

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

**ANNOUNCEMENT
REVISION OF THE CAPS FOR EXISTING CONTINUING
CONNECTED TRANSACTIONS**

Reference is made to the Company's announcements dated 5 March 2009 and 24 June 2009 respectively in relation to the continuing connected transactions of the Company.

On 5 March 2009, the Company entered into the Framework Agreement with Shandong Zhaojin in relation to the sale of silver by the Group to Shandong Zhaojin Group.

On 24 June 2009, the Company entered into, among others, the following agreements:

- (i) the Land Lease Agreement with Shandong Zhaojin in relation to the leasing of land use rights by Shandong Zhaojin to the Company; and
- (ii) the Gold Refinery Agreement with Zhaojin Refinery in relation to the provision of gold refining services by Zhaojin Refinery to the Company.

As it is anticipated by the Company that the transaction amounts of the continuing connected transactions under the Framework Agreement, the Land Lease Agreement and the Gold Refinery Agreement will exceed their respective existing annual caps, the Company entered into the Supplemental Silver Sale Agreement, the Supplemental Land Lease Agreement and the Supplemental Gold Refinery Agreement with Shandong Zhaojin and Zhaojin Refinery respectively on 15 December 2010 to increase the annual caps for each of the two years ending 31 December 2011.

As the relevant percentage ratios in respect of the revised proposed annual caps of the transactions contemplated under the Framework Agreement, the Land Lease Agreement and the Gold Refinery Agreement (as amended by the Supplemental Silver Sale Agreement, the Supplemental Land Lease Agreement and the Supplemental Gold Refinery Agreement respectively) for each of the two years ending 31 December 2011 are more than 0.1% but less than 5%, the Supplemental Silver Sale Agreement, the Supplemental Land Lease Agreement and the Supplemental Gold Refinery Agreement are subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules and are exempt from the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

BACKGROUND INFORMATION

Reference is made to the Company's announcements dated 5 March 2009 and 24 June 2009 respectively in relation to the continuing connected transactions of the Company.

On 5 March 2009, the Company entered into the Framework Agreement with Shandong Zhaojin in relation to the sale of silver by the Group to Shandong Zhaojin Group.

On 24 June 2009, the Company entered into, among others, the following agreements:

- (i) the Land Lease Agreement with Shandong Zhaojin in relation to the leasing of land use rights by Shandong Zhaojin to the Company; and
- (ii) the Gold Refinery Agreement with Zhaojin Refinery in relation to the provision of gold refining services by Zhaojin Refinery to the Company.

The Framework Agreement, the Land Lease Agreement and the Gold Refinery Agreement are for a term of three years from 1 January 2009 to 31 December 2011.

REVISION OF THE ANNUAL CAPS FOR THE FRAMEWORK AGREEMENT

The Company and Shandong Zhaojin entered into the Framework Agreement in relation to the sale of silver by the Group to Shandong Zhaojin Group.

As of 30 November 2010, the actual transaction amount of the sale of silver by the Group to Shandong Zhaojin Group reached approximately RMB12.7 million.

The Company confirms that, as at the date of this announcement, the transaction amount of the sale of silver under the Framework Agreement has not exceeded the annual cap of RMB85,000,000 for the year ending 31 December 2010.

Proposed revised annual caps for 2010 and 2011

Given the significant rise of silver prices from those of last year, together with the modification of Jinchiling Mine in the first half of the year and the treatment of electrum in the second half of the year, the sale of silver was mostly conducted in December, resulting in the original annual caps for the sale of silver being insufficient to meet the Group's demand for the sale of silver. As such, on 15 December 2010, the Company entered into the Supplemental Silver Sale Agreement with Shandong Zhaojin, pursuant to which the annual caps for each of the two years ending 31 December 2011 in respect of the continuing connected transactions under the Framework Agreement have been increased to RMB98,000,000 and RMB130,000,000, respectively. Particulars of the revisions are set out as follows:

Financial year ending 31 December	Existing annual cap (in RMB)	Revised annual cap (in RMB)
2010	85,000,000	98,000,000
2011	94,000,000	130,000,000

The revised annual caps are determined on the following basis:

- (i) silver prices increased significantly from those of last year, leading to an increase in the sales amount of silver; and
- (ii) in view of the past fluctuations in silver prices, silver prices may continue to increase.

The silver purchased by Shandong Zhaojin Group from the Group will be refined and processed before being exported. As the export of silver is subject to the quota regulations of the PRC and the Group has no authority to import or export silver, the export of silver through Shandong Zhaojin can promote the brand image of “Zhaojin” products. In addition, the payment term of the transactions entitles the Group to deliver silver to Shandong Zhaojin Group after payment is received by the Group, which eliminates all the credit risk involved in the transactions. Further, given that both the Company and Shandong Zhaojin are situated in Zhaoyuan City, Shandong Province, the sale of silver by the Group to Shandong Zhaojin Group can enhance the operational efficiency and reduce the inventory risks of the Group.

In view of the above, the Directors (including independent non-executive Directors) are of the opinion that the terms of the Supplemental Silver Sale Agreement and the revised annual caps for each of the two years ending 31 December 2011 are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

REVISION OF THE ANNUAL CAPS FOR THE LAND LEASE AGREEMENT

The Company has been leasing certain plots of land from Shandong Zhaojin for certain gold mines of the Company for ancillary and non-production purposes. Pursuant to the Land Lease Agreement, Shandong Zhaojin has agreed to lease the relevant land use rights to the Company.

The rental expenses incurred by the Group during the period from 1 January 2010 to 30 November 2010 in respect of the leasing of land use rights by the Company from Shandong Zhaojin as contemplated under the Land Lease Agreement were approximately RMB3.6 million.

The Company confirms that, as at the date of this announcement, the transaction amount under the Land Lease Agreement has not exceeded the annual cap of RMB3,910,000 for the year ending 31 December 2010.

Proposed revised annual caps for 2010 and 2011

As the lease of a parcel of land (for industrial use) of the Company’s Xiadian Gold Mine expired in July 2010 and was subject to renewal, it is expected that the original annual caps for rental expenses in respect of the leasing of land will be insufficient to meet the Group’s requirements. As such, on 15 December 2010, the Company entered into the Supplemental Land Lease Agreement with Shandong Zhaojin, pursuant to which the annual caps for each of the two years ending 31 December 2011 in respect of the continuing connected transactions under the Land Lease Agreement have been increased to RMB3,940,000 and RMB3,840,000 respectively. Particulars of the revisions are set out as follows:

Financial year ending 31 December	Existing annual cap (in RMB)	Revised annual cap (in RMB)
2010	3,910,000	3,940,000
2011	3,790,000	3,840,000

The revised annual caps are determined on the following basis:

- (i) the actual transaction amount in respect of the land lease provided by Shandong Zhaojin to the Company for the 11 months ended 30 November 2010; and
- (ii) the Company will continue to lease from Shandong Zhaojin a plot of land for industrial use located in Xiadian Town, Zhaoyuan City, at a rental of RMB29,700 and RMB40,500 for the period from July 2010 to 31 December 2010 and the whole year of 2011 respectively.

The Directors consider that the leasing of the land by the Company from Shandong Zhaojin and the continual use of the relevant land can facilitate and avoid unnecessary disruptions to the operations of the Group.

In view of the above, the Directors (including independent non-executive Directors) are of the opinion that the terms of the Supplemental Land Lease Agreement and the revised annual caps for each of the two years ending 31 December 2011 are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

REVISION OF THE ANNUAL CAPS FOR THE GOLD REFINERY AGREEMENT

The Company provides to Zhaojin Refinery crude gold to be refined into standard gold bullion, and Zhaojin Refinery provides to the Company gold refining services to process the crude gold provided by the Company into standard Au9995 gold bullion.

As of 30 November 2010, the actual transaction amount under the Gold Refinery Agreement reached approximately RMB3,958,000.

The Company confirms that, as at the date of this announcement, the transaction amount under the Gold Refinery Agreement has not exceeded the annual cap of RMB4,800,000 for the year ending 31 December 2010.

Proposed revised annual caps for 2010 and 2011

As the Company expects that the original annual caps for gold refinery fee will be insufficient to meet the Group's requirements due to the significant increase in the Group's gold production volume as compared to the previous year, on 15 December 2010, the Company entered into the Supplemental Gold Refinery Agreement with Zhaojin Refinery, pursuant to which the annual caps for each of the two years ending 31 December 2011 in respect of the continuing connected transactions under the Gold Refinery Agreement will be increased to RMB5,200,000 and RMB6,300,000, respectively. Particulars of the revisions are set out as follows:

Financial year ending 31 December	Existing annual cap (in RMB)	Revised annual cap (in RMB)
2010	4,800,000	5,200,000
2011	5,500,000	6,300,000

The revised annual caps are determined on the following basis:

- (i) the Company expects that the Group's gold production volume will increase significantly as compared to the previous year, thus the amount of gold to be refined will increase accordingly, which will result in an increase of gold refinery fee; and
- (ii) the Company expects that there will be certain increase in the Group's gold production volume in 2011 compared to in 2010.

As stated in the prospectus of the Company dated 24 November 2006, PRC laws and regulations require gold refining to be carried out at a refinery that has been licensed by the Shanghai Gold Exchange to produce standard gold bullion. The Group is not a qualified gold refinery and has to rely on other enterprises that possess the relevant licence to refine the crude gold to standard gold bullion. Zhaojin Refinery is a licensed gold refinery in the PRC and has been commissioned by the Company to refine its gold since its incorporation.

In view of the above, the Directors (including independent non-executive Directors) are of the opinion that the terms of the Supplemental Gold Refinery Agreement and the revised annual caps for each of the two years ending 31 December 2011 are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE COMPANY, SHANDONG ZHAOJIN, SHANDONG ZHAOJIN GROUP AND ZHAOJIN REFINERY

The Group is principally engaged in gold exploration, mining, ore processing and smelting, and processing and sale of by-products in the PRC.

Shandong Zhaojin is principally engaged in the business of gold exploration, mining and refining, and has investments in gold exploration, mining, smelting and refining and other gold-related businesses. Shandong Zhaojin Group is principally engaged in capital operations, gold and silver exploration and mining, ore processing and smelting, and production and maintenance of mining machines.

Zhaojin Refinery is principally engaged in the smelting and refining of gold and silver, acquisition, processing and sale of precious metals compounds in the PRC.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Shandong Zhaojin is the controlling shareholder of the Company, and Zhaojin Refinery is an associate of Shandong Zhaojin (as defined under Chapter 14A of the Listing Rules). Accordingly, Shandong Zhaojin and Zhaojin Refinery are connected persons of the Company and the transactions contemplated under the Supplemental Silver Sale Agreement, the Supplemental Land Lease Agreement and the Supplemental Gold Refinery Agreement constitute continuing connected transactions for the Company under the Listing Rules. As the relevant percentage ratios in respect of the revised proposed revised annual caps of the transactions contemplated under the Framework Agreement, the Land Lease Agreement and the Gold Refinery Agreement (as amended by the Supplemental Silver Sale Agreement, the Supplemental Land Lease Agreement and the Supplemental Gold Refinery Agreement respectively) for each of the two years ending 31 December 2011 are more than 0.1% but less than 5%, the Supplemental Silver Sale Agreement, the Supplemental Land Lease Agreement and the Supplemental Gold Refinery Agreement are subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules and are exempt from the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Supplemental Silver Sale Agreement, the Supplemental Land Lease Agreement and the Supplemental Gold Refinery Agreement have been approved by the Board. Mr. Lu Dongshang, Mr. Weng Zhanbin and Mr. Wang Peifu have abstained from voting on the Board resolution to approve the Supplemental Silver Sale Agreement, the Supplemental Land Lease Agreement and the Supplemental Gold Refinery Agreement.

DEFINITIONS

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

“Au9995”	the common standard for denoting gold purity adopted by the Shanghai Gold Exchange to conform with international practice, in which Au9995 gold denotes gold contents of 99.95% or above
“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
“connected person”	has the meaning ascribed to it under the Listing Rules
“Directors”	directors of the Company
“Framework Agreement”	the framework agreement dated 5 March 2009 entered into between the Company and Shandong Zhaojin in relation to the sale of silver by the Group to Shandong Zhaojin Group
“Gold Refinery Agreement”	the agreement dated 24 June 2009 entered into between Zhaojin Refinery and the Company in relation to the provision of gold refining services by Zhaojin Refinery to the Company
“Group”	the Company and its subsidiaries
“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
“Land Lease Agreement”	the land use rights leasing agreement dated 24 June 2009 entered into between Shandong Zhaojin and the Company in relation to the leasing of the land use rights for certain parcels of land in Zhaoyuan City, Shandong Province, the PRC by Shandong Zhaojin to the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC

“Shandong Zhaojin”	山東招金集團有限公司 (Shandong Zhaojin Group Company Limited*), a state-owned limited company established in the PRC on 28 June 1992 and a promoter and the controlling Shareholder of the Company as at the date of this announcement
“Shandong Zhaojin Group”	Shandong Zhaojin and its subsidiaries
“Share(s)”	share(s) of RMB1 each in the capital of the Company, comprising the domestic shares and H Shares of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Gold Refinery Agreement”	the supplemental agreement dated 15 December 2010 entered into between Zhaojin Refinery and the Company in relation to the provision of gold refining services by Zhaojin Refinery to the Company
“Supplemental Land Lease Agreement”	the supplemental land use rights leasing agreement dated 15 December 2010 entered into between Shandong Zhaojin and the Company in relation to the leasing of certain land use rights by Shandong Zhaojin to the Company
“Supplemental Silver Sale Agreement”	the supplemental agreement dated 15 December 2010 entered into between the Company and Shandong Zhaojin in respect of the sale of silver by the Group to Shandong Zhaojin Group
“sq. m.”	square meter(s)
“Zhaojin Refinery”	山東招金金銀精煉有限公司 (Shandong Zhaojin Gold and Silver Refinery Company Limited*), a limited liability company established in the PRC on 16 October 2001 and a 80.5% owned subsidiary of Shandong Zhaojin as at the date of this announcement
“%”	per cent.

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

Zhaoyuan, the PRC, 15 December 2010

As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Lu Dongshang and Mr. Weng Zhanbin; five non-executive Directors, namely Mr. Liang Xinjun, Mr. Cong Jianmao, Mr. Wang Peifu, Mr. Wu Zhongqing and Mr. Chen Guoping; and four independent non-executive Directors, namely Mr. Ye Tianzhu, Mr. Yan Hongbo, Ms. Chen Jinrong and Mr. Choy Sze Chung Jojo.

* For identification purposes only