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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)**

## **Announcement in relation to joint development of Longyan Shuanglong Road Project**

### **1. Overview**

Fujian Zijin Real Estate Company Limited (“Zijin Real Estate”), a wholly-owned subsidiary of Zijin Mining Group Co., Ltd.\* (the “Company”) is a company specializing in real estate development. On 7 September 2013, the Company successfully bid at an open market for a land use right and a development right in respect of a piece of land located in the southern side of Shuanglong Road, east of Longyan Road in Xinluo District, Longyan City, Fujian Province (Zongdihao [2013pai – No.34]) (the “Longyan Shuanglong Road Project”) for a consideration of RMB1.116 billion. The total land area is 61,973.5 square meters. The Company has settled part of the land, development and other costs amounted to RMB707.56 million.

Taking into account the cooperation between Zijin Real Estate and AVIC Real Estate Holding Co., Ltd. (“AVIC Real Estate”, a company listed on the Shenzhen Stock Exchange, stock code: 000043) in the development of the Xiamen AVIC Zijin Square Project, Zijin Real Estate introduced AVIC Real Estate as a strategic partner to jointly develop the Longyan Shuanglong Road Project and both parties entered into a “Memorandum of Cooperation for Longyan Shuanglong Road Project” (the “Memorandum”) and the Company made an announcement on 9 December 2013 (the “Announcement”). Unless otherwise indicated, capitalised terms used in this announcement shall have the same meanings as defined in the Announcement. According to the Memorandum, Zijin Real Estate invested RMB10 million in cash to set up a wholly-owned subsidiary Longyan Zijin AVIC Real Estate Development Co., Ltd. (“Longyan Zijin AVIC” or “Target Company”) on 17 December 2013, and will subsequently change the assignee of the land use right grant contract of Longyan Shuanglong Road Project to the Target Company and confirm the Target Company’s

ownership of the land use right and as the main corporate body in the development of the project.

For the joint development of Longyan Shuanglong Road Project, Zijin Real Estate entered into the “Cooperation Agreement of Longyan Land No.34” with Shenzhen CATIC City Investment Limited (“CATIC City Investment”), a wholly-owned subsidiary of AVIC Real Estate on 24 January 2014, in which CATIC City Investment will inject RMB10,408,163 in cash to enlarge the capital of the Target Company. Upon completion of the capital enlargement, the registered capital of the Target Company will be increased to RMB20,408,163, in which Zijin Real Estate will hold 49% of the equity interest and CATIC City Investment will hold 51% of the equity interest. According to the agreement, both shareholders will inject into the Target Company with entrusted loans to repay the Company’s advance for partial land plots payment and development costs amounted to RMB707.56 million and the capital interests for obtaining the land of the project, and to settle the subsequent land price of RMB558 million and the various taxes for deed, stamp duty, etc. related to the land. External funds will be arranged for the subsequent development by the Target Company. Any shortage of fund will be financed by shareholder’s loans on the proportion of equity interests. If the Target Company needs guarantee from the shareholders, it will be provided by the shareholders based on proportion of equity interests. Both parties will jointly develop the land of the project through the Target Company, a joint venture of both parties, the Target Company will be responsible for the project development and the Target Company will appoint CATIC City Investment or its designated body to conduct project management. The Target Company shall pay management fee to CATIC City Investment or a body corporate specified by Party B based on 2.5% of sales and 5.5% of net profit generated by the project.

The board of directors of the Company considered the above cooperation matters by means of tele-communication on 24 January 2014. All of the 11 directors of the Company participated in the voting and approved the agreement unanimously.

The transaction constitutes neither a connected transaction nor a material asset restructuring, and it does not require an approval from a shareholders’ meeting of the Company.

## **2. Details of the cooperating parties**

### **(1) Zijin Real Estate**

A. Zijin Real Estate was established on 11 March 2008 with registered capital of

RMB500 million. The legal representative is Li Shuhua and the registered address is East Wing, 5/F., No. 128 Xiangyun 3rd Road, Huli District, Xiamen. The business scope includes real estate development and operation, leasing of construction machinery and equipment; investment in real estate, hotel and trading industries. Zijin Real Estate is a wholly-owned subsidiary of the Company of which the Company holds 60% equity interest; Zijin Mining Group (Xiamen) Investment Company Limited, a wholly-owned subsidiary of the Company holds 40% equity interest.

**B. Key financial data of Zijin Real Estate:**

Currency: RMB'000

Year	Total assets	Net assets	Operating income	Net profit	Audited
2012	1,843,341.3	581,716	760,255.7	75,534.1	Yes
30 September 2013	2,204,727.1	580,215.2	22,325.4	-1,500.8	No

**(2) Shenzhen CATIC City Investment Limited**

A. CATIC City Investment was established on 19 May 1997 with registered capital of RMB150 million. The registered address is 6/F., West Wing, Fiyta Building, No.163 Zhenhua Road, Futian District, Shenzhen and the legal representative is Shi Zhenglin. The business scope includes investment and setting up industry, obtaining operation and development of real estate within land use right area legally, property management, sales of professional equipment and real estate leasing. CATIC City Investment is a wholly-owned subsidiary of AVIC Real Estate.

**B. Key financial data of CATIC City Investment:**

Currency: RMB'000

Year	Total assets	Net assets	Operating income	Net profit	Audited
2012	3,924,133.2	988,160.6	795,832.7	318,242.3	Yes
30 September 2013	6,191,293.9	966,287.3	163,592.3	-15,888.2	No

**3. Basic information of the Target Company**

A. Longyan Zijin AVIC, a wholly-owned subsidiary of Zijin Real Estate, was established on 17 December 2013 with a registered capital of RMB10 million. Its

registered address is Rooms 605-606, 6<sup>th</sup> Floor, 51 Xia Liao Xin Cun (Cao Xi Community Centre), Cao Xi Street, Xinluo District, Longyan City, Fujian. The legal representative is Li Shuhua. The business scope includes real estate development and operation, property management, car park services. (The above business scope which involves activities requiring permits should only be commenced after obtaining such permits from the relevant authorities.)

**B. Key financial data of the Target Company**

Currency: RMB'000

Year	Total assets	Net assets	Operating income	Net profit	Audited
2013	10,000	10,000	0	0	No
20 January 2014	10,000	10,000	0	0	No

C. The Company, the Target Company and Bureau of Land and Resources of Longyan, Fujian entered into the land grant contract modification agreement on 2 January 2014 to change the assignee of land use right grant contract of Longyan Shuanglong Road Project to the Target Company. After the Target Company paid all the consideration and relevant taxes and fees of the land according to the land grant contract, the land use right of the land can be legally transferred to the Target Company. The total land price is RMB1.116 billion and no premium will be charged in the injection of the land into the Target Company.

D. The land for the Longyang Shuanglong Road Project is for residential use – urban residential (ordinary residence) and commercial use – wholesale and retail (shops) with a land use period of 70 years for residential use and 40 years for commercial use. The conditions and indicators for planning and design are: actual measured land area of 61,973.5 square meters, building area  $\leq$ 223,105 square meters, building density of 23% - 28%, plot ratio of 3.1 – 3.6, greening rate of 30% - 35%, building height limit  $\leq$ 120 meters. There are at least 1,530 residential units within the project land and the building area of units with less than 90 square meters should not be less than 15% of the total residential construction area. Except for the aforementioned conditions and indicators for planning and design, there is no other restrictive condition for development of the project.

**4. Major terms of the agreement**

Signing parties:

Fujian Zijin Real Estate Company Limited (“Party A”); and  
Shenzhen CATIC City Investment Limited (“Party B”)

I. Both parties agreed Party B to invest RMB10,408,163 to enlarge the capital of the Target Company resulted in Party B holding 51% equity interest of the Target Company and Party A’s equity interest proportion will be reduced from 100% to 49%.

II. Shareholders of the Target Company will exercise their voting rights in proportion to their equity interests in a shareholders’ meeting. Resolutions of the shareholders’ meeting to amend the articles of association, increase or decrease the registered capital, merger, division, dissolution or change of corporate form must be approved by more than two-thirds of the voting rights. Other matters of the shareholders’ meeting resolved by more than half of the voting rights shall take effect.

The board of directors of the Target Company shall consist of five directors, of which two directors and three directors are appointed by Party A and Party B respectively. Chairman (cum legal representative) of the board of directors of the Target Company shall be appointed by Party B while Vice-Chairman shall be appointed by Party A. Board resolutions shall be approved by more than half of the directors.

A supervisory committee shall be set up by the Target Company and it shall consist of three supervisors, of which each Party A and Party B appoints one supervisor and the Target Company recommends one supervisor representing workers and staff. The supervisor appointed by Party A serves as the Chairman of the supervisory committee.

The general manager of the Target Company shall be nominated by Party B, and appointed after the board of directors’ approval. Both Party A and Party B have a right to recommend a deputy general manager respectively, who will be appointed after the board of directors’ approval. The person-in-charge for accounting (financial controller) of the Target Company shall be appointed by Party B while the finance manager shall be appointed by Party A.

III. Both parties unanimously confirmed that within 15 workings days upon completion of Party B’s transaction, both parties shall inject through the bank entrusted loans into the Target Company according to their proportion of equity intrests and jointly urge the Target Company to make payment to the Company next day in receipt of the aforementioned amount for repaying the Company’s advance for

land plots payment amounted to RMB707.56 million and its capital interest for obtaining the land of the project (interest of the advance = RMB707.56 million x annual interest rate (the same period basic lending rate of banks announced by the People's Bank of China) x 1.1 x actual advance days).

IV. Subsequent land price of the project land and the taxes related to the land (subject to the agreed payable scope within the agreement, mainly includes RMB558 million for land and the taxes for deed, stamp duty, etc.) shall be raised by both parties according to their proportion of equity interests and injected in the Target Company through bank entrusted loans. The annual interest rate is tentatively set at 10%, subject to specific terms as agreed by both parties. If any party fails to settle the subsequent land price and taxes on time and in full, the observant party could provide an advance within a certain period of time, if the party could not repay the advance with interest (4 times of the same period basic lending rate of banks to be used for calculation) within 3 months to the observant party, the observant party has a right to adjust the parties' proportion of equity interests and distribution ratio of the net profit of the Target Company in accordance with the terms of the agreement.

V. Subsequent development and construction funds of the project mainly come from external financing of the Target Company, remaining balance shall be provided by both parties by way of shareholders' loans in proportion of equity interests. The annual interest rate is tentatively set at 10%, subject to specific terms as agreed by both parties. In the event stated in point IV happened, the ratio of shareholders' loans provided shall be adjusted in accordance with the terms of the agreement. If any party fails to provide the development and construction funds on time and in full, the observant party could provide an advance and receive interest (4 times of the same period basic lending rate of banks to be used for calculation) on the advance.

For external financing of the Target Company, when Target Company needs guarantee from the shareholders, both parties shall provide corresponding guarantee equivalent to the total proposed financing amount according to their proportion of equity interests respectively. If any party provides guarantee exceeds the portion it should be responsible for, the party can charge fee on the excess portion of guarantee from another party.

VI. Both parties agreed that the Target Company will be responsible for the project development while Party B or its designated body will be appointed by the Target Company to take charge of project management. Party B shall develop detailed

project development plans and business objectives to submit to the board of directors of the Target Company for approval and then execution, and bring the Target Company to submit to its shareholders various reports including monthly report, annual report, etc. periodically and operational plans. The board of directors of the Target Company is responsible for supervising Party B for the implementation of development plans and investment proposals. Adjustments to major event on development plans and business objectives by Party B shall be approved by the board of the Target Company. The Target Company shall pay management fee to Party B or the body corporate specified by Party B based on 2.5% of sales and 5.5% of net profit generated by the project.

VII. The financial results of the Target Company will be consolidated by Party B. The financial reports of the Target Company will be subject to the audit conducted by an audit firm appointed by its board of directors. Unless otherwise stipulated in the agreement or the equity interest adjustment based on point IV above, both parties agreed to distribute the after-tax profits based on proportion of equity interests as 49% for Party A and 51% for Party B.

#### **5. Impact of the cooperation to the Company**

The board of directors of the Company considers that AVIC Real Estate is a professional real estate development company, the cooperation between the Company and AVIC Real Estate for the development of the Longyan Shuanglong Road Project complies with the Company's whole development strategy and reduces the Company's risk in investment.

This announcement is made on a voluntary basis.

#### **Investors and shareholders are advised by the Board to exercise caution when dealing in the shares of the Company.**

As at the date of this announcement, the Board of Directors of the Company comprises Messrs. Chen Jinghe (Chairman), Wang Jianhua, Qiu Xiaohua, Lan Fusheng, Zou Laichang, and Lin Hongfu as executive directors, Mister. Li Jian as non-executive director, and Messrs. Lu Shihua, Ding Shida, Jiang Yuzhi, and Sit Hoi Wah, Kenneth as independent non-executive directors.

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

Fujian, the PRC, 24 January 2014

\*The Company's English name is for identification purpose only