peak investment period for the Haiyu Gold Mine project is from 2024 to 2026. As of 31 March 2026, this project had a planned total investment of RMB7.3 billion, with an outstanding amount of RMB1.4 billion. Given Zhaojin Mining's internationalization strategy, we expect the Company to increase its 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 decreased to 3.3x in 2025 from 7.0x in 2024, and its EBITDA/interest coverage ratio strengthened to 10.1x from 4.9x over the same period. Furthermore, driven by higher gold prices and increased sales, the Company's operating cash flow increased significantly. In 2025, the Company's net cash flow from operations ("CFO") rose by 147.9% YoY to RMB6.4 billion. As a result, its FFO/total debt ratio increased from 0.1x in 2024 to 0.2x in 2025. We believe that with the continuous high level of gold price and rising gold sales, the Company's operating cash flow will continue to increase, further strengthening its debt repayment ability.

Zhaojin Mining has good access to capital, supported by its sufficient standby liquidity and active funding-raising activities. The Company has sufficient credit liquidity, mainly from large state-owned banks. As of 31 March 2026, the Company had total credit facilities of RMB49.8 billion and available credit facilities of RMB38.1 billion. Meanwhile, as a H-share listed company and a frequent bond issuer, Zhaojin Mining has a diversified and smooth access to funding. In March 2025, the Company completed an H-share placement of 140 million shares, raising net proceeds of HKD2.0 billion in total. The Company had raised RMB8.8 billion in the onshore bond market in 2025, with low coupon rates between 1.7% and 2.2%. In July 2026, the Company also issued two onshore bonds totalling RMB2.0 billion with coupon rates of 1.62% and 1.69%.

External Support

Zhaojin Mining has a high likelihood of receiving strong support from its parent, Zhaojin Group, given its (1) status as the most important 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 holds a leading 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, and it has received ongoing support from the government in terms of capital injections and subsidies. In addition, as Zhaojin Mining is the most important 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. As the key gold mining company in Zhaoyuan City, Zhaojin Mining also regularly receives financial support from the local government. In 2025, the Company received government subsidies of RMB24.0 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.

ESG Considerations

Zhaojin Mining bears environmental risks through its mining construction projects and ongoing mining operations. Such risks could be moderated through environmental impact assessments, adherence to environmental standards and close monitoring throughout the project lifecycle. The Company has promoted green mine development and adopted clean energy projects to reduce its environmental footprint.

The Company is also exposed to social risks associated with mining operations, particularly community relations and safety management. Notably, the Company experienced two safety accidents in February and May 2026, both resulting in casualties, reflecting certain weaknesses in the Company’s safety production management. These incidents remain under investigation.

In terms of governance, Zhaojin Mining has established a sound governance framework. It is subject to oversight and reporting requirements from its controlling shareholder, Zhaoyuan City Government, and its parent company, Zhaojin Group. The H-share placement in 2025 further strengthened its equity base and enhanced its governance transparency.

Rating Methodology

The methodology used in this rating is the Rating Methodology for General Corporate (May 2026).

A credit rating is the analytical result of current credit worthiness and forward-looking opinion on the credit risk of a rated entity or a debt issue. Credit ratings issued by CCXAP are opinions on the current and relative future credit risk of the rated entities or debt issues, but do not address any other risks, including but not limited to liquidity risk, market price risk, and interest rate risk.

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