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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)

A NON-EXEMPT CONTINUING CONNECTED TRANSACTION

The Board announces that, the Company's subsidiary - Bayannaer Zijin has entered into the following agreement:

2006-2008 Agreement in relation to the purchase of zinc concentrates from Gansu Jianxin for a term from 23 October 2006 to 31 December 2008.

As at the date of this announcement, Gansu Jianxin owns 90% shareholding of Huaao Mining, and Huaao Mining owns 10% shareholding of Bayannaer Zijin. Gansu Jianxin is a connected person of the Company pursuant to the Listing Rules. Therefore, any transaction between Gansu Jianxin and the Company constitutes a connected transaction under Chapter 14A of the Listing Rules.

The 2006-2008 Agreement is a Non-exempt Continuing Connected Transaction, which is continuous in nature and was entered into in the ordinary course of business of the Company, constitutes continuing connected transaction of the Company under the Listing Rules and is subject to reporting, announcement and Independent Shareholders' approval requirement pursuant to Rule 14A.35. The Independent Shareholders will be asked to consider and, if thought fit, approve by poll the Non-exempt Continuing Connected Transaction and the Annual Cap for the three years ended 31 December 2008 at EGM. The Annual Cap of 2006-2008 Agreement for the three years ended 31 December 2008 will be RMB75 million, RMB1,200 million, and RMB1,200 million respectively.

The Company has appointed Get Nice Capital Limited as an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Non-exempt Continuing Connected Transaction.

A circular containing, among other things, (i) details of the Non-exempt Continuing Connected Transaction; (ii) a letter from an independent financial adviser to the Independent Board Committee containing its advice to the Independent Board Committee and the Independent Shareholders; (iii) the recommendation of the Independent Board Committee; and (iv) a notice of the EGM will be dispatched to the shareholders of the Company as soon as practicable.

1. 2006-2008 AGREEMENT

Date:	23 October 2006
Parties:	Bayannaer Zijin and Gansu Jianxin
Product to be purchased:	Zinc concentrates
Pricing:	Such transaction will be conducted on terms by reference to the market prices or similar terms available from independent third parties
Term:	From 23 October 2006 to 31 December 2008
Commencement:	The first transaction of zinc concentrates between Bayannaer Zijin & Gansu Jianxin should be started from 23 October 2006
Conditions Precedent:	The 2006-2008 Agreement is conditional upon signing and obtaining approval by Independent Shareholders at EGM

The terms of the 2006-2008 Agreement were arrived at after arm's length negotiation with Gansu Jianxin.

2. REASONS FOR AND BENEFITS OF THE NON-EXEMPT CONTINUING CONNECTED TRANSACTION

For 2006-2008 Agreement, the Directors (excluding the independent non-executive Directors who will express their view after considering the independent financial adviser's advice letter to be included in the circular) believe that the terms of the Non-exempt Continuing Connected Transaction are fair and reasonable and in the best interests of the shareholders as a whole.

By virtue of the 2006-2008 Agreement, the Company will be able to continue the full scale operation of zinc refinery in Bayannaer, Inner Mongolia.

3. APPROVAL BY INDEPENDENT SHAREHOLDERS FOR 2006-2008 AGREEMENT

(1) Annual Cap for the Non-exempt Continuing Connected Transaction

The Company proposes that the maximum amounts ("Annual Cap") of the 2006-2008 Agreement for each of the three years ended 31st December, 2008 will be RMB75 million, RMB1,200 million, and RMB1,200 million respectively.

The Annual Cap was determined by reference to the future demand of zinc concentrates and the annual production capacity of the zinc refinery. The breakdown of the transaction value is as follows:

	Year 2006 (Cap) RMB	Year 2007 (Cap) RMB	Year 2008 (Cap) RMB
1. Product to be purchased:	75,000,000	1,200,000,000	1,200,000,000

Based on the current market price of zinc concentrates — RMB21,000 per tonne, Gansu Jianxin will sell approximately 3,571, 57,142, and 57,142 tonnes zinc concentrates for 2006, 2007, and 2008 respectively under 2006-2008 Agreement.

(2) Approval by Independent Shareholders

As at the date of this announcement, Gansu Jianxin owns 90% shareholding of Huao Mining, and Huao Mining owns 10% shareholding of Bayannaer Zijin. Gansu Jianxin is a connected person of the Company pursuant to the Listing Rules and the 2006-2008 Agreement is a Non-exempt Continuing Connected Transaction and constitutes a connected transaction. Since the annual aggregate consideration of the Non-exempt Continuing Connected Transaction will not be less than HK\$10,000,000 and each of relevant percentage ratios as defined in Rule 14A.10 of the Listing Rules will not be less than 2.5%, pursuant to rule 14A.35 of the Listing Rules, the Non-exempt Continuing Connected Transaction would require disclosure by way of announcement, preparation and dispatch of circulars to shareholders and prior approval by the Independent Shareholders of the Company by poll. The Independent Shareholders will also be asked to consider and, if thought fit, approve by poll the Annual Cap at EGM.

4. CONDITIONS TO THE APPROVAL

The Independent Shareholders' approval regarding the Annual Cap of 2006-2008 Agreement and the Non-exempt Continuing Connected Transaction for the three financial years ended 31 December 2008 shall be subject to the following conditions:

1. The Non-exempt Continuing Connected Transaction
 - (1) has been entered into in the ordinary and usual course of business of the Company;
 - (2) has been entered into in accordance with the terms of the 2006-2008 Agreement governing them on terms that are fair and reasonable so far as the Company and its shareholders as a whole are concerned;
 - (3) has been conducted either (A) on normal commercial terms or (B) on terms no less favourable than those available from independent third parties.
2. The annual aggregate amount of the Non-exempt Continuing Connected Transaction for each financial year shall not exceed the Annual Cap.
3. The independent non-executive Directors of the Company at the relevant time shall review annually the Non-exempt Continuing Connected Transaction and confirm in the Company's next annual report that the Non-exempt Continuing Connected Transaction is conducted in the manner as stated in (1), (2) and (3) above.

4. The auditors of the Company shall review the Non-exempt Continuing Connected Transaction annually and provide the Board (a copy of which shall be provided to the Stock Exchange) with a letter (the “Auditors’ Letter”) stating that:
 - (i) the Non-exempt Continuing Connected Transaction has received the approval of the Board;
 - (ii) the Non-exempt Continuing Connected Transaction is in accordance with the pricing policy of the Company;
 - (iii) the Non-exempt Continuing Connected Transaction has been entered into in accordance with the terms of the agreement governing such Non-exempt Continuing Connected Transaction; and
 - (iv) the Annual Cap for the Non-exempt Continuing Connected Transaction has not been exceeded.

For the purpose of the above review by the international auditors of the Company, Gansu Jianxin undertakes to the Stock Exchange that they will provide the international auditors of the Company with access to Gansu Jianxin’s accounting records.

Where, for whatever reason, the international auditors of the Company decline to accept the engagement or are not able to provide the Auditors’ Letter, the Board shall notify the Stock Exchange and publish an announcement immediately.

5. Details of the Non-exempt Continuing Connected Transaction in each financial year shall be disclosed as required under rule 14A.46 of the Listing Rules in the annual report of the Company for that financial year together with a statement of the opinion of the independent non-executive Directors and the international auditors of the Company as referred in paragraphs 3 & 4 above.

If any terms of the Non-exempt Continuing Connected Transaction as mentioned above is altered or if the Company enters into any new agreement with any connected person (within the meaning of the Listing Rules) in the future, the Company will, in respect thereof, comply with the provisions of Chapter 14A of the Listing Rules governing connected transaction.

5. CONNECTION BETWEEN THE PARTIES IN THE TRANSACTION

As at the date of this announcement, Gansu Jianxin owns 90% shareholding of Huaao Mining, and Huaao Mining owns 10% shareholding of Bayannaer Zijin. Gansu Jianxin is a connected person of the Company pursuant to the Listing Rules. Therefore, any transaction between Gansu Jianxin and the Company constitutes a connected transaction under Chapter 14A of the Listing Rules.

The 2006-2008 Agreement is a Non-exempt Continuing Connected Transaction and contemplated under this announcement constitutes continuing connected transaction under Chapter 14A of the Listing Rules. Since each of relevant percentage ratios as defined in Rule 14A.10 of the Listing Rules is not less than 2.5%, the Non-exempt Continuing Connected Transaction is subject to Independent Shareholders’ approval requirement pursuant to Rule 14A.35.

6. INFORMATION ABOUT THE COMPANY

The Company is principally engaged in the exploration, mining, production, refining and sale of gold and other mineral resources in the PRC.

7. INFORMATION ABOUT BAYANNAOER ZIJIN AND GANSU JIANXIN

Bayannaoer Zijin is a domestic company incorporated in the PRC with limited liability and mainly carries out mining and zinc refinery business in Inner Mongolia. Bayannaoer Zijin is a subsidiary of the Company. Bayannaoer Zijin's 75% equity interest is currently owned by the Company, its 10% equity interest is currently owned by Huaao Mining, its 10% equity interest is currently owned by Wulatehouqi Xingya, its 3.2% equity interest is currently owned by Bayannaoer Zijin Labour Union, its 1% equity interest is currently owned by Wancheng Commercial, and its 0.8% equity interest is currently owned by Xiamen Jinhuang.

Since Gansu Jianxin owns 90% shareholding of Huaao Mining, Gansu Jianxin is considered to be a connected person of the Group (as defined by the Listing Rules).

Gansu Jianxin is a domestic company incorporated in the PRC with limited liability and mainly carries out investment and minerals trading business in the PRC.

8. GENERAL

Since Gansu Jianxin is an associate of Huaao Mining, a shareholder holding 10% equity interest of Bayannaoer Zijin, Gansu Jianxin is a connected person of the Group for the purposes of the Listing Rules. Pursuant to the Listing Rules, any shareholders of the Company which are associates of Gansu Jianxin will abstain from voting in the EGM to approve the Non-exempt Continuing Connected Transaction and the Annual Cap and all matters contemplated thereunder. To the best of the knowledge, information and belief of the Company having made all reasonable enquiries, no shareholder of the Company is required to abstain from voting in the EGM in respect of the Non-exempt Continuing Connected Transaction.

The Independent Shareholders will be asked to consider and, if thought fit, approve by poll the Non-exempt Continuing Connected Transaction and the Annual Cap at EGM.

The Company has appointed Get Nice Capital Limited as an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Non-exempt Continuing Connected Transaction.

A circular containing, among other things, (i) details of the Non-exempt Continuing Connected Transaction; (ii) a letter from the independent financial adviser to the Independent Board Committee containing its advice to the Independent Board Committee and the Independent Shareholders on the approval of the Non-exempt Continuing Connected Transaction; (iii) the recommendation of the Independent Board Committee regarding the approval of the Non-exempt Continuing Connected Transaction; and (iv) a notice of the EGM will be dispatched to the shareholders of the Company as soon as practicable.

9. DEFINITIONS

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

“2006-2008 Agreement”	the agreement entered into between the Bayannaer Zijin and Gansu Jianxin on 23 October 2006 in relation to, inter alia, the purchase of zinc concentrates from Gansu Jianxin to Bayannaer Zijin for the period from 23 October 2006 to 31 December 2008
“Annual Cap”	the annual maximum amount of the Non-exempt Continuing Connected Transaction for each of the three years ended 31st December 2008
“Bayannaer Zijin”	Bayannaer Zijin Non-ferrous Metals Co., Ltd., a subsidiary of the Company, and a company incorporated in the PRC with limited liability
“Bayannaer Zijin Labour Union”	The Labour Union of Bayannaer Zijin Non-ferrous Metals Co., Ltd., a labour union statutorily formed in the PRC
“Board”	the board of Directors
“Company”	Zijin Mining Group Co., Ltd.*, a joint stock limited company incorporated in the PRC with limited liability
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held for the purpose of approving, inter alia, the Non-exempt Continuing Connected Transaction and the Annual Cap
“Gansu Jianxin”	Gansu Jianxin Enterprise Group Co., Ltd., a company incorporated in the PRC with limited liability
“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
“Huao Mining”	Bayannaer Huao Mining Chemical Co., Ltd., Gansu Jianxin’s subsidiary, and a company incorporated in the PRC with limited liability
“Independent Board Committee”	the independent board committee of the Company constituted for the purpose of the Non-exempt Continuing Connected Transaction, comprising four independent non-executive Directors

“Independent Shareholders”	shareholders of the Company other than Gansu Jianxin and their respective associations (as defined in the Listing Rules)
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Non-exempt Continuing Connected Transaction”	the connected transaction under the 2006-2008 Agreement which was entered into between Bayannaer Zijin and Gansu Jianxin on a continuing basis
“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
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Wancheng Commercial”	Wancheng Commercial Dongshengmiao Co., Ltd., a company incorporated in the PRC with limited liability
“Wulatehouqi Xingya”	Wulatehouqi Xingya Business Ltd., a company incorporated in the PRC with limited liability
“Xiamen Jinhuang”	Xiamen Jinhuang Technology Consultancy Co., Ltd., a 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. Ke Xiping 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

24 October 2006 Fujian, China.

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

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