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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)

SUPPLEMENTAL ANNOUNCEMENT

CONTINUING CONNECTED TRANSACTIONS

Reference is made to the announcement (the “**Announcement**”) of Zhaojin Mining Industry Company Limited* (the “**Company**”) dated 31 December 2020 regarding the Company’s continuing connected transactions. Unless the context otherwise requires, the terms used in this announcement shall have the same meanings as those defined in the Announcement.

The Company would like to provide additional information regarding the Land Lease Framework Agreement and the Gold Refinery Agreement:

1. Detailed pricing basis in respect of the Land Lease Framework Agreement:
 - a. the rentals of the Subject Land Use Rights are mainly determined based on the costs incurred by Shandong Zhaojin in acquiring such land use rights, taking into account depreciation, amortisation, taxes and other factors. Before entering into any specific transactions with Shandong Zhaojin under the Land Lease Framework Agreement, the legal and finance departments of the Company will carefully review and check whether the rent for a specific parcel of land is determined in accordance with the principles set out in the Land Lease Framework Agreement. After due enquiry made by the Company, as of the date of the Announcement, Shandong Zhaojin has not leased land to a third party other than the Group. Shandong Zhaojin has confirmed to the Company that if it leases land to any third party in the future, it will inform the Company of the rental determination criteria and ensure that the rental rates for leasing land to third parties will not be more favourable than the rental rates for leasing land to the Company. The Company’s legal and finance departments will also carefully review the rental rates of the land leased by Shandong Zhaojin to third parties to ensure that the rental rates of the land leased by the Company from Shandong Zhaojin are more favourable than those of third parties; and

- b. (i) the land extension transfer fee of the Subject Land Use Rights for the three years ending 31 December 2023 will be approximately RMB4.97 million, RMB4.54 million and RMB4.54 million, respectively; (ii) the taxes of the Subject Land Use Rights for the three years ending 31 December 2023 will be approximately RMB2.60 million, RMB2.60 million and RMB2.60 million, respectively; (iii) the depreciation and amortisation rates of the leased lands range from 2% to 16.67% per annum depending on the useful lives of lands; and (iv) as the rent under the Land Lease Framework Agreement determined based on the costs incurred by Shandong Zhaojin in acquiring such land use rights, taking into account depreciation, amortisation, taxes and other factors, which is the same with the measurement method of the value of right-of-use assets, the transaction amount from the recognition of property leases under the Land Lease Framework Agreement as acquisition of right-of-use assets according to International Financial Reporting Standard 16 – Leases will be equal to the rent.
2. For crude gold with a gold content being less than 99%, the Group will actively seek to obtain market price information through various channels, for example, obtaining quotes from at least two independent gold refinery service providers for the same or similar type of crude gold. The sales department of the Company will review and compare such quotes with the quotes offered by Zhaojin Refinery so as to ensure that the terms offered by Zhaojin Refinery is fair and reasonable, and is determined on normal commercial terms or on terms no less favourable to the Group than the terms available from independent third parties. Meanwhile, the sales department of the Company will check and compare the rates charged by Zhaojin Refinery to independent third party customers to ensure that the quotes Zhaojin Refinery gives to the Company are not inferior to the quotes it gives to independent third parties.

This supplemental announcement is supplemental to and should be read in conjunction with the Announcement. The above additional information does not affect other information and content set out in the Announcement. Save as disclosed herein, the contents of the Announcement remain unchanged and shall continue to be valid for all purposes.

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

Zhaoyuan, the PRC, 8 January 2021

As at the date of this announcement, the Board comprises Mr. Weng Zhanbin, Mr. Dong Xin and Mr. Wang Ligang as executive Directors; Mr. Zhang Banglong, Mr. Liu Yongsheng, Mr. Gao Min and Mr. Huang Zhen 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*