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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 TRANSACTIONS
EQUITY INTEREST ACQUISITION OF A NON WHOLLY-OWNED SUBSIDIARY

The Board wishes to announce that the Company entered into two equity interest acquisition agreements on 12 August 2008 with connected persons – Shaanxi Runlong and Zijin Labour Union to acquire 33.5% and 6.5% equity interest in our subsidiary, Qinghai West respectively.

As at the date of this announcement, Shaanxi Runlong currently holds and owns 33.5% equity interest in Qinghai West, a subsidiary of the Company. Shaanxi Runlong is a substantial shareholder of Qinghai West and a connected person of the Company pursuant to the Listing Rules. Zijin Labour Union currently holds and owns 40% equity interest in Fuyun Jinshan, a subsidiary of the Company. Zijin Labour Union is a substantial shareholder of Fuyun Jinshan and a connected person of the Company pursuant to the Listing Rules. Therefore, any transaction between Shaanxi Runlong, Zijin Labour Union and the Group constitutes a connected transaction under Chapter 14A of the Listing Rules.

As the applicable percentage ratios (as set out in the Listing Rules) for the acquisition is less than 2.5%, 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.

SHAANXI RUNLONG AGREEMENT

Date: 12 August 2008

Parties:

1. the Company is principally engaged in the mining, production, refining and sale of gold and other mineral resources in the PRC; and
2. Shaanxi Runlong currently owns 33.5% equity interest in Qinghai West. Shaanxi Runlong is mainly engaged in investment and trading in the PRC.

The agreement is a connected transaction, which was entered into in the ordinary course of business of the Company.

ZIJIN LABOUR UNION AGREEMENT

Date: 12 August 2008

Parties:

1. the Company is principally engaged in the mining, production, refining and sale of gold and other

mineral resources in the PRC; and

2. Zijin Labour Union currently owns 6.5% equity interest in Qinghai West, is a labour union of the Company which was formed statutorily in the PRC.

The agreement is a connected transaction, which was entered into in the ordinary course of business of the Company.

PRINCIPAL TERMS OF THE PROPOSED TRANSACTIONS

General

The Board wishes to announce that the Company entered into two equity interest acquisition agreements on 12 August 2008 with connected persons – Shaanxi Runlong and Zijin Labour Union to acquire 33.5% and 6.5% equity interest of our subsidiary, Qinghai West respectively. After the completion of the acquisition agreements, Qinghai West will become a wholly-owned subsidiary of the Company.

The Company currently holds and owns 60% equity interest in Qinghai West. Qinghai West is a subsidiary of the Company. Zijin Labour Union (a connected person of the Group by virtue of its interest in Fuyun Jinshan) currently holds and owns 6.5% equity interest in Qinghai West. Shaanxi Runlong (a connected person of the Group by virtue of its interest in Qinghai West) currently holds and owns 33.5% equity interest in Qinghai West.

Qinghai West was incorporated in January 2003 and is principally engaged in mining business in Qinghai province, the PRC. Its current paid-up capital is RMB120,000,000 (approximately HK\$137,931,034).

According to audited financial statements prepared under the PRC generally accepted accounting principles, as at 31 December 2007, Qinghai West's total value of assets is RMB685,890,351.50 (approximately HK\$788,379,714), its net asset value is RMB181,635,910.59 (approximately HK\$208,776,909), its profit before tax and extraordinary items is RMB75,624,895.61 (approximately HK\$86,925,167), and its net profit after tax and extraordinary items is RMB64,374,065.61 (approximately HK\$73,993,178). For the year ended 31 December 2006, its net loss before tax and extraordinary items and its net loss after tax and extraordinary items is RMB2,962,121.48 (approximately HK\$3,404,737).

Zhong Shen Certified Public Accountants Limited (中審會計師事務所有限公司) was appointed to carry out an valuation on Shaanxi Runlong's and Zijin Labour Union's equity interest in Qinghai West. The valuation was prepared on the basis of projection of profit. According to valuation report dated on 20 June 2008, Shaanxi Runlong's 33.5% equity interest in Qinghai West was appraised to be RMB754,176,689.50 (approximately HK\$866,869,758), and Zijin Labour Union's 6.5% equity interest in Qinghai West was appraised to be RMB146,332,790.50 (approximately HK\$168,198,609). Zhong Shen Certified Public Accountants Limited is a qualified valuer in assets in the PRC and an Independent Third Party. The key assumptions of the valuation are set out in the appendix.

Ernst & Young, the Company's auditors, has reviewed the arithmetical accuracy of the projection of profit underlying the valuation report in accordance with Rule 14.62 of Listing Rules. Ernst & Young has not reviewed the accounting policies since no accounting policies of the Company have been adopted in the preparation of the valuation report. The Directors are of the view that as the total consideration of RMB864,000,000 is determined based on arm's length negotiations with reference to the valuation report prepared by Zhong Shen Certified Public Accountants Limited, the total consideration is fair and reasonable so far as the Company and the Shareholders as a whole are concerned.

Consideration

Pursuant to the acquisition agreements, the Company agreed to acquire 33.5% equity interest of Qinghai West from Shaanxi Runlong with cash consideration of RMB723,600,000 (approximately HK\$831,724,137) by two instalments. Shaanxi Runlong's total original investment cost of the 33.5% equity interest in Qinghai West was RMB40,200,000 (approximately HK\$46,206,896), the Company agreed to acquire 6.5% equity interest of Qinghai West from Zijin Labour Union with cash consideration of RMB140,400,000 (approximately HK\$161,379,310) by two instalments. Zijin Labour Union's total original investment cost of the 6.5% equity interest in Qinghai West was RMB7,800,000 (approximately HK\$8,965,517).

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 Qinghai West's audited net asset value, appraised value stated in the valuation report, and the original investment cost of the vendor.

In relation to the acquisition of 33.5% equity interest from Shaanxi Runlong, the Company will pay RMB144,720,000 (approximately HK\$166,344,827) from internal sources to Shaanxi Runlong within 7 working days after the date of the acquisition agreement. Within 7 working days after the completion of the transfer procedures, the Company will pay the remaining balance of RMB578,880,000 (approximately HK\$665,379,310) from internal sources to Shaanxi Runlong. The agreement is expected to be completed not later than 31 August 2008. All parties do not have any further financial commitments in this transaction.

In relation to the acquisition of 6.5% equity interest from Zijin Labour Union, the Company will pay RMB28,080,000 (approximately HK\$32,275,862) from internal sources to Zijin Labour Union within 7 working days after the date of the acquisition agreement. Within 7 working days after the completion of the transfer procedures, the Company will pay the remaining balance of RMB112,320,000 (approximately HK\$129,103,448) from internal sources to Zijin Labour Union. The agreement is expected to be completed not later than 31 August 2008. All parties do not have any further financial commitments in this transaction.

Connected Transaction

As at the date of this announcement, Shaanxi Runlong currently holds and owns 33.5% equity interest in Qinghai West, a subsidiary of the Company. Shaanxi Runlong is a substantial shareholder of Qinghai West and a connected person of the Company pursuant to the Listing Rules. Zijin Labour Union currently holds and owns 40% equity interest in Fuyun Jinshan, a subsidiary of the Company. Zijin Labour Union is a substantial shareholder of Fuyun Jinshan and a connected person of the Company pursuant to the Listing Rules. Therefore, any transaction between Shaanxi Runlong, Zijin Labour Union and the Group constitutes a connected transaction under Chapter 14A of the Listing Rules.

Board of Directors

After the acquisition, Qinghai West will become the Group's wholly-owned subsidiary and the Company will nominate all the directors to the board of directors of Qinghai West.

REASONS AND BENEFITS 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 its investment in Qinghai West and will enable the Group to have larger share of return in Qinghai West. 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.

LISTING RULES

As the applicable percentage ratios (as set out in the Listing Rules) for the acquisition is less than 2.5%, 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.

DEFINITIONS

In this announcement, unless otherwise indicated in the context, the following expressions shall have the following meanings :

“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
“Fuyun Jinshan”	(富蘊金山礦冶有限公司) Fuyun Jinshan Mining Co., Ltd., a subsidiary of the Company, a company incorporated in the PRC with limited liability and is mainly engaged in mining business in Xinjiang, the PRC
“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 Special Administrative Region and Taiwan
“Qinghai West”	(青海威斯特銅業有限責任公司) Qinghai West Copper Mining Co., Ltd., a subsidiary of the Company, a company incorporated in the PRC with limited liability and is mainly engaged in mining business in Qinghai, the PRC
“RMB”	Renminbi, the lawful currency of the PRC
“Shaanxi Runlong”	(陝西潤龍礦業有限公司) Shaanxi Runlong Mining Company Limited, a company incorporated in the PRC with limited liability

“Shaanxi Runlong Agreement”	the agreement entered into between the Company and Shaanxi Runlong on 12 August 2008 in relation to, inter alia, the sale of 33.5% equity interest in Qinghai West from Shaanxi Runlong to the Company
“Shareholder(s)”	the shareholder(s) of the Company
“Zijin Labour Union Agreement”	the agreement entered into between the Company and Zijin Labour Union on 12 August 2008 in relation to, inter alia, the sale of 6.5% equity interest in Qinghai West from Zijin Labour Union to the Company
“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 = RMB0.87.

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. Peng Jiaqing 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

12 August 2008 Fujian, China.

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

Appendix

Valuation assumptions

This valuation is based on the following assumptions:

General assumptions:

1. Assumed that the political environment of which Qinghai West located is stable, the state's and local policies of economics, politics and law remain unchanged;
2. Assumed that the operating environment of the company is basically unchanged, the state's policies of foreign exchange, taxation and financial system are stable;
3. Assumed that the company's operator is accountable and the company's management is capable to perform its duties;
4. Assumed that the company can operate normally as expected and there is no unexpected issues to affect its continuous operation;
5. Assumed that the state's existing macro-policies remain unchanged and the state's economy will continue to grow at a relatively high rate over a long period of time;
6. Assumed that the accounting policies adopted in the financial information provided by the company in all material aspects are in general consistent with the accounting policies adopted in compilation of this valuation report and the financial and accounting information provided is not materially misleading; and
7. Assumed that the industry's trend of development will not substantially change in the future predictable years.

Special assumptions:

1. Assumed that the sales and marketing position of the company's products remains unchanged in the future predictable years;
2. Assumed that the company will not encounter difficulties in collecting major receivables (that is, bad debts);
3. Assumed that the company will not suffer any substantial loss of its operation arising from any force majeure events;
4. Assumed that the company can operate reasonably and statutorily within the predictable scope of law, economics and techniques;
5. Assumed that the credit rate, taxation basis, levies and interest rate will not change significantly; and
6. The valid period of the existing mining permit of Qinghai West is from July 2006 to July 2018 and the valid period of its existing exploration permit is from July 2005 to July 2008. This valuation is based on the reserves of mineral resource and the productivity capacity of the mine. This valuation is based on the assumption that, when the mining permit of Qinghai West expires, Qinghai West is able to renew its mining permit until the end of the mine's service years.