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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)**

**RESUMPTION OF TRADING**

**AND**

**(1) POSSIBLE DISCLOSEABLE TRANSACTION — ESTABLISHMENT OF  
ZIJIN TONGGUAN TOGETHER WITH A FURTHER CAPITAL COMMITMENT**

**AND**

**(2) PROPOSED ACQUISITION OF MONTEERRICO  
BY ZIJIN TONGGUAN BY WAY OF RECOMMENDED CASH OFFER**

The Board is pleased to announce that on 5 February, 2007, Zijin Tongguan, a company owned as to 45% by the Company, has, in accordance with the City Takeovers Code, published a UK Offer Announcement in relation to a recommended cash Offer to be made by Zijin Tongguan for the entire issued and to be issued ordinary share capital of Monterrico, a company incorporated in England and Wales and whose shares are quoted on the AIM operated by London Stock Exchange plc.

**ESTABLISHMENT OF ZIJIN TONGGUAN TOGETHER WITH A FURTHER  
CAPITAL COMMITMENT**

Zijin Tongguan is an associate company of the Company and a limited liability company established in the PRC in August 2006 by the Company, Tongling and Xiamen C&D which hold equity interests of 45%, 35% and 20% respectively.

The current registered capital is RMB 50 million (equivalent to approximately HK\$50 million) which shall be contributed in cash by the Company, Tongling and Xiamen C&D on a pro rata basis. The initial paid-up registered capital is RMB 10 million (equivalent to approximately HK\$10 million), of which the Company had duly paid RMB4.5 million (equivalent to approximately HK\$4.5 million) as the initial capital contribution.

Each of the Company, Tongling and Xiamen C&D intends to make further capital contribution to fund the total consideration payable under the Offer in proportion to their respective shareholdings if the Offer becomes wholly unconditional.

## **PROPOSED ACQUISITION OF MONTERRICO BY ZIJIN TONGGUAN BY WAY OF RECOMMENDED CASH OFFER**

On the basis of the offer price of 350 pence per Monterrico Share and assuming that none of the “in the money” options are exercised, the Offer values the existing issued and to be issued share capital of Monterrico at approximately £94.6 million (equivalent to approximately HK\$1,454.95 million). Assuming the “in the money” options are fully exercised, the total value of the Offer will be approximately £98.9 million (equivalent to approximately HK\$1,521.08 million) if the Offer is fully accepted. The offer is subject to a scale-back election and include a loan note alternative as described below.

### **GENERAL**

The establishment of Zijin Tongguan together with a further capital commitment by the Company which would crystallize upon the Offer being wholly unconditional will constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules. A circular containing, amongst other things, further details relating to the establishment of Zijin Tongguan together with a further capital commitment will be dispatched to the Shareholders of the Company as soon as practicable.

The proposed acquisition of Monterrico by Zijin Tongguan does not constitute a notifiable transaction under Chapter 14 of the Listing Rules. The disclosure in relation to such proposed acquisition is made pursuant to Rule 13.09 of the Listing Rules.

**At the request of the Company, trading in the H shares of the Company on the Stock Exchange was suspended from 9:30 a.m. on 5 February 2007 pending the release of this announcement. An application has been made to the Stock Exchange to resume trading from 9:30 a.m. from 6 February 2007.**

### **A. POSSIBLE DISCLOSEABLE TRANSACTION — ESTABLISHMENT OF ZIJIN TONGGUAN TOGETHER WITH A FURTHER CAPITAL COMMITMENT**

Zijin Tongguan is an associate company of the Company and a limited liability company established in the PRC in August 2006 by the Company, Tongling and Xiamen C&D which hold equity interests of 45%, 35% and 20% respectively.

#### **1. Parties**

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

Tongling is a wholly state owned enterprise and an integrated PRC mining conglomerate focusing on copper products and copper production. Xiamen C&D is a PRC state owned conglomerate listed on the Shanghai Stock Exchange (stock code: 600153 CH) principally engaged in international trade, logistics, real estate, conventions and exhibitions, property leasing and manufacturing.

To the best of the knowledge, information and belief of the Directors and after making all reasonable enquiries, each of Tongling and Xiamen C&D and their respective substantial shareholders is a third party independent of the Company and its connected persons (as defined in the Listing Rules) and is not a connected person (as defined in the Listing Rules) of the Company. The ultimate controlling shareholders of each of the Company, Tongling and Xiamen C&D are the PRC Governmental Bodies but under management and supervision of different governmental departments.

## **2. Details of Zijin Tongguan**

The approved scope of businesses of Zijin Tongguan include investment in, exploration and development of mines. The Company, Tongling and Xiamen C&D intend to explore the opportunity of overseas investment jointly through Zijin Tongguan.

The approved period of operation of Zijin Tongguan is from 8 August 2006 to 7 August 2036.

The profit sharing of Zijin Tongguan is based on the proportional shareholdings of the Company, Tongling and Xiamen C&D.

## **3. Capital Contribution and Capital Commitment**

The current registered capital of Zijin Tongguan is RMB 50 million (equivalent to approximately HK\$50 million) which shall be contributed in cash by the Company, Tongling and Xiamen C&D on a pro rata basis. The initial paid-up registered capital is RMB 10 million (equivalent to approximately HK\$10 million), of which the Company had duly paid RMB4.5 million (equivalent to approximately HK\$4.5 million).

Each of the Company, Tongling and Xiamen C&D intends to make a further capital contribution to fund the total consideration payable under the Offer in proportion to their respective shareholdings if the Offer becomes wholly unconditional.

As set out in Part B of this announcement below, assuming none of the “in the money” options are exercised and only the net difference between the offer price of 350 pence and the exercise price of such options are paid, the total value of the Offer will be approximately £94.6 million (equivalent to approximately HK\$1,454.95 million) if the Offer is fully accepted. Accordingly, the further capital commitment of the Company to Zijin Tongguan which would crystallize upon the Offer becoming wholly unconditional is approximately £42.57 million (equivalent to approximately HK\$654.73 million).

Assuming the “in the money” options are fully exercised, the total value of the Offer will be approximately £98.9 million (equivalent to approximately HK\$1,521.08 million) if the Offer is fully accepted. Accordingly, the further capital commitment of the Company to Zijin Tongguan which would crystallize upon the Offer becoming wholly unconditional is approximately £44.51 million (equivalent to approximately HK\$684.48 million).

Save as disclosed above, the Company has no further capital commitment to Zijin Tongguan as at the date of this announcement.

The Company intends to fund the above capital contribution from its internal cash resources and its existing banking lines of credit.

#### **4. Board of Directors**

The board of directors of Zijin Tongguan comprises 9 directors, among which the Company, Tongling and Xiamen C&D have nominated 4, 3 and 2 directors respectively.

#### **5. Reasons of and Benefits for Further Capital Commitment to Zijin Tongguan**

As a result of the establishment of Zijin Tongguan with Tongling and Xiamen C&D, the Directors believe that the Company is able to form a long term strategic relationship with Tongling and Xiamen C&D, which can conduct overseas mining investment together with the Company.

The Directors consider that the terms of the establishment of Zijin Tongguan and the further capital commitment by the Company to be crystallized upon the Offer being wholly unconditional are fair and reasonable and in the interests of the shareholders of the Company as a whole.

### **B. PROPOSED ACQUISITION OF MONTERRICO BY ZIJIN TONGGUAN BY WAY OF RECOMMENDED CASH OFFER**

The Board is pleased to announce that on 5 February, 2007, Zijin Tongguan, a company owned as to 45% by the Company, has, in accordance with the City Takeovers Code, published a UK Offer Announcement in relation to a recommended cash Offer to be made by Zijin Tongguan for the entire issued and to be issued ordinary share capital of Monterrico, a company incorporated in England and Wales and whose shares are quoted on the AIM operated by London Stock Exchange plc.

#### **1. Parties**

The offeror is Zijin Tongguan.

Monterrico is a London based resource development group which operates exclusively in Peru. It is a company incorporated in England and Wales and whose shares are quoted on the AIM operated by London Stock Exchange plc. The Offer is made by Zijin Tongguan to all shareholders of Monterrico.

To the best of knowledge, information and belief of the Directors and after making all reasonable enquiries, each of Monterrico and the substantial shareholders of Monterrico is a third party independent of the Company and its connected persons (as defined in the Listing Rules) and is not a connected person (as defined in the Listing Rules) of the Company.

## 2. The Offer

The Offer, which will be subject to the further terms set out in full in the Offer Document and the accompanying Form of Acceptance, will be made on the terms set out below:

### *Cash Offer*

The Offer price for each Monterrico Share is 350 pence in cash. The board of directors of Monterrico intends to recommend unanimously the Offer.

### *Loan Note Alternative*

As an alternative to all or some of the cash consideration of 350 pence for each Monterrico Share, eligible Monterrico Shareholders who validly accept the Offer will be able to elect to receive the loan note on the basis of £1.00 nominal of the loan note for every £1.00 of cash consideration, up to a maximum aggregate amount of £7.5 million (equivalent to approximately HK\$115.35 million) in accordance with the terms and conditions set out in the UK Offer Announcement and the Offer Document.

### *Monterrico Shares*

The Offer is for the entire issued and to be issued ordinary share capital of Monterrico. The Monterrico Shares will be acquired by Zijin Tongguan pursuant to the Offer fully paid and free from all liens, charges, equitable interests, encumbrances, pre-emptive rights and other third party rights and interests of any nature whatsoever and together with all rights attaching to them, including (without limitation) voting rights and the right to receive and retain all dividends and other distributions (if any) declared, made or paid on or after the date of the UK Offer Announcement.

A maximum of 1,937,500 Monterrico Shares may fall to be issued upon exercise of the “in the money” options granted under the Monterrico Share Scheme and other similar share option plans.

To allow Monterrico Shareholders the opportunity to participate in the future of Monterrico and benefit from the involvement of Zijin Tongguan, Zijin Tongguan agreed to introduce a mechanism to allow Monterrico Shareholders to retain an interest in Monterrico following completion of the Offer. This will be achieved by way of a scale-back election, which will allow Monterrico Shareholders who validly accept the Offer to elect to have their acceptance scaled back by between 0 per cent. and 100 per cent. in exchange for retaining some or all of their holding in Monterrico in accordance with the terms and conditions as set out in the UK Offer Announcement. Monterrico Shareholders may elect to have their individual acceptances of the Offer scaled back by between 0 per cent. and 100 per cent., subject to Zijin Tongguan continuing to hold greater than 50 per cent. of the Monterrico Shares. To the extent that Zijin Tongguan is unable to satisfy both all valid scale-back elections and continue to hold greater than 50 per cent. of the Monterrico Shares, the scale-back elections will be reduced pro-rata to ensure that Zijin Tongguan maintains a holding of greater than 50 per cent. of the Monterrico Shares.

### *Valuation of the Offer*

The offer price of 350 pence per Monterrico Share represents:

- a premium of 78.6 per cent. to the closing mid-market price of Monterrico Shares of 196 pence per share on 13 October 2006, the last Business Day prior to the significant increase in the share price of Monterrico which subsequently led to the announcement by Monterrico on 20 October 2006; and
- a premium of approximately 34.1 per cent. to the closing mid-market price of Monterrico Shares of 261 pence per share on 19 October 2006, the last Business Day before the commencement of the Offer Period.

### *Total consideration*

On the basis of the offer price of 350 pence per Monterrico Share, the Offer values the existing issued and to be issued share capital of Monterrico at approximately £94.6 million (equivalent to approximately HK\$1,454.95 million), which will be the total consideration if the Offer is fully accepted. The total consideration is calculated on the basis that the “in the money” options will not be exercised and hence Zijin Tongguan needs to pay the holders of the “in the money” options the difference between the offer price of 350 pence and the exercise price of the “in the money” options.

Assuming that all “in the money” options are fully exercised, the total consideration payable under the Offer is approximately £98.9 million (equivalent to approximately HK\$1,521.08 million).

The Offer would be financed from the internal cash resources and existing banking lines of credit of the owners of Zijin Tongguan.

### *Listing Status of Monterrico*

Zijin Tongguan intends to retain the AIM quotation of Monterrico Shares following the Offer becoming or being declared wholly unconditional. Zijin Tongguan has undertaken (subject to the terms and conditions as set out in the UK Offer Announcement) to maintain a shareholding of not more than 70 per cent. of the total issued share capital of Monterrico for a period of 12 months following the Offer becoming or being declared wholly unconditional. In the event that the minimum 30 per cent. in the hands of persons independent of Zijin Tongguan has not been achieved through the scale-back election, Zijin Tongguan intends to place the relevant number of securities to places independent of Zijin Tongguan within a reasonable period of the closing of the Offer.

### **3. Conditions Precedent**

Subject to terms and conditions set out in the UK Offer Announcement and Offer Document, the Offer is conditional upon, amongst other things, valid acceptances being received (and not, where permitted, withdrawn) by 1.00 p.m. (UK time) on the first closing date of the Offer (or such later time(s) and/or date(s) as Zijin Tongguan may, with the consent of the UK Panel or in accordance with the City Takeovers Code,

decide) in respect of not less than 70 per cent. in nominal value (or such lesser percentage as Zijin Tongguan may decide) of the Monterrico Shares to which the Offer relates and not less than 70 per cent. of the voting rights carried by such Monterrico Shares (or such lesser percentage as Zijin Tongguan may decide), provided that, unless agreed with the UK Panel, this condition will not be satisfied unless Zijin Tongguan and/or its wholly-owned subsidiaries shall have acquired, or agreed to acquire, pursuant to the Offer or otherwise, Monterrico Shares carrying in aggregate more than 50 per cent. of the voting rights normally exercisable at a general meeting of Monterrico.

#### **4. Irrevocable Undertakings**

Zijin Tongguan has received irrevocable undertakings to accept (or procure the acceptance of), in accordance with the terms and conditions of such undertakings, the Offer from certain directors of Monterrico (who are also Monterrico Shareholders) in respect of, in aggregate, 2,606,960 Monterrico Shares, representing approximately 9.91 per cent. of the existing issued ordinary share capital of Monterrico and in respect of 1,150,000 options over Monterrico Shares of which 1,050,000 are “in the money” representing approximately 54.19 per cent. of the existing “in the money” options over Monterrico Shares.

#### **5. Inducement Fee Agreement**

Monterrico has entered into the Inducement Fee Agreement with Zijin Tongguan under which Monterrico has given various undertakings to Zijin Tongguan relating to, amongst other things, non-solicitation of Competing Proposal and an inducement fee (an amount by way of compensation) of one per cent. of the value of the Offer in certain circumstances.

#### **6. Reasons for and Benefits of the Offer**

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

Zijin Tongguan is an associate company which was established by the Company, Tongling and Xiamen C&D together for the purpose of making overseas investment.

As disclosed in the UK Offer Announcement, Monterrico is a London-based resource development group which operates exclusively in Peru and Monterrico will shortly publish a detailed technical feasibility study on one major copper-molybdenum project in northern Peru, being one of the few major greenfield copper-molybdenum projects in the world that can be developed in near term.

It is also stated in the UK Offer Announcement that Monterrico has additional base and precious metal projects in Peru, one of which is subject to a farm-out agreement and is earning into the Monarc gold projects in northern Peru.

For the financial year ended 31 December 2005, Monterrico reported a loss before taxation of £0.2 million. For the six months ended 30 June 2006, Monterrico reported a loss before taxation of £2.2 million. As at 31 December 2005 and 30 June 2006,



Monterrico's net assets were £19.3 million and £27.3 million respectively. The financial statements of Monterrico for the year ended 31 December 2005 and the six months ended 30 June 2006 were prepared under the International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board.

Subject to the Offer becoming wholly unconditional, Monterrico will become a subsidiary of Zijin Tongguan and hence, an associate company of the Company.

The proposed acquisition of Monterrico would represent an important increase in the Company's resources and production base overseas (through its 45% interest in Zijin Tongguan), which is consistent with its long-term strategy.

The Directors believe the terms of the Offer are fair and reasonable and in the interests of the shareholders of the Company as a whole.

## **7. UK Dealing Disclosure Requirement**

Part B of this announcement relates to an Offer governed by the City Takeovers Code and has to comply with the following UK dealing disclosure requirements in the UK:

Under the provisions of Rule 8.3 of the City Takeovers Code, if any person is, or becomes, "interested" (directly or indirectly) in 1 per cent. or more of any class of "relevant securities" of Monterrico, all "dealings" in any "relevant securities" of that company (including by means of an option in respect of, or a "derivative" referenced to, any such "relevant securities") must be publicly disclosed by no later than 3.30 pm (London time) on the London business day following the date of the relevant transaction. This requirement will continue until the date on which the Offer becomes, or is declared, unconditional as to acceptances, lapses or is otherwise withdrawn or on which the "offer period" otherwise ends. If two or more persons act together pursuant to an agreement or understanding, whether formal or informal, to acquire an "interest" in "relevant securities" of Monterrico, they will be deemed to be a single person for the purpose of Rule 8.3.

Under the provisions of Rule 8.1 of the City Takeovers Code, all "dealings" in "relevant securities" of Monterrico by Zijin Tongguan, the Company, Tongling or Xiamen C&D, or by any of their respective "associates", must be disclosed by no later than 12.00 noon (London time) on the London business day following the date of the relevant transaction.

A disclosure table, giving details of the companies in whose "relevant securities" "dealings" should be disclosed, and the number of such securities in issue, can be found on the UK Panel's website at [www.thetakeoverpanel.org.uk](http://www.thetakeoverpanel.org.uk).

"Interests in securities" arise, in summary, when a person has long economic exposure, whether conditional or absolute, to changes in the price of securities. In particular, a person will be treated as having an "interest" by virtue of the ownership or control of securities, or by virtue of any option in respect of, or derivative referenced to, securities.



Terms in quotation marks are defined in the City Takeovers Code, which can also be found on the UK Panel’s website. If you are in any doubt as to whether or not you are required to disclose a “dealing” under Rule 8 of the City Takeovers Code, you should consult the UK Panel.

## **C . GENERAL**

The establishment of Zijin Tongguan together with a further capital commitment by the Company to be crystallized upon the Offer being wholly unconditional will constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules. A circular containing, amongst other things, further details relating to the establishment of Zijin Tongguan together with a further capital commitment will be dispatched to the Shareholders of the Company as soon as practicable.

The proposed acquisition of Monterrico by Zijin Tongguan does not constitute a notifiable transaction under Chapter 14 of the Listing Rules. The disclosure in relation to such proposed acquisition is made pursuant to Rule 13.09 of the Listing Rules. BNP Paribas is acting as the lead financial advisor to Zijin Tongguan.

**At the request of the Company, trading in the H shares of the Company on the Stock Exchange was suspended from 9:30 a.m. on 5 February 2007 pending the release of this announcement. An application has been made to the Stock Exchange to resume trading from 9:30 a.m. from 6 February 2007.**

### **Definitions**

In this announcement, the following expressions have the meaning set out below unless the context requires otherwise:

“AIM”	the market of that name operated by the London Stock Exchange plc
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday or Sunday) on which banks are open for general business in England and Wales
“City Takeovers Code”	The City Code on Takeovers and Mergers
“Company”	紫金礦業集團股份有限公司 (Zijin Mining Group Co., Ltd.*) a joint stock limited liability company incorporated in the PRC and listed on The Stock Exchange of Hong Kong Ltd.

“Competing Proposal”	a proposal made by a third party, which is not acting in concert with Zijin Tongguan: (a) of an intention to make an offer (whether or not subject to pre-conditions) for Monterrico, pursuant to Rule 2.5 of the City Takeovers Code; or (b) which involves a change of control of Monterrico (other than the acquisition of control by Zijin Tongguan or a member of its group and/or a person acting in concert with Zijin Tongguan) or which involves the disposal of any interest in a substantial part of the business of Monterrico
“Directors”	directors of the Company
“Form of Acceptance”	the form of acceptance and authority relating to the Offer which will accompany the Offer Document
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“in the money” options	the options granted by Monterrico with an exercise price lower than the offer price of 350 pence per Monterrico Share
“Inducement Fee Agreement”	an inducement agreement dated 3 February 2007 and entered into between Monterrico and Zijin Tongguan
“Listing Rules”	Rules Governing The Listing of Securities of The Stock Exchange of Hong Kong Ltd.
“Monterrico”	Monterrico Metals plc
“Monterrico Share Scheme”	the unapproved share option scheme adopted by Monterrico on 13 June 2002
“Monterrico Shareholders”	the holders of Monterrico Shares
“Monterrico Shares”	the existing unconditionally allotted or issued and fully paid ordinary shares of 10 pence each in the capital of Monterrico and any further such shares which are unconditionally allotted or issued fully paid or credited as fully paid before the date on which the Offer ceases to be open for acceptance (or such earlier date as Zijin Tongguan may, subject to the City Takeovers Code, decide)
“Offer”	the recommended cash offer to be made by Zijin Tongguan to acquire the entire issued and to be issued ordinary share capital of Monterrico not already held or contracted to be acquired by Zijin Tongguan on the terms and subject to the conditions to be set out in the Offer Document and including, where the context requires, any subsequent revision, variation, extension or renewal of, or election available under, such Offer

“Offer Document”	the document to be despatched to Monterrico Shareholders and, for information only, to participants in the Monterrico Share Schemes, which, together with the Form of Acceptance, will contain the full terms and conditions of the Offer
“Offer Period”	the period commencing on 20 October 2006 and ending on either the first closing date of the Offer, or, if later, the date when the Offer becomes or is declared unconditional as to acceptance, or the date on which the Offer lapse, or such other date as the UK Panel may decide
“RMB”	Renminbi yuan, the lawful currency of the PRC
“PRC”	the People’s Republic of China (and for the purpose of this announcement, excluding Hong Kong, Macau and Taiwan)
“PRC Governmental Body”	has the meaning ascribed to in Chapter 19A of the Listing Rules
“Shareholders”	the shareholders of the Company
“Tongling”	銅陵有色金屬(集團)公司 (Tongling Nonferrous Metals (Group) Inc.*), a limited liability company incorporated in the PRC
“UK”	United Kingdom of Great Britain
“UK Offer Announcement”	the announcement published jointly by Zijin Tongguan and Monterrico on 5 February 2007 in accordance with Rule 2.5 of the City Takeovers Code, containing the principal terms of the Offer and other related matters
“UK Panel”	the Panel on Takeovers and Mergers in London
“Xiamen C&D”	廈門建發股份有限公司 (Xiamen C&D Inc.*), a joint stock limited liability company incorporated in the PRC and listed on the Shanghai Stock Exchange
“Zijin Tongguan”	廈門紫金銅冠投資發展有限公司 (Xiamen Zijin Tongguan Investment Development Co., Ltd*), a limited company established in the PRC by the Company, Tongling and Xiamen C&D
“£” or “GBP”	Great Britain pounds

*Note:* For the purpose of this announcement, unless otherwise specified, amounts denominated in Hong Kong dollars have been translated for the purpose of illustration only into RMB at the exchange rate of HK\$1.00 = RMB1.00 and GBP at the exchange rate of HK\$15.38 = GBP1.00.

As at the date of this announcement, the Board of Directors of the Company comprises Messrs. Chen Jinhe (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  
**Zijin Mining Group Co., Ltd.\***  
**Chen Jinghe**  
*Chairman*

Fujian, the PRC, 5 February 2007

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

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