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ZHAOJIN

ZHAOJIN MINING INDUSTRY COMPANY LIMITED*

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 1818)

CLARIFICATION ANNOUNCEMENT

CONTINUING CONNECTED TRANSACTIONS

Reference is made to the announcement of Zhaojin Mining Industry Company Limited (“Company”) dated 22 March 2015 (“Announcement”). Capitalised terms used herein shall have the same meanings as defined in the Announcement, unless otherwise specified.

The Company would like to clarify (i) the pricing policies under the Land Lease Agreement, Digital Mine Construction Technology Services Agreement and the Gold Refinery Agreement (for crude gold with gold content less than 99%); (ii) the method and procedures adopted by the Company to ensure that the transactions under the Land Lease Agreement, the Digital Mine Construction Technology Services Agreement and the Gold Refinery Agreement will be conducted on normal commercial terms; and (iii) the actual transaction amount of each of the Land Lease Agreement, the Digital Mine Construction Technology Services Agreement, the Gold Refinery Agreement and the Framework Agreement for Sale of Silver since January 2015 to the date of this announcement.

(1) LAND LEASE AGREEMENT

Pricing policies

The rental payable by the Company to Shandong Zhaojin for each parcel of land leased under the Land Lease Agreement is determined by the parties after arm’s length negotiation having regard to the prevailing rental rate of comparable land at the proximity, taking into consideration the historical transaction amounts incurred, the rental charged by independent third party for similar type of land and the actual circumstances of the location of the leased land such as the applicable land use tax and depreciation and amortization rate of the relevant piece of land. The Land Lease Agreement also provided that the rental charged by Shandong Zhaojin on the Company shall not be higher than the rental charged by Shandong Zhaojin on any independent third party at that time for the same type of land in the normal course of business.

In view of the increase in tax rate brought about by the promulgation of the “Notice of People’s Government of Shandong Province regarding the Adjustment of the Standards of the Local Land Use Tax” (Lu Zheng Zi [2014] No. 153) by the People’s Government of Shandong Province on 18 August 2014, the rental payable for each of the three years ending 31 December 2017 is higher than that paid for the year ended 31 December 2014. However, taking into account factors such as the depreciation and amortization rate of the leased land, the rental for the three years ending 31 December 2017 will gradually decrease over the three year period.

The pricing policies under the Land Lease Agreement will be reviewed regularly and if necessary to ensure that it is consistent with market-oriented, fair and reasonable principles.

(2) DIGITAL MINE CONSTRUCTION TECHNOLOGY SERVICES AGREEMENT

Pricing policies

The Company will have a public tender process to invite bids from service providers for the provision of the Digital Mine Construction Technology Services. Only when the price tendered by Goldsoft Technology is fair and reasonable, having regard to factors such as the site of provision of such kind of service, the complexity of the service provided, the actual workload required and the time of completion, may Goldsoft Technology be awarded with a specific operational contract.

The Digital Mine Construction Technology Services Agreement also provided that the prices at which Goldsoft Technology provides the Digital Mine Construction Technology Services to the Company shall not be higher than the prices charged by Goldsoft Technology on any independent third party at the same period of time for the provision of the same type of services provided in the normal course of business and shall not be higher than the price offered by any independent third party to the Company at the same period of time for the provision of same type of services.

The pricing policies under the Digital Mine Construction Technology Services Agreement will be reviewed regularly and if necessary to ensure that it is consistent with market-oriented, fair and reasonable principles.

(3) GOLD REFINERY AGREEMENT

Pricing policies

The processing fee per gram for crude gold with gold content less than 99% is determined by the parties to the Gold Refinery Agreement after arm’s length negotiation having regard to the price charged by similar service providers in the local market. The terms offered by Zhaojin Refinery to the Company shall be no less favourable than that offered by independent third party refineries to the Company.

The Gold Refinery Agreement also provided that the fees at which Zhaojin Refinery provides gold refining services the Company shall not be higher than the fees charged by Zhaojin Refinery on any independent third party at the time for the same type of services provided in the normal course of business and shall not be higher than the fees charged by any independent third party to the Group at the time for the provision of same type of services.

In view of the anticipated increase in our gold production capacity at 10% per annum and other factors such as sales strategy having regard to anticipated gold price trend and production capability, the annual caps for the transactions under the Gold Refinery Agreement will increase gradually over the three years ending 31 December 2017.

The pricing policies under the Gold Refinery Agreement will be reviewed regularly and if necessary to ensure that it is consistent with market-oriented, fair and reasonable principles.

(4) INTERNAL CONTROL MEASURES

The Company has established various internal control measures in order to ensure that the transactions contemplated under the Land Lease Agreement, the Digital Mine Construction Technology Services Agreement and the Gold Refinery Agreement are in accordance with the pricing policies and the terms of each of the Land Lease Agreement, the Digital Mine Construction Technology Services Agreement and the Gold Refinery Agreement are on normal commercial terms and no less favourable to the Company than terms quoted to independent third parties. Such internal control measures mainly include the following:

- (i) The managers overseeing the transactions will regularly review the terms of such transactions to ensure that the fees charged by Shandong Zhaojin, Goldsoft Technology and Zhaojin Refinery respectively will reflect the prevailing market rates and will be on an arm's length basis under normal commercial terms.
- (ii) The financial department of the Company will consolidate, on a monthly basis, the transaction amounts under each of these agreements incurred for the previous month and the results will be reported to the management of the Company and the Board. The financial department will inform the management of the Company and the Board on a timely basis in the event the annual cap for any of these agreements is likely to be exceeded.
- (iii) 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 in relation to the pricing policies and annual caps of the continuing connected transactions (including the transactions contemplated under the Land Lease Agreement, the Digital Mine Construction Technology Services Agreement and the Gold Refinery Agreement) of the Company conducted during the preceding financial year pursuant to the Listing Rules.
- (iv) The independent non-executive Directors of the Company will conduct an annual review with respect to the continuing connected transactions of the Company throughout the preceding financial year and confirm on the transactional amounts and terms of the continuing connected transactions in the annual report of the Company pursuant to the requirements under the Listing Rules, and to ensure that they are entered into on normal commercial terms, are fair and reasonable, and are carried out pursuant to 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 the relevant continuing connected transactions under the Land Lease Agreement, the Digital Mine Construction Technology Services Agreement and the Gold Refinery Agreement are conducted in accordance with the terms of such agreements, on normal commercial terms (or terms no less favourable to the Company than terms available to or offered by independent third parties) and in accordance with the pricing policies of the Company, which are fair and reasonable and in the interest of the Company and its shareholders as a whole.

(5) ACTUAL TRANSACTION AMOUNTS

The actual transaction amount of each of the Land Lease Agreement, the Digital Mine Construction Technology Services Agreement, the Gold Refinery Agreement and the Framework Agreement for Sale of Silver from 1 January 2015 to the date of this announcement is RMB0, RMB4,018,475.21, RMB213,108.63 and RMB0, respectively. The Directors confirm that these transactions amounts are below the de minimis threshold under Chapter 14A of the Listing Rules.

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

Zhaoyuan, the PRC, 26 March 2015

** For identification purpose only*

As at the date of this announcement, members of the Board comprises:

Executive Directors:

Mr. Weng Zhanbin, Mr. Li Xiuchen,
Mr. Lu Dongshang and Mr. Cong Jianmao

Non-executive Directors:

Mr. Liang Xinjun,, Mr. Xu Xiaoliang and
Mr. Wu Yijian

Independent non-executive Directors:

Ms. Chen Jinrong, Mr. Choy Sze Chung Jojo,
Mr. Xie Jiyuan and Mr. Nie Fengjun