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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's wholly-owned subsidiary – Yunnan Jinfeng entered into an equity interest acquisition agreement on 26 July 2007 with two connected persons – Mr. Ran Houbi and Ms. Cao Shifen to acquire in total 49% equity interest of our subsidiary – Funing Zhenglong.

Mr. Ran Houbi currently holds and owns 34.3% equity interest in Funing Zhenglong, a subsidiary of the Company. Mr. Ran Houbi is a substantial shareholder of Funing Zhenglong and a connected person of the Company pursuant to the Listing Rules. Ms. Cao Shifen currently holds and owns 14.7% equity interest in Funing Zhenglong, a subsidiary of the Company. Ms. Cao Shifen is a substantial shareholder of Funing Zhenglong and a connected person of the Company pursuant to the Listing Rules. Therefore, any transaction between Mr. Ran Houbi, Ms. Cao Shifen and Yunnan Jinfeng 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: 26 July 2007

Parties:

1. Yunnan Jinfeng - the Company's wholly-owned subsidiary is principally engaged in the mining, production, refining and sale of gold and other mineral resources in the PRC;
2. Mr. Ran Houbi currently owns 34.3% equity interest of Funing Zhenglong. Mr. Ran Houbi is a businessman in the PRC; and
3. Ms. Cao Shifen currently owns 14.7% equity interest of Funing Zhenglong. Ms. Cao Shifen is a businessman in the PRC.

### **DETAILS OF THE PROPOSED TRANSACTION**

#### **General**

The Board wishes to announce that the Company's wholly-owned subsidiary – Yunnan Jinfeng entered into an equity interest acquisition agreement on 26 July 2007 with two connected persons -

Mr. Ran Houbi and Ms. Cao Shifen to acquire in total 49% equity interest of our subsidiary - Funing Zhenglong. After the completion of the acquisition agreement, the Company will own 100% equity interest of Funing Zhenglong.

Funing Zhenglong's 51% equity interest is currently owned by the Company's wholly-owned subsidiary – Yunnan Jinfeng, its 34.3% equity interest is currently owned by Mr. Ran Houbi, and its 14.7% equity interest is currently owned by Ms. Cao Shifen. Yunnan Jinfeng acquired the 51% interest of Funing Zhenglong in December 2006 for the consideration of RMB61,200,000. Mr. Ran Houbi holds the 34.3% interest and he started the investment in July 2003. Mr. Ran Houbi is considered to be a connected person of the Group (as defined by the Listing Rules). Ms. Cao Shifen holds the 14.7% interest and she started the investment in July 2003. Ms. Cao Shifen is considered to be a connected person of the Group (as defined by the Listing Rules).

Funing Zhenglong was formed in July 2003 and is principally engaged in mining business in Yunnan, the PRC. Its current paid up capital is RMB120,000,000 (HK\$125,000,000 equivalent).

According to audited financial statements prepared under the PRC Generally Accepted Accounting Principles, as at 31 December 2006, Funing Zhenglong's total value of assets is RMB138,743,131 (HK\$144,524,094 equivalent), its net asset value is RMB120,588,624 (HK\$125,613,150 equivalent), its profit before tax and extraordinary items is RMB10,237,547 (HK\$10,664,111 equivalent), and its net profit after tax and extraordinary items is RMB5,197,547 (HK\$5,414,111 equivalent). For the year ended 31 December 2005, its net loss before and after tax and extraordinary items is RMB4,808,923 (HK\$5,009,294 equivalent).

## **Consideration**

Pursuant to the acquisition agreement, Yunnan Jinfeng agreed to acquire 34.3% equity interest of Funing Zhenglong from Mr. Ran Houbi with cash consideration of RMB46,410,000 (HK\$48,343,750 equivalent), Yunnan Jinfeng agreed to acquire 14.7% equity interest of Funing Zhenglong from Ms. Cao Shifen with cash consideration of RMB19,890,000 (HK\$20,718,750 equivalent). The total consideration of this acquisition agreement is RMB66,300,000 (HK\$69,062,500 equivalent). Mr. Ran Houbi's total original investment cost of 34.3% equity interest of Funing Zhenglong was RMB41,160,000 (HK\$42,875,000 equivalent). Ms. Cao Shifen's total original investment cost of 14.7% equity interest of Funing Zhenglong was RMB17,640,000 (HK\$18,375,000 equivalent). It is normal that there is a premium over the net assets value and the original investment costs especially given that it is generally expected to have a growth in the mining sector in the near future.

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 Funing Zhenglong's audited net asset value, and the original investment cost of the vendors.

In relation to the acquisition of 34.3% equity interest from Mr. Ran Houbi, Yunnan Jinfeng will pay RMB46,410,000 (HK\$48,343,750 equivalent) from internal sources to Mr. Ran Houbi within 7 working days after the date of the acquisition agreement. In relation to the acquisition of 14.7% equity interest from Ms. Cao Shifen, Yunnan Jinfeng will pay RMB19,890,000 (HK\$20,718,750 equivalent) from internal sources to Ms. Cao Shifen within 7 working days after the date of the acquisition agreement. The agreement is expected to complete not later than 10 August 2007. All parties do not have any further financial commitments in this transaction.

The profit sharing of Funing Zhenglong will be based on the respective proportionate shareholding interest in Funing Zhenglong.

## **Connected Transaction**

Mr. Ran Houbi currently holds and owns 34.3% equity interest in Funing Zhenglong, a subsidiary of the Company. Mr. Ran Houbi is a substantial shareholder of Funing Zhenglong and a connected person of the Company pursuant to the Listing Rules. Ms. Cao Shifen currently holds and owns 14.7% equity interest in Funing Zhenglong, a subsidiary of the Company. Ms. Cao Shifen is a substantial shareholder of Funing Zhenglong and a connected person of the Company pursuant to the Listing Rules. Therefore, any transaction between Mr. Ran Houbi, Ms. Cao Shifen and Yunnan Jinfeng constitutes a connected transaction under Chapter 14A of the Listing Rules.

## **Board of Directors**

The board of directors of Funing Zhenglong will be changed after the acquisition, the Company will nominate one person as sole director of Funing Zhenglong.

## **REASONS FOR THE PROPOSED TRANSACTION**

The Company is principally engaged in the 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 Funing Zhenglong and will enable the Group to have larger share of return in Funing Zhenglong. 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
“Funing Zhenglong”	(富寧縣正龍金礦資源開發有限責任公司) Funing Zhenglong Gold Mine Resources Development Company Limited, a subsidiary of the Company and 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
“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
“Yunnan Jinfeng”	(雲南金峰礦業有限公司) Yunnan Jinfeng Mining Company Limited, 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 = RMB0.96.

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 July 2007, Fujian, China.

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