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If you have sold or transferred all your shares in Zijin Mining Group Co., Ltd.*, you should at once hand this circular to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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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)

**DISCLOSEABLE TRANSACTION
ESTABLISHMENT OF A NON WHOLLY-OWNED SUBSIDIARY**

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DEFINITIONS

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

“Board”	the board of Directors
“Board of the Joint Venture”	Board of directors of the Joint Venture
“Company”	Zijin Mining Group Co., Ltd.*, a joint stock limited company
“Director(s)”	the director(s) of the Company
“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
“Joint Venture” or “Zijin Non-ferrous Metal”	Bayannaer Zijin Non-ferrous Metal Co., Ltd. (巴彥淖爾紫金有色金屬有限公司), an equity joint venture to be established by the Joint Venture Partners under the laws of the PRC
“Joint Venture Agreement”	the agreement dated 10 November 2004 entered into by the relevant parties for the establishment of an equity joint venture
“Joint Venture Partners”	collectively referred to the Company, Gansu Jiangxin and Gansu Yate
“Gansu Jiangxin”	Gansu Jiangxin Industrial Company Limited (甘肅建新實業有限公司), a company incorporated in the PRC
“Gansu Yate”	Gansu Yate Investment Company Limited (甘肅亞特投資有限公司), a company incorporated in the PRC
“Latest Practicable Date”	1 December 2004, being the latest practicable date before the printing of this circular for ascertaining certain information contained in this circular
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Parties of the Joint Venture”	the Company, Gansu Jiangxin and Gansu Yate
“PRC”	The People’s Republic of China, but for the purpose of this circular, excludes Hong Kong, Macau SAR and Taiwan

* For identification purpose only

DEFINITIONS

“Promoters”	as to any PRC issuer, any person who undertook the establishment of such issuer, or any person who performed a similar role under PRC Law in the establishment of a PRC issuer
“Proposed Transaction”	the establishment of the Joint Venture by the Joint Venture Partners
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Shareholder(s)”	the shareholder(s) of the Company
“Tonne(s)”	A metric measurement of weight, 1 Tonne equals to 1,000 kilograms
“%”	per cent

Note: For the purpose of the announcement dated 11 November 2004 and this circular, unless otherwise specified, amounts denominated in Renminbi have been translated for the purpose of illustration only into Hong Kong dollars at the exchange rate of HK\$1.00 = RMB1.06.



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)

Executive Directors:

Chen Jinghe (*the Chairman*)
Liu Xiaochu
Luo Yingnan
Lan Fusheng
Rao Yimin

Registered Office and

Principal Place of Business:
No.1 Zijin Road
Shanghang County
Fujian Province
the PRC

Non-executive Director:

Ke Xiping

Place of business in Hong Kong:

Suite 1913, 19/F
Two International Finance Centre
8 Finance Street
Central
Hong Kong

Independent non-executive Directors:

Yang Dali
Yao Lizhong
Loong Ping Kwan

2 December 2004

To the Shareholders

Dear Sir/Madam,

**DISCLOSEABLE TRANSACTION
ESTABLISHMENT OF A NON WHOLLY-OWNED SUBSIDIARY**

1. INTRODUCTION

On 11 November 2004, it was announced by the Company that the Company has entered into the Joint Venture Agreement on 10 November 2004 with Gansu Jiangxin and Gansu Yate for the establishment of an equity joint venture. The scope of operation of the Joint Venture is the construction of a refinery of zinc metals with a capacity of 100,000 Tonnes per annum and the exploration of mineral resources in the Bayannaer district, Inner Mongolia.

* For identification purpose only

LETTER FROM THE BOARD OF DIRECTORS

The establishment of the Joint Venture constitutes a discloseable transaction of the Company under the Listing Rules.

The purpose of this circular is to provide Shareholders with further information relating to the discloseable transaction.

2. JOINT VENTURE AGREEMENT

2.1 Date:

10 November 2004

2.2 Parties:

- (i) The Company
- (ii) Gansu Jiangxin
- (iii) Gansu Yate

As confirmed by the Directors, Gansu Jiangxin and Gansu Yate and their ultimate beneficial owners are not connected persons (as defined in the Listing Rules) of the Company.

3. DETAILS OF THE PROPOSED TRANSACTION

3.1 General

The Company has entered into the Joint Venture Agreement dated 10 November 2004 with two other independent parties, namely Gansu Jiangxin and Gansu Yate, for the establishment of the Joint Venture in the PRC, in which the Company owns 60% of its equity interest. Zijin Non-ferrous Metal will be engaged in the construction of a refinery of zinc metals with a capacity of 100,000 Tonnes per annum and the exploration of mineral resources in the Bayannaoer district, Inner Mongolia. The registered capital of Zijin Non-ferrous Metal is RMB250,000,000 (equivalent to approximately HK\$235,625,000). The profit sharing of the company will be based on the respective equity interest of its shareholders.

3.2 Consideration

Pursuant to the Joint Venture Agreement, the Company shall contribute RMB150,000,000 (equivalent to approximately HK\$141,375,000) in cash as registered capital, representing 60% equity interest in Zijin Non-ferrous Metal; whereas, Gansu Jiangxin and Gansu Yate will contribute in cash RMB75,000,000 (equivalent to approximately HK\$70,687,500) and RMB25,000,000 (equivalent to approximately HK\$23,562,500) representing 30% and 10% of their equity interests respectively. Other than the said contribution, no other capital commitment nor contractual commitment upon the execution of the Joint Venture Agreement.

LETTER FROM THE BOARD OF DIRECTORS

According to the relevant laws and regulations in the PRC, the initial payment of RMB25,000,000 (equivalent to approximately HK\$23,562,500) in the registered capital of Zijin Non-ferrous Metal shall be paid by its respective shareholders on a proportionate basis within 30 days immediately after the execution of the Joint Venture Agreement for the establishment of the company. The remainder of the registered capital shall be fulfilled in full within one year from 22 November 2004, i.e. the date of obtaining of business license of the company.

4. BOARD OF DIRECTORS

The Board of the Joint Venture comprises five directors, of which the Company shall nominate three persons and each of the other two parties shall nominate one person. The Company has the discretion to nominate the chairman of the board of the Joint Venture.

5. STRATEGIC RELATIONSHIP

Gansu Jiangxin and Gansu Yate are the two companies engaged in the exploration and mining of zinc metal resources in Inner Mongolia. Gansu Jiangxin and Gansu Yate will involve in the operation of the company. Pursuant to the Joint Venture Agreement, the Company or Zijin Non-ferrous Metal shall have a first right of refusal in obtaining all the zinc metal resources owned by Gansu Jiangxin and Gansu Yate, and at the same time participates in the exploration projects in the Bayannaouer district of Inner Monogolia, with an aim to utilize the designated refining facilities of Zijin Non-ferrous Metal in the same district to the maximum extent.

6. REASONS FOR THE PROPOSED TRANSACTION

The Company is principally engaged in the exploration, mining, production, refining and sale of gold and other mineral resources in the PRC. As a result of the Proposed Transaction, the Company may have an opportunity to expand its business in the exploration and development of non-ferrous metal resources in the northwestern parts of the PRC. Therefore, the Directors consider that the Proposed Transaction and the terms of the Joint Venture Agreement are fair and reasonable and in the interest of the Company and its shareholders as a whole.

7. GENERAL

The initial payment of RMB25,000,000 (equivalent to approximately HK\$23,562,500) in the registered capital of the Joint Venture has been duly paid by the shareholders and the business license for the Proposed Transaction has been granted on 22 November 2004. The remainder of the registered capital shall be paid by the respective shareholders in accordance with the terms of the Joint Venture Agreement within one year from 22 November 2004. Should any of the Joint Venture Partners fail to contribute its respective registered capital in full, it has to indemnify the other parties for potential loss.

LETTER FROM THE BOARD OF DIRECTORS

The Proposed Transaction shall not have an adverse change on the assets, liabilities and earnings of the Company.

The Proposed Transaction constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. No controlling Shareholders, Promoters nor the Directors or any of their respective associates have a material interest in the Proposed Transaction.

Your attention shall also be drawn to the additional information as set out in the Appendix to this circular.

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

* *For identification purpose only*

1. RESPONSIBILITY STATEMENT

This circular contains particulars given in compliance with the Listing Rules for the purpose of giving information on the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best knowledge and belief there are no facts the omission of which would made any statement herein misleading.

2. DISCLOSURE OF INTERESTS OF THE DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE OF THE COMPANY

As at the Latest Practicable Date, the interests of the Directors, Supervisors or the chief executive of the Company in the shares or equity or debt securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which the Directors are taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO to be entered into the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Hong Kong Stock Exchange are as follows:

(1) Shareholding in the Company:

Director	Number of Domestic Shares/amount of equity interests held	Nature of interests	Long/short positions	Approximate percentage of shareholding in such class of securities	Approximate percentage of shareholding in the registered capital
Ke Xiping	228,000,000 (Note 1)	Company	Long	12.48%	8.67%
Chen Jinghe	10,000,000 (Note 2)	Personal	Long	0.54%	0.38%

(2) Shareholding in the Company's subsidiaries:

Directors/ Supervisors/ Chief executive	Name of subsidiaries	Amount of equity interests held	Nature of interests	Long/short positions	Approximate percentage of shareholding in the registered capital
Chen Jinghe	Jinghe Zijin (Note 3)	50,000 (Note 4)	Personal	Long	0.13%
Liu Xiaochu	Jiuzhaigou Zijin	50,000 (Note 4)	Personal	Long	0.13%
Luo Yingnan	Jiuzhaigou Zijin	50,000 (Note 4)	Personal	Long	0.13%
Lan Fusheng	Jiuzhaigou Zijin	50,000 (Note 4)	Personal	Long	0.13%
Rao Yimin	Jiuzhaigou Zijin	50,000 (Note 4)	Personal	Long	0.13%
Zeng Qingxiang	Jiuzhaigou Zijin	50,000 (Note 4)	Personal	Long	0.13%
Lan Liying	Jiuzhaigou Zijin	25,000 (Note 5)	Personal	Long	0.06%

Notes:

- (1) Xiamen Hengxing Industrial Co., Ltd. holds 95,000,000 Domestic Shares in the Company, and holds 49% shareholding in Fujian Xinhua Engineering Company Limited (which is holding 133,000,000 Domestic Shares in the Company). Under Section 316 of the SFO, Xiamen Hengxing Industrial Co., Ltd. is therefore interested in 228,000,000 Domestic Shares in the Company. Mr. Ke Xiping owns 73.21% interest in Xiamen Hengxing Industrial Co., Ltd.. Under Section 316 of the SFO, Mr. Ke Xiping is regarded as being interested in such shares.
- (2) On 12 July 2004, Fujian Xinhua Department Store Company Limited and Shanghang County Jinshan Trading Company Limited, the shareholders of Company, agreed to transfer 4,000,000 Domestic Shares and 6,000,000 Domestic Shares they held, to Mr. Chen Jinghe (a Director) respectively. Mr. Chen Jinghe personally holds the above 10,000,000 Domestic Shares.
- (3) Sichuan Jiuzhaigou Zijin Mining Company Limited ("Jiuzhaigou Zijin") is subsidiary in which the Company beneficially owns 60%.
- (4) The Committee of Labour Union of the Company owns 15% of the total registered capital of Jiuzhaigou Zijin on behalf of approximately 830 members. Among which, it holds an equity interest of RMB50,000 as an agent for and on behalf of each of Mr. Chen Jinghe, Mr. Liu Xiaochu, Mr. Luo Yingnan, Mr. Lan Fusheng, Mr. Rao Yimin and Mr. Zeng Qingxiang.
- (5) The Committee of Labour Union of the Company owns 15% of the total registered capital of Jiuzhaigou Zijin on behalf of approximately 830 members. Among which, it holds an equity interest of RMB25,000 as an agent for and on behalf of Ms. Lan Liying.

Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors, Supervisors or the chief executive of the Company had any interest or short position in the shares, underlying shares and debentures of the Company (within the meaning of the SFO) which (a) were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Director is taken or deemed to have under such provisions of the SFO; or (b) were required, pursuant to section 352 of the SFO to be entered into the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Hong Kong Stock Exchange.

3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as was known to the Directors and chief executive of the Company, the persons, other than a Director or chief executive of the Company, who had an interest or a short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO were as follows:

Name of shareholder	Class of shares	Number of shares held	Approximate percentage of shareholding in the Company's registered capital	Approximate percentage of shareholding in the Company's total issued Domestic Shares	Approximate percentage of shareholding in the Company's total issued H Shares	Long/Short Position
Minxi Xinhang State-owned Assets	Domestic Shares	842,180,424	32.04%	46.09%	—	Long
Xinhuada Industrial Co., Ltd.	Domestic Shares	507,537,000 (Note 1)	19.31%	27.78%	—	Long
Chen Fashu	Domestic Shares	507,537,000 (Note 2)	19.31%	27.78%	—	Long
Shanghang County Jinshan Trading Co., Ltd.	Domestic Shares	336,190,000 (Note 3)	12.79%	18.40%	—	Long
Xiamen Hengxing Industrial Co., Ltd.	Domestic Shares	228,000,000 (Note 4)	8.67%	12.48%	—	Long
Ke Xiping	Domestic Shares	228,000,000 (Note 5)	8.67%	12.48%	—	Long
Fujian Xinhuada Engineering Company Limited	Domestic Shares	133,000,000	5.06%	7.28%	—	Long
J.P. Morgan Chase & Co.	H Shares	91,314,000 (Note 6)	3.47%	—	11.40%	Long

Name of shareholder	Class of shares	Number of shares held	Approximate percentage of shareholding in the Company's registered capital	Approximate percentage of shareholding in the Company's total issued Domestic Shares	Approximate percentage of shareholding in the Company's total issued H Shares	Long/Short Position
J.P. Morgan Chase & Co.	H Shares	31,896,000 (Note 6)	1.21%	—	3.98%	Lending Pool
Merrill Lynch Investment Managers Limited (on behalf of discretionary client)	H Shares	50,000,000 (Note 6)	1.9%	—	6.24%	Long

Notes:

- (1) Xinhua Industrial Co., Ltd. holds 345,800,000 Domestic Shares in the Company, and holds 51% in Fujian Xinhua Engineering Company Limited (which holds 133,000,000 Domestic Shares in the Company), holds 64.54% in Fujian Xinhua Department Store Co., Ltd. (which holds 28,737,000 Domestic Shares in the Company). Therefore, under section 316 of the SFO, Xinhua Industrial Co., Ltd. is interested in 507,537,000 Domestic Shares in the Company. On 12 July 2004, Fujian Xinhua Department Store Company Limited agreed to transfer 4,000,000 Domestic Shares to Mr. Chen Jinghe (a Director).
- (2) Mr. Chen Fashu holds 73.56% shares in the issued share capital of Xinhua Industrial Co., Ltd., therefore under section 316 of the SFO, Chen Fashu is deemed to be interested in 507,537,000 Domestic Shares in the Company.
- (3) On 12 July 2004, Shanghang County Jinshan Trading Company Limited, the shareholders of Company, agreed to transfer 6,000,000 Domestic Shares they held, to Mr. Chen Jinghe (a Director).
- (4) Xiamen Hengxing Industrial Co., Ltd. holds 95,000,000 Domestic Shares in the Company, and holds 49% in Fujian Xinhua Engineering Company Limited (which holds 133,000,000 Domestic Shares in the Company). Under section 316 of the SFO, Xiamen Hengxing Industrial Co., Ltd. is therefore interested in 228,000,000 Domestic Shares in the Company.
- (5) Mr. Ke Xiping, a non-executive director of the Company, holds 73.21% interests in the issued share capital of Xiamen Hengxing Industrial Co., Ltd.. Under section 316 of the SFO, Mr. Ke Xiping is deemed to be interested in 228,000,000 Domestic Shares in the Company.
- (6) Based on the information available to and obtained by the Directors as at the Latest Practicable Date, the information available on the website of the Hong Kong Stock Exchange and so far as the Directors are aware and understand, as at the Latest Practicable Date the H Shares held by each corporation in its securities account with the Central Clearing and Settlement System amounted to more than 5% of the total issued H Shares of the Company.

Save as disclosed above, the Directors and chief executive of the Company are not aware that there is any party who, as at the Latest Practicable Date, had an interest or a short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group.

4. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has entered into, or proposed to enter into, service contract with the Company or any member of the Group which does not expire or is not terminable by the Company or any member of the Group within one year without payment of compensation other than as statutory required.

5. LITIGATION

As at the Latest Practicable Date, neither the Company or any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against any member of the Group.

6. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective associates has any competing interest with the Company.

7. MISCELLANEOUS

- (1) The company secretary and qualified accountant of the Company is Mr. Fan Cheung Man. Mr. Fan is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of ACCA-the UK.
- (2) The Company's Hong Kong share registrar and transfer office is Computershare Hong Kong Investor Services Limited, 46th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (3) Should there be discrepancy, the English text of this circular shall prevail over its Chinese text.