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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**

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

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DEFINITIONS

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

“Agreement”	the agreement dated on 15 June 2005 entered into by the relevant parties for the establishment of Henan Jinda Mining Co., Ltd.
“Board”	the board of Directors
“Company”	(紫金礦業集團股份有限公司) Zijin Mining Group Co., Ltd.*, a joint stock limited company incorporated in the PRC with limited liability and its H Shares listed in the Stock Exchange of Hong Kong Limited, the Company is principally engaged in the exploration, mining, production, refining and sale of gold and other mineral resources in the PRC
“Director(s)”	the director(s) of the Company
“Henan Jinda”	Henan Jinda Mining Co., Ltd., a company incorporated in the PRC with limited liability, it is a subsidiary of the Company, it mainly carries out mining business of molybdenum and other minerals in Henan
“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
“Latest Practicable Date”	7 July 2005, 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 Hong Kong Stock Exchange
“PRC”	The People’s Republic of China, but for the purpose of this circular, excludes Hong Kong, Macau SAR and Taiwan
“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 investment for the establishment of Henan Jinda Mining Co., Ltd. by the parties
“RMB”	Renminbi, the lawful currency of the PRC

DEFINITIONS

“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Shareholder(s)”	the shareholder(s) of the Company
“The Third Geology Survey Team”	The Third Geology Survey Team of Henan Bureau of Exploration & Development of Geology & Mineral Resource, a government business unit in Henan, it mainly engages in mine exploration in the PRC
“Tonne(s)”	A metric measurement of weight, 1 Tonne equals to 1,000 kilograms
“Xinyang Dayuan”	Xinyang Dayuan Resource Co., Ltd., a limited liability company incorporated in the PRC, and it is owned by private sector, it primarily engages in investment and development of mines in Henan
“%”	per cent

Note: For the purpose of the announcement dated 17 June 2005 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 1608, West Tower,

Shun Tak Centre

168-200 Connaught Road

Central

Hong Kong

Independent non-executive Directors:

Yang Dali

Yao Lizhong

Loong Ping Kwan

To the Shareholders

Dear Sir/Madam,

DISCLOSEABLE TRANSACTION

ESTABLISHMENT OF A NON-WHOLLY-OWNED SUBSIDIARY

1. INTRODUCTION

On 15 June 2005, it was announced by the Company that the Company decided to form a non-wholly-owned subsidiary — Henan Jinda Mining Co., Ltd. for the development of a molybdenum mine in Shangcheng, Henan.

The establishment of the non-wholly-owned subsidiary 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.

* For identification purpose only

LETTER FROM THE BOARD OF DIRECTORS

2. AGREEMENT

2.1 Date:

15 June 2005

2.2 Parties:

- (i) The Company, is principally engaged in the exploration, mining, production, refining and sale of gold and other mineral resources in the PRC. The Company will own 56.5% shareholding of Henan Jinda;
- (ii) The Third Geology Survey Team, is primarily engaged in geological survey in Henan province. The Third Geology Survey Team will own 34.8% shareholding of Henan Jinda; and
- (iii) Xinyang Dayuan, is primarily engaged in investment and development of mines in Henan. Xinyang Dayuan will own 8.7% shareholding of Henan Jinda.

This joint venture agreement is valid for 30 years and it could be renewed by a new agreement of all parties.

To the best of the Director's knowledge, information and belief having made all reasonable enquiries, The Third Geology Survey Team and Xinyang Dayuan 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 a joint venture agreement dated 15 June 2005 with 2 independent third parties - The Third Geology Survey Team, and Xinyang Dayuan for the establishment of an equity joint venture in the PRC, namely, Henan Jinda, Henan Jinda will be treated and booked as a subsidiary in the Company's consolidated accounts. Henan Jinda is mainly engaged in mining and exploration molybdenum in Shangcheng, Henan. The registered capital of Henan Jinda is RMB229,880,000 (HK\$216,867,924 equivalent) and all the parties agreed that the registered capital of Henan Jinda is sufficient for the mine's development and operation. It is expected to complete the formation of Henan Jinda not later than 31 July 2005. Shangcheng Molybdenum Mine covers 3.66 km square and approximately has 54,576.73 tonnes molybdenum reserve. It is the Company's first investment in molybdenum mine. The mine exploration right number of molybdenum mine is 4100000420580 and it will be expired on 10 January 2007. The mine exploration right can be extended for 2 years by application 30 days before the expiration date at cost RMB1,000 per km square.

LETTER FROM THE BOARD OF DIRECTORS

Molybdenum (Mo) is a metallic element used principally as an alloying agent in steel to enhance hardenability, strength, and wear and corrosion resistance. As an alloying agent to steel, its market demand depends on the demand of steel and its market prospect is expected positive.

The molybdenum mine was, in accordance with the PRC regulations regarding the valuation, valued to be worth approximately RMB99,985,800 (HK\$94,326,226 equivalent) by an independent professional valuer licenced under PRC law - Henan Diyuan Mining Right Valuation Company Limited as at 15 May, 2005. In valuation of molybdenum mine, there is no specific requirement in the PRC, as a qualified licenced valuer, Henan Diyuan Mining Right Valuation Company Limited is qualified to value this molybdenum mine. Henan Diyuan Mining Right Valuation Company Limited also projected in the valuation report that the mine's service period is 18 years.

The profit sharing of Henan Jinda will be based on the respective proportionate shareholding in the company.

The mine is at initial building stage and it will take 3 years to complete the development. After the completion of the development, the mine can produce and process 10,000 tonnes molybdenum ore per day.

3.2 Consideration

Pursuant to the Joint Venture Agreement, the Company will contribute RMB129,880,000 (HK\$122,528,301 equivalent) in cash as registered capital, representing 56.5% equity interest in Henan Jinda.

The Third Geology Survey Team will contribute RMB80,000,000 (HK\$75,471,698 equivalent) by valuated assets as registered capital, representing 34.8% shareholding of Henan Jinda.

Xinyang Dayuan will contribute RMB20,000,000 (HK\$18,867,924 equivalent) by valuated assets as registered capital, representing 8.7% shareholding of Henan Jinda.

All the assets to be injected into Henan Jinda do not include land use rights. All the shareholders of Henan Jinda do not expect and foresee any difficulty in the acquisition of the land use rights for the mine. Each shareholder of Henan Jinda will pay the registered capital by cash or by injection of valuated assets on proportionate basis within 30 days after the establishment of joint venture agreement. Except for RMB229,880,000 (HK\$216,867,924 equivalent) registered capital, all parties do not have any financial commitments in this project.

3.3 Board of directors

The board of Henan Jinda comprises 7 directors, of which the Company will nominate 4 persons, and The Third Geology Survey Team will nominate 2 persons, and Xinyang Dayuan will nominate 1 person.

LETTER FROM THE BOARD OF DIRECTORS

4. 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 in the exploration and development of mineral resources in Henan Province. Therefore, the 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.

5. GENERAL

The Proposed Transaction shall not have material 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

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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 make 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 interest held	Nature of Interest	Long/short positions	Proximate percentage of shareholding in such class of securities	Proximate percentage of shareholding in the registered capital
Ke Xiping	456,000,000 <i>(Note 1)</i>	Company	Long	12.48%	8.67%
Chen Jinghe	20,000,000 <i>(Note 2)</i>	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	Proximate percentage of shareholding in the registered capital
Chen Jinghe	Jiuzhaigou 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 190,000,000 Domestic Shares in the Company, and holds 49% shareholding in Fujian Xinhudu Engineering Company Limited (which is holding 266,000,000 Domestic Shares in the Company). Under Section 316 of the SFO, Xiamen Hengxing Industrial Co., Ltd. is therefore interested in 456,000,000 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 Xinhudu 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 20,000,000 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/equity interest held	Proximate percentage of shareholding in the registered capital	Proximate percentage of Domestic shareholding shares	Proximate percentage of shareholding in H shares	Long/short positions
Minxi Xinghang State-owned Assets Investment Co., Ltd	Domestic Shares	1,684,360,848	32.04%	46.09%	—	Long
Xinhua Industrial Company Limited	Domestic Shares	1,015,074,000 (Note 1)	19.31%	27.78%	—	Long
Chen Fashu	Domestic Shares	1,015,074,000 (Note 2)	19.31%	27.78%	—	Long

Name of Shareholder	Class of shares	Number of shares/equity interest held	Proximate percentage of shareholding in the registered capital	Proximate percentage of shareholding Domestic shares	Proximate percentage of shareholding in H shares	Long/short positions
Shanghang County Jinshan Trading Co., Ltd	Domestic Shares	672,380,000	12.79%	18.40%	—	Long
Xiamen Hengxing Industrial Co., Ltd	Domestic Shares	456,000,000 (Note 3)	8.67%	12.48%	—	Long
Ke Xiping	Domestic Shares	456,000,000 (Note 4)	8.67%	12.48%	—	Long
Fujian Xinhudu Engineering Company Limited	Domestic Shares	266,000,000	5.06%	7.28%	—	Long
HKSCC Nominees Ltd.	H Shares	1,586,879,600	30.18%	—	99.04%	

Notes:

- (1) Xinhudu Industrial Company Limited holds 691,600,000 Domestic Shares in the Company, and holds 51% in Fujian Xinhudu Engineering Company Limited (which holds 266,000,000 Domestic Shares in the Company), and holds 64.54% in Fujian Xinhudu Department Store Company Limited (which holds 57,474,000 Domestic Shares in the Company). Therefore, under Section 316 of the SFO, Xinhudu Industrial Company Limited is interested in 1,015,074,000 Domestic Shares in the Company.
- (2) Mr. Chen Fashu holds 73.56% interests in the issued share capital of Xinhudu Industrial Company Limited, therefore, under Section 316 of the SFO, Mr. Chen Fashu is deemed to be interested in 1,015,074,000 Domestic Shares in the Company.
- (3) Xiamen Hengxing Industrial Company Limited holds 190,000,000 Domestic Shares in the Company, and holds 49% in Fujian Xinhudu Engineering Company Limited (which holds 266,000,000 Domestic Shares in the Company). Under Section 316 of the SFO, Xiamen Hengxing Industrial Company Limited is therefore interested in 456,000,000 Domestic Shares in the Company.
- (4) Mr. Ke Xiping holds 73.21% interests in the issued share capital of Xiamen Hengxing Industry Company Limited. Under Section 316 of the SFO, Mr. Ke Xi Ping is deemed to be interested in 456,000,000 Domestic Shares in 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.