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Zijin Mining Group Co., Ltd.*

紫金礦業集團股份有限公司

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

(Stock code: 2899)

CONNECTED TRANSACTION-INVESTMENT IN A COMPANY

The Board wishes to announce that the Company's wholly-owned subsidiary, Zijin Investment has entered into an agreement dated 22 June 2009 with a connected party, Minxi Xinghang for an increase of capital of a wholly-owned subsidiary of the Minxi Xinghang in the PRC, Xinyuan Waterworks (the "Capital Increase Agreement"). Xinyuan Waterworks is mainly engaged in centralized water supplies and the sales of water-heating equipments in Shanghang, Fujian.

Minxi Xinghang is a substantial shareholder and a promoter of the Company and currently holds and owns approximately 28.96% shareholding of the Company. So Minxi Xinghang is a connected person to the Company (as defined in the Listing Rules). Pursuant to the Listing Rules, the transaction constitutes a connected transaction of the Company.

As the applicable percentage ratios (as defined in the Listing Rules) in relation to the transaction are more than 0.1% but less than 2.5% (except profit percentage ratio), the transaction constitutes a connected transaction of the Company under 14A.32 of the Listing Rules with exemption on the approval from Independent Shareholders and is subject to the reporting and announcement requirements set out in Listing Rules 14A.45 to 14A.47.

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PRINCIPAL TERMS OF THE CAPITAL INCREASE AGREEMENT

Date

22 June 2009

Parties

1. Zijin Investment, is a wholly-owned subsidiary of the Company. After the completion of the Capital Increase Agreement, Zijin Investment's equity interest in Xinyuan Waterworks will be 38%. Zijin Investment is mainly engaged in hydro power, logistics infrastructure, and mines investments in the PRC; and

2. Minxi Xinghang, is a state-owned limited company in the PRC. After completion of the Capital Increase Agreement, Minxi Xinghang will decrease its equity interest in Xinyuan Waterworks from 100% to 62%. Minxi Xinghang mainly carries out investment business in Fujian, PRC.

General

Zijin Investment is a wholly-owned subsidiary of the Company. Minxi Xinghang currently holds and owns 100% equity interest in Xinyuan Waterworks. After the completion of the Capital Increase Agreement, Zijin Investment will hold 38% equity interest in Xinyuan Waterworks, Minxi Xinghang will hold 62% equity interest in Xinyuan Waterworks. Xinyuan Waterworks will be an associate company of the Company after completion of the Capital Increase Agreement.

Xinyuan Waterworks' current registered capital is RMB93 million. After completion of the Capital Increase Agreement, Xinyuan Waterworks's registered capital will be increased to RMB300 million. The increased capital will be mainly used for the development of the project of third water source of Shanghang County. Xinyuan Waterworks is mainly engaged in centralized water supplies and the sales of water-heating equipments in Shanghang, Fujian.

Xinyuan Waterworks was incorporated in January 2005, its current registered capital is RMB93 million and it is solely owned by Minxi Xinghang.

According to audited financial statements prepared under the PRC generally accepted accounting principles, as at 31 December 2008, Xinyuan Waterworks' total value of assets was RMB112,213,469, its net asset value was RMB96,349,989, its loss before and after tax and extraordinary items was RMB98,915. As at 31 December 2007, Xinyuan Waterworks' total value of assets was RMB33,118,508, its net asset value was RMB15,949,217, its profit before and after tax and extraordinary items was RMB2,402,884.

According to an independent valuer's valuation report Pingbaozi [2008] No.L800 "Shanghang Xinyuan Waterworks Co., Ltd.'s Assets Valuation Report" issued by Xiamen University Assets Valuation Co., Ltd., as at 31 July 2008, Xinyuan Waterworks' total book value of assets was RMB93,282,944.85, total liabilities was RMB81,169,371.70 (of which, RMB80,540,086.45 was non-current liabilities), net book assets was RMB12,113,573.15. Its total valuated assets was RMB103,980,621.70, its total valuated liabilities was RMB81,169,371.70, its net valuated assets was RMB22,811,250. Cost method was applied in this valuation.

According to capital verification report Hanganyong [2008] Bianyanzi No.035 issued by Shanghang Anyong (United) CPA Firm on 2 September 2008, Minxi Xinghang has carried out a conversion of a specific payable RMB80,500,000 due from Xinyuan Waterworks into its capital which increased Xinyuan Waterworks' registered capital from RMB12,500,000 to RMB93,000,000.

After completion of the Capital Increase Agreement, the profit sharing of Xinyuan Waterworks will be based on the respective proportionate shareholding in the company.

Consideration

Pursuant to the Capital Increase Agreement, Xinyuan Waterworks will increase its capital from RMB93 million to RMB300 million, the increased capital will be RMB207 million, among which, Minxi Xinghang will contribute RMB93 million in cash and Zijin Investment will contribute RMB114 million including RMB100 million cash and RMB14 million valuated asset, Tiedong Yanxia Dam. After the completion of the Capital Increase Agreement, Zijin Investment will hold

38% equity interest of Xinyuan Waterworks and Minxi Xinghang will hold 62% equity interest of Xinyuan Waterworks. The capital injection will be settled by 3 installments within 2 years, the first installment will be RMB25 million, which will be contributed by Zijin Investment in cash within 10 days after the execution of the Capital Increase Agreement; the second installment will be RMB122 million, of which, Minxi Xinghang will contribute RMB55.8 million in cash, and Zijin Investment will contribute RMB52.2 million in cash and RMB14 million valuated asset, Tiedong Yanxia Dam, and with reference to the construction progress of the third water source, the second installment should be settled not later than 30 September 2009; the third installment will be RMB60 million, of which, Minxi Xinghang will contribute RMB37.2 million in cash and Zijin Investment will contribute RMB22.8 million in cash, and the third installment should be settled not later than 30 September 2010.

Minxi Xinghang has invested RMB93 million and currently owns 100% equity interest in Xinyuan Waterworks. Pursuant to the Capital Increase Agreement, Xinyuan Waterworks will increase its capital from RMB93 million to RMB300 million and Minxi Xinghang will decrease its equity interest in Xinyuan Waterworks from 100% to 62% by contributing an additional amount of RMB93 million in cash as registered capital of Xinyuan Waterworks. Zijin Investment will hold 38% equity interest of Xinyuan Waterworks. Zijin Investment will contribute RMB100 million in cash and RMB14 million valuated asset, Tiedong Yanxia Dam as registered capital of Xinyuan Waterworks.

According to an independent valuer's valuation report Pingbaozi [2008] No.L794 "Tiedong Yanxia Dam Fixed Assets Valuation Report" issued by Xiamen University Assets Valuation Co., Ltd., as at 31 July 2008, Tiedong Yanxia Dam's value was RMB13,443,193. Cost method was applied in this valuation.

The total original investment cost of the Tiedong Yanxia Dam was RMB12,513,290 and the expected gain to the Group derived from the injection in this transaction will be RMB7,797,003.

The increase of capital is mainly used for the phase one development of the third water source, Zijin Investment will be limited to invest RMB114 million with no further increase of investment. If this project requires any additional capital requirement, Minxi Xinghang will be responsible to raise it. The shareholding in Xinyuan Waterworks of both parties will be adjusted according to the actual investment after the completion of the project. The shareholding adjustment will be executed formally.

Zijin Investment will invest RMB114,000,000 and hold 38% equity interest of Xinyuan Waterworks' increased capital RMB300,000,000. The consideration of the capital increase was arrived at after arm's length negotiations between the parties thereto and on normal commercial terms.

The Capital Increase Agreement is expected to complete not later than 30 September 2010. Except for the increase of capital in Xinyuan Waterworks, all parties do not have any further financial commitments in this investment.

Board of directors

The board of directors of Xinyuan Waterworks consists of 5 directors, of which Zijin Investment nominates 2 persons, and Minxi Xinghang nominates 3 persons.

CONNECTED TRANSACTION

Minxi Xinghang is a substantial shareholder and a promoter of the Company and currently holds and owns approximately 28.96% shareholding of the Company. Therefore Minxi Xinghang is a connected person to the Company (as defined in the Listing Rules). Under the Listing Rules, the transaction constitutes a connected transaction of the Company.

REASONS FOR THE PROPOSED TRANSACTION

The Company is principally engaged in the mining, production, refining and sale of gold and other mineral resources in the PRC. As a result of the transaction, the Company may have an opportunity to increase the capital of Xinyuan Waterworks which can ensure the successful construction of the third water source, actively promote the public construction in Shanghang County as a whole and benefit the Company's operations in Shanghang County. Therefore, the Directors including the independent non-executive directors consider that the transaction and the terms of the Capital Increase Agreement are in ordinary course of business and on normal commercial terms and fair and reasonable and in the interest of the Company and its shareholders as a whole.

GENERAL

As the applicable percentage ratios (as defined in the Listing Rules) in relation to the transaction are more than 0.1% but less than 2.5% (except profit percentage ratio), the transaction constitutes a connected transaction of the Company under Chapter 14A.32 of the Listing Rules with exemption on the approval from Independent Shareholders and is subject to the reporting and announcement requirements set out in Listing Rules 14A.45 to 14A.47.

DEFINITIONS

In this announcement, unless otherwise indicated in the context, the following expressions have the meaning set out below:

“Board”	the board of Directors
“Company”	Zijin Mining Group Co., Ltd.* (紫金礦業集團股份有限公司), a joint stock limited company incorporated in the People's Republic of China with limited liability
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Independent Shareholders”	Any shareholder of the Company that is not required to abstain from voting at a general meeting to approve a connected transaction pursuant to the Listing Rules
“Listing Rules”	The Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“Minxi Xinghang”	Minxi Xinghang State-owned Assets Investment Co., Ltd. (閩西興杭國有資產投資經營有限公司), a state-owned limited company incorporated

	in the PRC with limited liability, a promoter and a substantial shareholder of the Company and currently owns and holds approximately 28.96% shareholding of the Company
“PRC”	The People’s Republic of China, but for the purpose of this announcement, excludes Hong Kong, Macau SAR and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	the shareholder(s) of the Company
“Xinyuan Waterworks”	Shanghang Xinyuan Waterworks Company Limited (上杭縣鑫源自來水有限公司), a company formed in the PRC with limited liability
“Zijin Investment”	Fujian Zijin Investment Co., Ltd.(福建紫金投資有限公司), a wholly-owned subsidiary of the Company and a limited company incorporated in the PRC with limited liability
“%”	per cent

As at the date of this announcement, the Board of Directors of the Company comprises Messrs. Chen Jinghe (Chairman), Liu Xiaochu, Luo Yingnan, Lan Fusheng, Huang Xiaodong, and Zou Laichang as executive directors, Mr. Peng Jiaqing as non-executive director, and Messrs. Chen Yuchuan, Su Congfu, Lin Yongjing, and Loong Ping Kwan as independent non-executive directors.

By Order of the Board of Directors
Zijin Mining Group Co., Ltd.*
Chen Jinghe
Chairman

Fujian, PRC, 22 June 2009

** The English name of the Company is for identification purpose only*