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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 — EQUITY
INTEREST ACQUISITION OF A NON WHOLLY OWNED SUBSIDIARY**

The Board wishes to announce that the Company and the Company's wholly-owned subsidiary — Zijin International entered into an equity interest acquisition agreement on 25 October, 2006 with a connected person - Yixingzhai to acquire in total 34% equity interest of our subsidiary - Shanxi Zijin.

As at the date of this announcement, Yixingzhai holds and owns 34% equity interest in Shanxi Zijin, a subsidiary of the Company. Yixingzhai is a substantial shareholder of Shanxi Zijin and a connected person of the Company pursuant to the Listing Rules. Therefore, any transaction between Yixingzhai and the Group constitutes a connected transaction under Chapter 14A of the Listing Rules.

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

AGREEMENT

Date: 25 October 2006

Parties:

1. The Company is principally engaged in the exploration, mining, production, refining and sale of gold and other mineral resources in the PRC;
2. Zijin International, a wholly-owned subsidiary of the Company and mainly carries out investment in mines in the PRC; and
3. Yixingzhai currently owns 34% equity interest of Shanxi Zijin. Yixingzhai mainly carries out mining business in Shanxi, the PRC.

DETAILS OF THE PROPOSED TRANSACTION

General

The Board wishes to announce that the Company and the Company's wholly-owned subsidiary — Zijin International entered into an equity interest acquisition agreement on 25 October, 2006 with a connected person - Yixingzhai to acquire in total 34% equity interest of our subsidiary - Shanxi Zijin. In the agreement, the Company will acquire 29% equity interest of Shanxi Zijin and Zijin International will acquire 5% equity interest of Shanxi Zijin. After the completion of the acquisition agreement, the Company will own 80% equity interest of Shanxi Zijin and Zijin International will own 20% equity of Shanxi Zijin, and Shanxi Zijin will be a wholly-owned subsidiary of the Group.

Shanxi Zijin's 51% equity interest is currently owned by the Company, its 34% equity interest is currently owned by Yixingzhai, and its 15% equity interest is currently owned by Zijin International. Yixingzhai is considered to be a connected person of the Group (as defined by the Listing Rules).

Shanxi Zijin was formed in January 2006 and is principally engaged in mining business in Shanxi, the PRC. Its current paid up capital is RMB159,100,000 (HK\$155,980,392 equivalent).

According to an unaudited financial statement prepared under the PRC Generally Accepted Accounting Principles, as at 30 September 2006, Shanxi Zijin's total value of assets is RMB228,260,420 (HK\$223,784,725 equivalent), its net asset value is RMB151,736,442 (HK\$148,761,217 equivalent), and its net loss is RMB7,363,558 (HK\$7,219,174 equivalent).

Consideration

Pursuant to the acquisition agreement, the Company agreed to acquire 29% equity interest of Shanxi Zijin from Yixingzhai with cash consideration of RMB46,144,000 (HK\$45,239,215 equivalent). Zijin International agreed to acquire 5% equity interest of Shanxi Zijin from Yixingzhai with cash consideration of RMB7,956,000 (HK\$7,800,000 equivalent). The total consideration of this transaction is RMB54,100,000 (HK\$53,039,215 equivalent). The Yixingzhai's original investment cost of 34% equity interest of Shanxi Zijin was RMB54,100,000 (HK\$53,039,215 equivalent).

The consideration of the acquisition was arrived at after arm's length negotiations between the parties thereto and on normal commercial terms. The consideration was agreed by reference to various factors including Shanxi Zijin's unaudited net asset value, and the original investment cost of the vendor.

In relation to the acquisition of 34% equity interest from Yixingzhai, the Group will pay RMB 15,000,000 (HK\$14,705,882 equivalent) from internal sources to Yixingzhai within one month after the date of the acquisition agreement. The remaining amount of the consideration RMB39,100,000 (HK\$38,333,333 equivalent) will be paid by the Group from

internal sources in monthly instalments of RMB2 million each month to Yixingzhai for 19 months and the final payment in the 20th monthly instalment will be RMB1.1 million. The agreement is expected to complete by the end of July 2008. All parties do not have any further financial commitments in this transaction.

The profit sharing of Shanxi Zijin will be based on the respective proportionate shareholding interest in Shanxi Zijin.

Connected Transaction

As at the date of this announcement, Yixingzhai holds and owns 34% equity interest in Shanxi Zijin, a subsidiary of the Company. Yixingzhai is a substantial shareholder of Shanxi Zijin and a connected person of the Company pursuant to the Listing Rules. Therefore, any transaction between Yixingzhai and the Group constitutes a connected transaction under Chapter 14A of the Listing Rules.

Board of Directors

The board of directors of Shanxi Zijin will not be changed after the acquisition, the Company will nominate all 6 persons as directors of the board of directors of Shanxi Zijin.

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 transaction, the Company has an opportunity to increase investment in Shanxi Zijin and will enable the Group to have larger share of return in Shanxi Zijin. Therefore, the Directors including the independent non-executive directors of the Company consider that the 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 this transaction is less than 2.5% in the relevant percentage (as set out in the Listing Rules) except profit percentage. The proposed transaction constitutes 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 meanings set out below:

“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
“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 Hong Kong 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
“Shareholder(s)”	the shareholder(s) of the Company
“Shanxi Zijin”	(山西紫金礦業有限公司) Shanxi Zijin Mining Company Limited, a subsidiary of the Company and a company incorporated in the PRC with limited liability
“Yixingzhai”	(繁峙縣義興寨黃金礦業有限公司) Fanshi County Yixingzhai Gold Mining Ltd., a company incorporated in the PRC with limited liability
“Zijin International”	(紫金國際礦業有限公司) Zijin International Mining Co., Ltd., a wholly-owned subsidiary of the Company, and a company 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 = RMB1.02.

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

26 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.