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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 entered into an equity interest acquisition agreement on 18 November, 2006 with two connected persons — Xinhua and Zijin Labour Union to acquire in total 24.405% equity interest of our subsidiary — Jiuzhaigou Zijin.

As at the date of this announcement, Xinhua currently holds and owns 15% equity interest in Jiuzhaigou Zijin, a subsidiary of the Company. Xinhua is a substantial shareholder of Jiuzhaigou Zijin and a promoter and shareholder of the Company. Xinhua is a connected person of the Company pursuant to the Listing Rules. Zijin Labour Union currently holds and owns 15% equity interest in Jiuzhaigou Zijin, a subsidiary of the Company. Zijin Labour Union is a substantial shareholder of Jiuzhaigou Zijin and a connected person of the Company pursuant to the Listing Rules. Therefore, any transaction between Xinhua and Zijin Labour Union 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 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.

AGREEMENT

Date: 18 November 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. Xinhuaadu currently owns 15% equity interest of Jiuzhaigou Zijin and a promoter and shareholder of the Company, Xinhuaadu mainly carries out investment in mines in the PRC; and
3. Zijin Labour Union currently owns 15% equity interest of Jiuzhaigou Zijin on behalf of approximately 830 members. Among which, it holds an equity interest of RMB50,000 each as an agent for and on behalf of the current Directors, namely Mr. Chen Jinghe, Mr. Liu Xiaochu, Mr. Luo Yingnan, and Mr. Lan Fushang. It also holds an equity interest of RMB25,000 as an agent for and on behalf of a supervisor of the Company Ms. Lan Liying. Zijin Labour Union is a labour union of the Company and is statutorily formed under the PRC laws.

DETAILS OF THE PROPOSED TRANSACTION

General

The Board wishes to announce that the Company entered into an equity interest acquisition agreement on 18 November, 2006 with two connected persons — Xinhuaadu and Zijin Labour Union to acquire in total 24.405% equity interest of our subsidiary — Jiuzhaigou Zijin. In the agreement, the Company will acquire 10% equity interest of Jiuzhaigou Zijin from Xinhuaadu and acquire 14.405% equity interest of Jiuzhaigou Zijin from Zijin Labour Union. After the completion of the acquisition agreement, the Company will own 84.405% equity interest of Jiuzhaigou Zijin, Xinhuaadu will own 5% equity of Jiuzhaigou Zijin, Zijin Labour Union will own 0.595% equity of Jiuzhaigou Zijin, and Sichuan Jiuzhaigou will own 10% equity of Jiuzhaigou Zijin. Upon completion of the acquisition agreement, Zijin Labour Union will not hold any shares in Jiuzhaigou Zijin for and on behalf of any directors or supervisors of the Company.

Jiuzhaigou Zijin's 60% equity interest is currently owned by the Company, its 15% equity interest is currently owned by Xinhuaadu, its 15% equity interest is currently owned by Zijin Labour Union, and its 10% equity interest is currently owned by Sichuan Jiuzhaigou.

Jiuzhaigou Zijin was formed in July 2003 and is principally engaged in mining business in Jiuzhaigou, the PRC. Its current paid up capital is RMB40,000,000 (HK\$39,603,960 equivalent).

According to an audited financial statement prepared under the PRC Generally Accepted Accounting Principles, as at 31 December 2005, Jiuzhaigou Zijin's total value of assets is RMB121,282,606 (HK\$120,081,788 equivalent), its net asset value is RMB45,095,752 (HK\$44,649,259 equivalent), its profit before taxation and extraordinary items is RMB2,510,391 (HK\$2,485,535 equivalent) and its profit after taxation and extraordinary items is RMB2,133,832 (HK\$2,112,704 equivalent). As at 31 December 2004, Jiuzhaigou Zijin's total value of assets is RMB104,351,896 (HK\$103,318,709 equivalent), its net asset value is RMB41,531,570 (HK\$41,120,366 equivalent), its profit before taxation and extraordinary items is RMB1,953,658 (HK\$1,934,315 equivalent) and its profit after taxation and extraordinary items is RMB1,660,610 (HK\$1,644,168 equivalent).

Consideration

Pursuant to the acquisition agreement, the Company agreed to acquire 10% equity interest of Jiuzhaigou Zijin from Xinhuaadu with cash consideration of RMB8,000,000 (HK\$7,920,792 equivalent). The Company agreed to acquire 14.405% equity interest of Jiuzhaigou Zijin from Zijin Labour Union with cash consideration of RMB11,524,000 (HK\$11,409,901 equivalent). The total consideration of this transaction is RMB19,524,000 (HK\$19,330,693 equivalent). Xinhuaadu's original investment cost of 10% equity interest of Jiuzhaigou Zijin was RMB4,000,000 (HK\$3,960,396 equivalent). Zijin Labour Union's original investment cost of 14.405% equity interest of Jiuzhaigou Zijin was RMB5,762,000 (HK\$5,704,950 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 Jiuzhaigou Zijin's audited net asset value, and the original investment cost of the vendors.

In relation to the acquisition of 10% equity interest from Xinhuaadu, the Company will pay RMB 8,000,000 (HK\$7,920,792 equivalent) from internal sources to Xinhuaadu within one month after the date of the acquisition agreement. In relation to the acquisition of 14.405% equity interest from Zijin Labour Union, the Company will pay RMB11,524,000 (HK\$11,409,901 equivalent) from internal sources to Zijin Labour Union within one month after the date of the acquisition agreement. The agreement is expected to complete by 18 December 2006. All parties do not have any further financial commitments in this transaction.

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

Connected Transaction

As at the date of this announcement, Xinhuaadu currently holds and owns 15% equity interest in Jiuzhaigou Zijin, a subsidiary of the Company. Xinhuaadu is a substantial shareholder of Jiuzhaigou Zijin and a promoter and shareholder of the Company. Xinhuaadu is a connected person of the Company pursuant to the Listing Rules. Zijin Labour Union currently holds and owns 15% equity interest in Jiuzhaigou Zijin, a subsidiary of the Company. Zijin Labour Union is a substantial shareholder of Jiuzhaigou Zijin and a connected person of the Company pursuant to the Listing Rules. Therefore, any transaction between Xinhuaadu, Zijin Labour Union and the Group constitutes a connected transaction under Chapter 14A of the Listing Rules.

Board of Directors

There will be 7 directors in the board of directors of Jiuzhaigou Zijin after the acquisition. The Company will nominate 4 directors to the board of directors of Jiuzhaigou 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 Jiuzhaigou Zijin and will enable the Group to have larger share of return in Jiuzhaigou 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 meaning 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
“Jiuzhaigou Zijin”	(四川九寨溝縣紫金礦業有限公司) Sichuan Jiuzhaigou County Zijin Mining Company Limited, a subsidiary of the Company and a company incorporated in the PRC with limited liability
“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
“Sichuan Jiuzhaigou”	(四川省九寨溝縣礦產開發總公司) Sichuan Jiuzhaigou County Mines Development Company, a company incorporated in the PRC
“Shareholder(s)”	the shareholder(s) of the Company
“Xinhuadu”	(福建新華都工程有限責任公司) Fujian Xinhuada Engineering Company Limited, a company incorporated in the PRC with limited liability
“Zijin Labour Union”	(紫金礦業集團股份有限公司工會) Zijin Labour Union is a labour union of the Company which was formed statutorily in the PRC
“%”	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 = RMB1.01.

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

20 November 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.