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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 ESTABLISHMENT OF AN ASSOCIATE COMPANY

The Board wishes to announce that the Company's non-wholly-owned subsidiary — Zijin Investment has entered into a joint venture agreement dated 24 May 2005 with a connected party - Shanghang Daguangming and an associate company of the Group - Shanghang Hydro Power for the establishment of an equity joint venture in the PRC, namely, Wuping County Zijin Hydro Power Company Limited (武平縣紫金水電有限公司), Wuping Zijin is mainly engaged in an investment and operation of Dongliu hydro power station at Wuping County, Fujian. The registered capital of Wuping Zijin is RMB60,000,000 (HK\$56,603,773 equivalent). Wuping Zijin will invest RMB78,000,000 (HK\$73,584,905 equivalent) to acquire Dongliu hydro power station at Wuping County. Pursuant to the Joint Venture Agreement, Zijin Investment contributed RMB22,800,000 (HK\$21,509,433 equivalent) in cash as registered capital, and will take up RMB6,840,000 (HK\$6,452,830 equivalent) as maximum financial burden by means of guarantee, representing 38% equity interest in Wuping Zijin. The total commitment of Zijin Investment in Wuping Zijin will be RMB29,640,000 (HK\$27,962,263 equivalent).

Shanghang Daguangming is a shareholder of Shanghang Zijin and currently owns 49% shareholding of Shanghang Zijin. So Shanghang Zijin is a connected person to Shanghang Daguangming (as defined in the Listing Rules). Based on the Listing Rules, the proposed transaction constitutes a connected transaction.

The total amount of the consideration of the transaction is less than 2.5% in the relevant percentage (as set out in the Listing Rules) except profit percentage. The proposed 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.

JOINT VENTURE AGREEMENT

Date: 24 May 2005

Parties:

1. Shanghang Hydro Power, Shanghang County Finance Bureau owns 51% shareholding of Shanghang Hydro Power, Zijin Investment owns 49% shareholding of Shanghang Hydro Power, it is an associate company of the Group. Shanghang Hydro Power owns 42% shareholding of Wuping Zijin. Shanghang Hydro Power mainly carries out hydro power business at Ting River, Fujian, PRC;
2. Zijin Investment, it is a non-wholly-owned subsidiary of the Group and the Group currently owns 99.3% of its shareholding, the remaining 0.7% shareholding is owned by other parties who have no relation to this transaction. Zijin Investment owns 38% shareholding of Wuping Zijin, Zijin Investment involves in hydro power, logistics, and risk exploration investments in the PRC; and
3. Shanghang Daguangming, a shareholder of Shanghang Zijin and Shanghang Daguangming currently owns 49% of Shanghang Zijin. Shanghang Zijin is a subsidiary of the Group and the Group currently owns 51% shareholding of Shanghang Zijin. Shanghang Daguangming owns 20% shareholding of Wuping Zijin. Shanghang Daguangming mainly carries out hydro power business at Ting River, Fujian, PRC.

DETAILS OF THE PROPOSED TRANSACTION

General

Zijin Investment entered into a joint venture agreement dated 24 May 2005 with a connected party - Shanghang Daguangming and an associate company of the Group - Shanghang Hydro Power for the establishment of an equity joint venture in the PRC, namely Wuping County Zijin Hydro Power Company Limited (武平縣紫金水電有限公司), Wuping Zijin is mainly engaged in an investment of a hydro power station at Wuping County, Fujian. The registered capital of Wuping Zijin is RMB60,000,000 (HK\$56,603,773 equivalent). Wuping Zijin will invest RMB78,000,000 (HK\$73,584,905 equivalent) to acquire Dongliu hydro power station at Wuping County. It is expected to complete the acquisition not later than 30 June 2005. Except for the Wuping Zijin's registered capital RMB60,000,000 (HK\$56,603,773 equivalent), Wuping Zijin will make financial arrangement with bank(s) for the remaining balance of the investment. The Shareholders of Wuping Zijin agreed to take up the financial burden of the investment on shareholding proportionate by means of guarantee. The profit sharing of Wuping Zijin will be based on the respective proportionate shareholding in the company.

Dongliu hydro power station was built in October 2000 and it is in operation. It can generate about 60,000,000kw power per year. The power station is connected with power supply network in Fujian. Based on an agreement with Wuping County State-owned Assets Management Company Limited, the acquisition price of Dongliu hydro power station is RMB78,000,000 (HK\$73,584,905 equivalent) which includes a dam, two 25000kw power

generators, buildings, land adjacent to the dam, and other necessary facilities. Since Dongliu hydro power station is a complete and operational power plant for power generation, Wuping Zijin does not have any plan for additional assets acquisition for this project. The operation is expected to start on 1 July 2005.

Consideration

Pursuant to the Joint Venture Agreement, Zijin Investment contributed RMB22,800,000 (HK\$21,509,433 equivalent) in cash as registered capital, and will take up RMB6,840,000 (HK\$6,452,830 equivalent) as maximum financial burden by means of guarantee, representing 38% equity interest in Wuping Zijin. The total commitment of Zijin Investment in Wuping Zijin will be RMB29,640,000 (HK\$27,962,263 equivalent).

Shanghang Hydro Power contributed RMB25,200,000 (HK\$23,773,584 equivalent) in cash as registered capital, and will take up RMB7,560,000 (HK\$7,132,075 equivalent) as maximum financial burden by means of guarantee, representing 42% equity interest in Wuping Zijin. The total commitment of Shanghang Hydro Power in Wuping Zijin will be RMB32,760,000 (HK\$30,905,659 equivalent).

Shanghang Daguangming contributed RMB12,000,000 (HK\$11,320,754 equivalent) in cash as registered capital, and will take up RMB3,600,000 (HK\$3,396,226 equivalent) as maximum financial burden by means of guarantee, representing 20% equity interest in Wuping Zijin. The Total commitment of Shanghang Daguangming will be RMB15,600,000 (HK\$14,716,980 equivalent).

Each shareholder of Wuping Zijin paid the registered capital by cash on proportionate basis not later than 31 May 2005. All parties do not have any further financial commitments in this investment.

Board of directors

The board of Wuping Zijin comprises 5 directors, of which Shanghang Hydro Power nominated 2 persons, and Zijin Investment nominated 2 persons, and Shanghang Daguangming Power nominated 1 person.

Connected Transaction

Shanghang Daguangming is a shareholder of Shanghang Zijin and currently owns 49% shareholding of Shanghang Zijin. So Shanghang Zijin is a connected person to Shanghang Daguangming (as defined in the Listing Rules). Based on the Listing Rules, the proposed transaction constituted a connected transaction.

REASONS FOR THE PROPOSED TRANSACTION

The Company is principally engaged in the exploration, mining, production, refining and sale of gold and other mineral resources, and hydro power in the PRC. The investment in hydro power station is a normal course of business of the Company. As a result of the proposed transaction, the Company may have an opportunity to increase investment in the power generation industry in the Fujian. Besides, the Group has investment in 2 other hydro power

stations in Fujian, the participation in Wuping hydro power station will enable the Group to acquire professional management and operation skills in hydro power generation which will help the Group to solve the power supply problem for the refinery plants and mines to be built in future. Therefore, the Directors including the independent non-executive directors consider that the proposed transaction and the terms of the 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

The total amount of the consideration of the transaction is less than 2.5% in the relevant percentage (as set out in the Listing Rules) except profit percentage. The proposed 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.

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.*, 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 shareholder”	any shareholder of the Company that is not required to abstain from voting at a general meeting to approve a connected transaction
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“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

“Shanghang County Finance Bureau”	a government unit at Shanghang County, Fujian, the PRC
“Shanghang Daguangming”	Shanghang County Daguangming Power Group Company Limited, a company incorporated in the PRC with limited liability
“Shanghang Hydro Power”	Shanghang County Ting River Hydro Power Company Limited, a limited liability company incorporated in the PRC
“Shanghang Zijin”	Shanghang Zijin Hydro Power Company Limited, is a subsidiary of the Group and it is incorporated in the PRC with limited liability
“Shareholder(s)”	the shareholder(s) of the Company
“Tonne(s)”	A metric measurement of weight, 1 Tonne equals to 1,000 kilograms
“Wuping Zijin”	Wuping County Zijin Hydro Power Company Limited, an associate company of the Group incorporated in the PRC with limited company
“Zijin Investment”	Fujian Zijin Investment Company Limited, a non-wholly-owned subsidiary of the Group, and it is incorporated in the PRC with limited liability
“%”	per cent

Note: For the purpose of this announcement, 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.

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, and Roa Yimin as executive directors, Mr. Ke Xiping as non-executive director, and Messrs. Yang Dali, Yao Lizhong, and Loong Ping Kwan as independent non-executive directors.

By Order of the Board of Directors
Zijin Mining Group Company Limited
Chen Jinghe
Chairman

7 June 2005 Fujian, China.

** For identification purpose only*

Please also refer to the published version of this announcement in The Standard.