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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in **Jiangxi Copper Company Limited**, you should at once hand this circular to the purchaser or the transferee or to the bank or stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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**江西銅業股份有限公司**  
**JIANGXI COPPER COMPANY LIMITED**

*(a sino-foreign joint venture joint stock limited company incorporated in the People's Republic of China)*

(Stock Code: 0358)

**PROPOSED ISSUE OF BONDS CONVERTIBLE INTO A SHARES OF  
THE COMPANY AND CONNECTED TRANSACTION**

Independent financial adviser to the independent board committee of  
Jiangxi Copper Company Limited



**Goldbond Capital (Asia) Limited**

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A letter from the Board is set out on pages 1 to 18 of this circular. A letter from the Independent Board Committee is set out on page 19 of this circular.

A letter from Goldbond Capital (Asia) Limited, the independent financial adviser, containing its advice to the Independent Board Committee is set out on pages 20 to 26 of this circular.

Notices convening the Extraordinary General Meeting, the Domestic Share Class Meeting and the H Share Class Meeting of Jiangxi Copper Company Limited to be held at the Conference Room of Jiangxi Copper Company Limited at 15 Yejin Avenue, Guixi City, Jiangxi, the People's Republic of China at 10:00 a.m., 10:30 a.m. and 10:50 a.m. on Friday, 26 November 2004 are set out in Appendices IV, V and VI to this circular.

If you intend to attend the Extraordinary General Meeting and/or the Domestic Share Class Meeting and/or H Share Class Meeting, please complete and return the accompanying reply slip in accordance with the instructions printed thereon as soon as possible and in any event by not later than Friday, 5 November 2004.

Whether or not you are able to attend the meeting, you are requested to complete and return the enclosed forms of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 24 hours before the time appointed for holding of the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

12 October 2004

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## DEFINITIONS

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*In this circular, the following expressions have the following meanings unless the context otherwise requires:*

“A Shares”	Renminbi-denominated domestic shares in the ordinary share capital of the Company, with a nominal value of RMB1.00 each, which are listed on the Shanghai Stock Exchange
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Bond Issue”	the proposed issue of the Convertible Bonds
“Chengmenshan Acquisition”	the acquisition of the operating assets and related liabilities of the Chengmenshan Mine and the mining rights thereof by the Company from JCC
“Chengmenshan Agreement”	the conditional sale and purchase agreement dated 27 September 2004 entered into between the Company and JCC
“Chengmenshan Land”	the land on which the Chengmenshan Mine is situated at, with an area of 1,045,463.74 square metres
“Chengmenshan Land Use Right”	the right to use the Chengmenshan Land owned by the JCC Group
“Chengmenshan Land Leasing Agreement”	the conditional leasing agreement dated 27 September 2004 entered into between the Company and JCC in relation to the leasing of the Chengmenshan Land Use Right
“Chengmenshan Mine”	Chengmenshan Mine of JCC, wholly owned by JCC
“Class Meetings”	the class meetings for holders of (i) Domestic Shares (including the non-listed Domestic Shares and A Shares) and (ii) H Shares, to be held on Friday, 26 November 2004
“Company”	Jiangxi Copper Company Limited, a sino-foreign joint venture joint stock limited company incorporated in the PRC
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Convertible Bonds”	the convertible bonds in the amount of not more than RMB2,000,000,000 (equivalent to approximately HK\$1,886,792,453) in principal amount convertible into new A Shares

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## DEFINITIONS

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“Copper Cathode”	copper sheet which is 99.9% and above pure produced by either an electrolytic refining process or by electrowinning
“CSRC”	China Securities and Regulatory Commission
“Directors”	director(s) of the Company
“Domestic Shares”	Renminbi-denominated domestic shares in the ordinary share capital of the Company, with a nominal value of RMB1.00 each
“EGM”	an extraordinary general meeting of the Company to be held to consider the special resolution to be proposed to approve the Bond Issue and ordinary resolution to be proposed to approve the Chengmenshan Agreement
“Goldbond Capital”	Goldbond Capital (Asia) Limited, a licensed corporation under the transitional arrangement within the meaning of the SFO to carry out Types 1 and 6 regulated activities under the SFO
“Group”	the Company and its subsidiaries
“H Shares”	overseas listed foreign invested shares of RMB1.00 each in the capital of the Company, which are subscribed for and traded in HK\$ and which are listed in the Stock Exchange and London Stock Exchange Limited
“Independent Board Committee”	an independent committee of the Board established for the purpose of reviewing the transactions contemplated under the Chengmenshan Agreement
“Independent Shareholders”	Shareholders other than JCC and its associates
“Independent Third Party(ies)”	party(ies) who is/are not connected with the directors, chief executive and substantial shareholders of the Company or any of its subsidiaries or any of their respective associates
“JCC”	Jiangxi Copper Corporation, a substantial shareholder of the Company holding approximately 47.88% of the total issued share capital of the Company
“JCC Group”	JCC and its subsidiaries (other than the Group)

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## DEFINITIONS

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“Latest Practicable Date”	8 October 2004, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Percentage Ratios”	the percentage ratios under Rule 14.07 of the Listing Rules, other than the equity capital ratio and profits ratio
“PRC”	the People’s Republic of China
“Sallmanns”	Sallmanns (Far East) Limited
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shanghai Listing Rules”	the rules governing the listing of securities on the Shanghai Stock Exchange
“Shareholder(s)”	the holder(s) of the shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Winters”	The Winters, Dorsey & Company, LCC., an international mining engineering firm established in Arizona, the United States of America
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“US\$”	United States dollars, the lawful currency of the United States

*Translation of Renminbi into Hong Kong dollars is based on the exchange rate of HK\$1.00=RMB1.06 and translation of Hong Kong dollars into United States dollars is based on the exchange rate of US\$1.00=HK\$7.80.*

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## LETTER FROM THE BOARD

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# 江西銅業股份有限公司 JIANGXI COPPER COMPANY LIMITED

(a sino-foreign joint venture joint stock limited company incorporated in the People's Republic of China)

### Board of Directors

#### *Executive Directors:*

Mr. He Changming (Chairman)  
Mr. Qi Huaiying  
Mr. Li Yihuang  
Mr. Du Xinmin  
Mr. Wang Chiwei  
Mr. Gao Jianmin  
Mr. Liang Qing

#### *Independent non-executive Directors:*

Mr. Kang Yi  
Mr. Shi Zhongliang  
Mr. Liu Xinxi  
Mr. Yin Hongshan

#### *Legal address:*

15 Yejin Avenue  
Guixi City  
Jiangxi  
People's Republic of China

#### *Place of business in Hong Kong:*

Suite 4901, 49th Floor  
Office Tower  
Convention Plaza  
1 Harbour Road  
Wanchai  
Hong Kong

12 October 2004

#### *To the Shareholders*

Dear Sir or Madam,

## **PROPOSED ISSUE OF BONDS CONVERTIBLE INTO A SHARES OF THE COMPANY AND CONNECTED TRANSACTION**

### **I. INTRODUCTION**

On 28 September 2004, the Company announced the proposed issue of bonds convertible into new A Shares. The Convertible Bonds are proposed to be in the form of RMB-denominated convertible bonds. An application will be made to CSRC for the issue of the Convertible Bonds. Upon obtaining approval of the Bond Issue, application for the listing of the Convertible Bonds is expected to be made to the Shanghai Stock Exchange.

On 27 September 2004, the Company entered into the Chengmenshan Agreement with JCC pursuant to which the Company agreed to purchase from JCC the operating assets and related liabilities of the Chengmenshan Mine and the mining rights thereof at a total consideration of RMB378,188,600 (subject to adjustment).

In addition, the Company and JCC entered into the Chengmenshan Land Leasing Agreement on 27 September 2004 for the leasing of the Chengmenshan Land.

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## LETTER FROM THE BOARD

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### II. THE PROPOSED BOND ISSUE

#### (A) Proposed Issue of Convertible Bonds

The Company proposes to issue the Convertible Bonds of not more than RMB2,000,000,000 (equivalent to approximately HK\$1,886,792,453) in principal amount convertible into new A Shares. The Convertible Bonds are proposed to be in the form of RMB-denominated convertible bonds. An application will be made to the CSRC for the issue of the Convertible Bonds. Upon obtaining approval from the CSRC, application for the listing of the Convertible Bonds is expected to be made to the Shanghai Stock Exchange. The Convertible Bonds are expected to be offered to legal and natural persons in the PRC (save for those who are prohibited by PRC laws, rules and/or regulations from subscribing for them and excluding for this purpose, Hong Kong, Taiwan and the Macau Special Administrative Region), who are not connected persons of the Company. The existing holders of A Shares and Domestic Shares will be entitled to a priority right to subscribe for the Convertible Bonds, by virtue of and in proportion to their shareholding in A Shares and Domestic Shares.

The proposed Bond Issue will be conditional on, amongst other things, (i) the approval of the Shareholders by way of special resolution at the EGM and the Class Meetings in accordance with the articles of association of the Company and the relevant requirements of the Listing Rules; and (ii) the approvals for the issue of the Convertible Bonds from the CSRC.

#### (B) Summary of the Principal Terms and Conditions of the Proposed Bond Issue

The current proposed principal terms and conditions of the Bonds Issue are summarized as follows (such terms and conditions will be subject to the approval and confirmation of CSRC):

Total issuing amount:	Not more than RMB2,000,000,000 (equivalent to approximately HK\$1,886,792,453).
Bond maturity:	Five years.
Issue price:	According to the par value of the Convertible Bonds.
Coupon rate:	Fixed rate with interests being paid annually. The interest rates for the five years are preliminarily estimated to be 1.0%, 1.22%, 1.49%, 1.81% and 2.21% per annum. The actual interest rate will be determined by the Board after consultation with the lead underwriter and in accordance with state policies and market conditions.

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## LETTER FROM THE BOARD

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Interest and principal repayment (prior to conversion or redemption):

The interest will be paid annually. The principal will be repaid together with the last installment of interest, within five business days after the fifth anniversary of the issue of the Convertible Bonds in accordance with the relevant repayment procedure.

Conversion price:

The initial conversion price of the Convertible Bonds will be the arithmetic mean of the closing prices of the A Shares for the 30 consecutive trading days immediately before the issue of the relevant offering memorandum, with an upward margin of 0.1% and round up or round down to cents in the nearest ten cents.

Conversion price will be subject to adjustment in the event of distribution of dividends, bonus issues of shares, new issue of shares, placing of shares and other events which would have an impact on the capital structure of or shareholders' interests in the Company.

If there is an adjustment caused by merger or sub-division or any other event which would have an impact on the capital structure of or interests of any shareholders (including holders of Domestic Shares, A Shares or H Shares) in the Company, the Company shall set an adjustment plan to the effect that the proportion of interest of the holder of the Convertible Bonds will not be affected before and after such event occurred. Such adjustment plan shall be put forward to shareholders for approval.

During the period between the expiry of six months commencing from the date of issue of the Convertible Bonds and up to 18 months from the date of issue of the Convertible Bonds, in the event that the average closing prices of the A Shares for at least 30 consecutive trading days are lower than 80% of the then conversion price, the Board is entitled to make downward adjustment of not more than 20% of the conversion price.

During the period between the expiry of 18 months commencing from the date of issue of the Convertible Bonds and up to the date of expiry of the conversion period of the Convertible Bonds, in the event that the average closing prices of the A Shares for at least 30 consecutive trading days are lower than 85% of the then conversion price, the Board is entitled to make downward adjustment of not more than 15% of the conversion price.

Save and except the aforesaid adjustment clauses, during the period between the expiry of 6 months commencing from the date of issue of the Convertible Bonds and up to the date of expiry of the conversion period of the Convertible Bonds, the Board is entitled to make a downward adjustment of the conversion price of not more than 20% of the then conversion price provided that this right may only be exercised by the Board once in each calendar year.

PROVIDED that the conversion price shall not be adjusted to lower than the audited net asset value per share as at the end of the most recent accounting year.

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## LETTER FROM THE BOARD

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Conversion period:	At any time from and including the day immediately after the expiry of the six months commencing from the issue of the Convertible Bonds, up to 3 p.m. on the fifth anniversary of the issue of the Convertible Bonds (or if such date is not a business day, the business day immediately after such date).
Redemption at the option of the Company:	After the expiry of 12 months commencing from the date of issue of the Convertible Bonds, in the event that the closing price of the A Shares in any 20 trading days out of 30 consecutive trading days shall be higher than 130% of the then conversion price, the Company shall be entitled to redeem all or part of the Convertible Bonds then outstanding, in accordance with the specified redemption procedure, at 103% of the nominal value of the Convertible Bonds (together with accrued interest included therein) provided that the Company may only exercise this redemption right once in every calendar year. For the avoidance of doubt, the above redemption price shall be a fixed amount of 103% of the nominal values of the Convertible Bonds which is inclusive of any accrued interest.
Redemption at the option of the holders of the Convertible Bonds:	<p>During the conversion period of the Convertible Bonds, in the event that the closing prices of the A Shares in any 20 consecutive trading days (“Relevant Period”) shall be lower than 70% of the then conversion price, the holders of the Convertible Bonds may, within 14 days after the Relevant Period, require the Company to redeem all or part of the Convertible Bonds held by them as at the redemption date (as set out in the relevant redemption notice which date shall, in any event, be the date being not less than 7 days and not more than 14 days from the date of the redemption notice) at 103% of the nominal values of the Convertible Bonds (together with accrued interest included therein) provided that the holders of the Convertible Bonds may only exercise this redemption right once in every calendar year. For the avoidance of doubt, the above redemption price shall be a fixed amount of 103% of the nominal values of the Convertible Bonds which is inclusive of any accrued interest. In the event that the holder of Convertible Bonds does not exercise the redemption right after the occurrence of the event mentioned above, it may not be able to exercise this redemption right during the remaining period of that relevant year.</p> <p>In the event that any merger or sub-division of the Company is approved by the shareholders of the Company in general meeting, the holder of Convertible Bonds is entitled to require the Company to redeem all or part of the Convertible Bonds held by them at 103% of the nominal value of the Convertible Bonds (together with accrued interest included therein). For the avoidance of doubt, the above redemption price shall be a fixed amount of 103% of the nominal values of the Convertible Bonds which is inclusive of any accrued interest. In the event that the holder of Convertible Bonds does not apply for the redemption after the occurrence of the events mentioned above during the prescribed period, it may not be able to exercise this redemption right late due to the merger or sub-division of the Company.</p>

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## LETTER FROM THE BOARD

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If CSRC determines that there has been a change in the use of the proceeds, the holders of the Convertible Bonds may require the Company to redeem all or part of the Convertible Bonds held by them at 103% of the nominal values of the Convertible Bonds (together with accrued interest included therein) unless such change is approved by shareholders and CSRC. For the avoidance of doubt, the above redemption price shall be a fixed amount of 103% of the nominal values of the Convertible Bonds which is inclusive of any accrued interest. In the event that the holder of Convertible Bonds does not apply for the redemption after the occurrence of the event mentioned above during the prescribed period, it may not be able to exercise this redemption right later due to the change in the use of proceeds as mentioned above.

Within 5 business days before the expiry of the conversion period of the Convertible Bonds, the holders of the Convertible Bonds may require the Company to redeem all or part of the Convertible Bonds held by them at prices at 107% of the nominal value of the Convertible Bonds (together with accrued interest included therein). For the avoidance of doubt, the above redemption price shall be a fixed amount of 107% of the nominal values of the Convertible Bonds which is inclusive of any accrued interest.

Target subscribers:

The existing holders of A Shares and Domestic Shares (other than connected persons of the Company) will be entitled to a priority right to subscribe for the Convertible Bonds, in the proportion of every RMB4 of Convertible Bonds to one A Share or Domestic Share held (i.e. holder of one A Share or Domestic Share will be offered RMB4 of Convertible Bonds). The principal amount for each board lot of the Convertible Bonds will be fixed at RMB1,000. For those holders of A Shares or Domestic Shares being offered Convertible Bonds of a fraction of a board lot or less than a board lot because of their shareholding after the trading hours on the record date, the Company will round up or round down their entitlement to a whole board lot. The remaining amount of the Convertible Bonds and the Convertible Bonds offered to the holders of A Shares and Domestic Shares but not accepted will be offered to citizens holding valid and legal proof of identity of his/her PRC citizenship and PRC legal persons (save for those who are prohibited by PRC laws, rules and/or regulations from subscribing for the Convertible Bonds), who are not connected persons of the Company.

Listing of bonds:

An application is expected to be made to the Shanghai Stock Exchange for the listing of and permission to deal in the Convertible Bonds on the Shanghai Stock Exchange.

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## LETTER FROM THE BOARD

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The timing of the Bonds Issue will be determined by the Board after careful consideration and taking into account the prevailing market conditions and all other relevant factors at the time. The actual terms and conditions of the Convertible Bonds will be determined by the Board prior to the Bonds Issue.

### (C) Proposed Use of Proceeds and Feasibility of the Projects

The proceeds from the Bond Issue in the sum of not more than RMB2,000,000,000 are expected to be used as to:—

- (i) Approximately RMB378,188,600 to finance the acquisition of the operating assets and the related liabilities of Chengmenshan Mine and the mining right thereof from JCC which constituted a connected transaction of the Company (particular of the acquisition of Chengmenshan Mine are set out in Part III of this circular).
- (ii) Approximately RMB881,050,000 for the technological renovation of Fujiawu Copper Mine and further acquisition of the mining rights of the deeper level and surrounding area of Fujiawu Copper Mine.

As disclosed in the Company's prospectus dated 26 December 2001 in respect of the issue of A Shares (the "A Share Prospectus"), Fujiawu Copper Mine owns copper resources reserves of 2,570,000 tonnes. As a continuation to the Company's Dexing Mine, the ore district of Fujiawu Copper Mine ranks first in the PRC in terms of mining conditions. Having the prospects of undergoing large-scale exploration, it is the second largest open pit copper mine in the PRC next only to the ore district of Dexing Mine which is now under development. Pursuant to the document (Gan Cai Zi (2004) No. 0817) issued by the Jiangxi Department of Land and Resources, the Company has proposed to acquire the mining rights of the deeper level and surrounding area of Fujiawu Copper Mine (containing proven copper resources reserves of 1,290,000 tonnes and molybdenum resources reserves of 90,000 tonnes) from the Jiangxi Provincial Government at an aggregate consideration of RMB71,050,000, as confirmed by the document (Guo Tu Zi Kuang Zi (2001) No. 33) issued by the Ministry of Land and Resources. Upon completion of the acquisition, the Company will own all the mining rights of the whole Fujiawu Copper Mine. The National Development and Reform Commission ("NDRC") has formally approved the feasibility study report on the development of Fujiawu Copper Mine with the document (Fa Gai Gong Ye (2003) No. 2366). The implementation of such project will enable Dexing Mine to achieve stability in both production and effectiveness with its daily handling capacity including that of Fujiawu Copper Mine amounting to 100,000 tonnes, despite that Dexing Mine is encountering the problem of diminishing resources reserves and production capacity. Moreover, the project, once implemented, will further extend the stable production period of Dexing Mine by 10 years as well as its open mining service period by 17 years, on the existing bases, thus laying a solid resource foundation for the long-term development of the Company. Pursuant to the feasibility report approved by NDRC, total investment of the project will be RMB850,000,000. However, according to the project proposal approved by the State Economic and Trade Commission in 2001 and as disclosed in the Company's A Share Prospectus, only RMB40,990,000 out of the proceeds from the issue of new A Shares will be used in the preparatory work of such project. As such, the Company has proposed to use RMB810,000,000 out of the net proceeds from the issue of Convertible Bonds for the development of Fujiawu Copper Mine. In the event of insufficiency of funds, any further funds which the Company may require for this project will be financed by loans or other means.

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## LETTER FROM THE BOARD

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- (iii) Approximately RMB463,360,000 for the development and implementation of copper resources projects.

The Company is concerned about its copper reserves and has been focusing on the increase of its own production capacity of copper, gold and silver through renovation of its mines and the integrated recycle of resources. On 3 September 2004, Jiangxi Development and Reform Commission granted approval (贛發改工字[2004]953號) for the Company to implement production expansion for its mines to stabilize copper resources supply and implement projects on integrated use of resources.

1. The proposed investment for the expansion of Wushan Copper Mine is RMB215,640,000. Wushan Copper Mine is currently the largest underground copper mine in the PRC with a daily handling capacity of 3,000 tonnes. In 2003, it produced copper concentrates which contained 10,017 tonnes of copper, 150 kg of gold and 13.3 tonnes of silver. Presently, its reserves contain 1,160,000 tonnes of copper, 35,415 kg of gold, 902 tonnes of silver and 11,720,000 tonnes of sulphur. Taking into consideration of the reserves of Wushan Copper Mine and the advice given by domestic and foreign mining experts, the Company is planning to increase Wushan Copper Mine's production capacity from 3,000 tonnes to 5,000 tonnes per day by introducing advanced exploration technologies from foreign countries. Following the completion of this subsidiary project, copper concentrates of Wushan Copper Mine is expected to contain an additional 6,145 tonnes of copper and 74 kg of gold annually.
2. The proposed investment of Yongping Mine is RMB109,400,000. It is the second largest mine being explored and developed by the Company, and is also the second largest open pit mine in the PRC, with a daily production of 10,000 tonnes. In 2003, 15,775 tonnes of copper, 16.4 tonnes of silver and 566,000 tonnes of pyrite concentrates contained in copper concentrates were produced. In recent years, the Company has carried out geological surveys in the surrounding area of the mine and found an additional 13,080,000 tonnes of copper ore. Upon completion of such project, Yongping Mine will be able to extend its stable production period by 6 years at 10,000 tonnes per day.
3. The proposed investment for the slag recycling and reuse project is RMB138,320,000. Guixi Smelter produces 700,000 tonnes of slag in the course of copper production, which contain valuable elements including copper. Previously, due to technical problems, slag was treated as waste. The Company has therefore proposed to invest RMB138,320,000 in the recycling of slag which contains copper by way of technological renovation and introduction of advanced technologies from abroad. Being an environmental protection project emphasizing the integrated use of resources, this subsidiary project can also improve the adaptability and efficiency of the Company's flash furnaces to raw materials. The technology being used in such project is a breakthrough in the PRC. Upon completion of the project, an additional 5,229 tonnes of copper will be contained in the copper concentrates annually.

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## LETTER FROM THE BOARD

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Following the completion of the above projects, copper concentrates of the Company is expected to contain an additional 12,000 tonnes of copper. On the basis of annual production of 400,000 tonnes of Copper Cathode, the Company will be able to raise its self-sufficiency rate of copper raw materials by 3% coupled with a corresponding increase in the self-production capacity of gold, silver and sulphur. The aggregate investment of such project is RMB463,360,000. The Company has planned to satisfy it with the net proceeds from the issue of Convertible Bonds.

- (iv) Approximately RMB127,050,000 for the increase of capital in 400,000 tonnes sulphur acid project.

Apart from rich copper, gold and silver resources, the Company also owns abundant sulphur resources. Sulphur is a primary raw material for the production of sulphuric acid. In 2003, 932,000 tonnes of pyrite concentrates were produced. The Company entered into an agreement with Guizhou Hongfu Industrial Development Holding Co., Ltd. (“Guizhou Hongfu”) for the construction of a sulphuric acid project with an anticipated annual production of 400,000 tonnes in Guixi City, Jiangxi Province. The total amount of capital contribution was RMB181,500,000, of which RMB127,050,000 was contributed by the Company. Accordingly, the project is owned as to 70% and 30% by the Company and Guizhou Hongfu respectively. As all the sulphuric acid produced in this project is sold to Guizhou Hongfu, sales of the products are guaranteed, value of the products is enhanced and the Company is able to enjoy operating effectiveness. The project was approved by Jiangxi Development and Reform Commission with the document (Gan Fa Gai Gong Zi (2004) No. 952).

All of the above-mentioned projects will be financed by the proceeds from the issue of Convertible Bonds. In the event that the proceeds from the issue of Convertible Bonds are not sufficient to finance such projects, the Company will determine their order of priorities in accordance with their level of importance. Any further funds which the Company requires for these projects will be financed by other means, including the Company’s existing capital and new bank loans. The remaining funds from the issue of Convertible Bonds will be used as working capital. To capture favourable opportunities for implementing such projects, the Company will raise funds in a timely fashion through bank loans for the initial use of the projects.

In the event that any of the abovementioned projects proceeds, the Company will comply with the relevant requirements under the Listing Rules, if required.

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## LETTER FROM THE BOARD

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### **(D) Reasons for the Issue of the Convertible Bonds**

The Board has carefully considered different financing options for the funding requirements of the Company and believes that the Bonds Issue is the most appropriate option for the Company for the following reasons:

- (a) the Bonds Issue would allow the Company to take advantage of the current favorable low interest rate environment, thereby lowering the Company's overall funding cost;
- (b) the Bonds Issue, as a convertible bond issue, would generally allow the Company to pay a lower interest coupon payment than for a straight bond issue; and
- (c) the Bonds Issue would not lead to any immediate dilution of the Company's basic earnings per share which would arise in the case of a new issue of A Shares.

### **(E) Impact of the Issue of Convertible Bonds on Capital Structure of the Company**

Upon conversion of the Convertible Bonds, there would be an increase in the number of A Shares held by the public. Shareholders' equity interest in the Company will be diluted as a result of the exercise of the conversion rights attaching to the Convertible Bonds. The exact size of the above increase will depend upon the final terms of the Convertible Bonds, including, amongst other, the conversion price at which the Convertible Bonds will be converted into A Shares. It is currently contemplated that the initial conversion price will be determined with reference to the average closing price of A Shares for 30 consecutive trading days immediately prior to the issue of the relevant offering document in respect of the Convertible Bonds with an upward adjustment of up to 0.1%.

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## LETTER FROM THE BOARD

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For illustrative purposes only, assuming full conversion of the Convertible Bonds and that the conversion price equals to RMB7.086 (being the average closing price of the A Shares for the 10 trading days from 16 September, 2004 to 30 September, 2004, with an upward margin of 0.1%. In view of the National Day's holiday, trading of shares in Shanghai Stock Exchange was closed during the period from 1 October, 2004 to 7 October, 2004 (both days inclusive)), the percentage of shareholding of the existing shareholders of the Company are as follows:—

	<b>Approximate percentage of shareholding in the total issued share capital immediately before conversion in full of the Convertible Bonds</b>	<b>Approximate percentage of shareholding in the total issued share capital immediately after conversion in full of the Convertible Bonds</b>
Non-listed Domestic Shares	47.96%	43.36%
A Shares	8.63%	17.39%
H Shares	43.41%	39.25%

Given that the initial conversion price of the Convertible Bonds and the number of A Shares which may be issued upon exercise of the conversion rights attaching to the Convertible Bonds are yet to be determined able to be fixed at this stage, the percentage of shareholding immediately after conversion in full of the Convertible Bonds as set out above is for illustrative purposes only. Further announcements will be made once the terms and conditions of the Convertible Bonds are finalized.

Any new A Shares to be issued upon conversion of the Convertible Bonds will rank pari passu with, and within the same class as the A Shares in issue on the relevant conversion date in all respects, save in respect of entitlement to dividends and other distributions which will depend on, inter alia, the conversion date(s) for the Conversion Bonds.

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## LETTER FROM THE BOARD

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### III. THE CHENGMENSHAN AGREEMENT

Reference is made to the prospectus of the Company dated 2 June 1997 in respect of the issue of H Shares (the “H Share Prospectus”). An option agreement dated 16 May 1997 was entered into between JCC and the Company (the “Option Agreement”) whereby, inter alia, JCC granted to the Company an option to purchase from JCC any mines, smelters or refineries owned and/or operated by JCC and any exploration and mining rights held by JCC at no more than the fair market value of such assets or rights, as determined by an independent appraiser recognised under PRC laws (the “Option”). In addition, the Company entered into a sale and purchase agreement with JCC dated 16 May 1997 (the “1997 Agreement”), whereby the Company agreed to purchase the Chengmenshan Mine from JCC. Pursuant to the 1997 Agreement, the parties thereto agreed that the price at which the Company may acquire the Chengmenshan Mine would be based upon a valuation conducted by an independent appraiser and confirmed by the State Assets Administration Bureau.

As the assets included in the 1997 Agreement are less than the operating assets to be acquired by the Company from JCC under the Chengmenshan Agreement, the Company and JCC entered into the Chengmenshan Agreement on 27 September 2004 which will supersede the 1997 Agreement.

#### (A) Particulars of the Chengmenshan Agreement

##### **Date**

27 September 2004

##### **Parties**

Purchaser : the Company

Vendor : JCC

##### **Asset to be acquired**

Pursuant to the Chengmenshan Agreement, the Company has agreed to purchase and JCC, as the owner of the Chengmenshan Mine, has agreed to sell the operating assets and related liabilities of the Chengmenshan Mine and the mining rights thereof at the aggregate consideration of RMB378,188,600 (subject to adjustment).

According to the valuation prepared by 北京中証評估有限責任公司, for identification purposes, in English, Beijing Zhongzheng Appraisal Co., Ltd., a PRC independent qualified valuer, the operating assets of Chengmenshan Mine as at 31 August 2004 amounted to RMB180,190,900 (including the fixed assets in the amount of RMB150,052,900 and the current assets in the amount of RMB30,138,000). The original book value of the operating assets of Chengmenshan Mine as at 31 August 2004 amounted to RMB167,129,500.

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## LETTER FROM THE BOARD

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According to the valuation prepared by 北京經緯評估有限責任公司, for identification purposes, in English, Beijing Jingwei Assets Appraisal Co., Ltd., a PRC independent qualified valuer, which valuation was confirmed by the Land Resources Department with document (Guo Tu Kuang Zi (2004) No.142), the mining right of Chengmenshan Mine as at 31 August 2004 amounted to RMB202,855,100.

JCC has obtained the approval from the Jiangxi Provincial Government and has been granted the mining rights of Chengmenshan Mine (with mining right certificate No. 36000004108540) at the consideration of RMB202,855,100. The certificate representing such mining rights is in the course of being processed.

### **Consideration**

The aggregate consideration under the Chengmenshan Agreement is RMB378,188,600 (subject to adjustment) which comprises (1) the purchase price of the operating assets in the amount of RMB180,190,900 and mining right of Chengmenshan Mine in the amount of RMB202,855,100 and (2) assumption of the related liabilities (other than the short term and long term bank borrowings and previous taxation for the operation) in the amount of RMB4,857,400. The consideration will be satisfied by the proceeds from the issue of the Convertible Bonds or bank borrowings. In the event that the consideration is paid by bank borrowings, the Company will repay the relevant loan as mentioned above by the proceeds from the Bond Issue. In the event that the proposed Bond Issue cannot be completed, the Company will repay the bank borrowings by internal resources of the Group.

The consideration for the Chengmenshan Acquisition was arrived after arm's length negotiations between the Company and JCC with reference to the valuation of Chengmenshan Mine as at 31 August 2004 prepared by an PRC independent appraiser as mentioned in the paragraph headed "Assets to be acquired" above.

### **Adjustment to consideration**

On the day before the completion date of the Chengmenshan Agreement, in the event that the values of the operating assets, the mining rights and the related liabilities as shown in the balance sheet of the Chengmenshan Mine are different from the values mentioned in the relevant valuation reports, the consideration payable by the Company to JCC will be adjusted in accordance with the amounts as shown in the balance sheet as at the date which is one day before the completion date, subject to (i) an upward adjustment of up to 10% to the value of operating assets and the mining right and related liabilities of the Chengmenshan Mine as mentioned in the relevant valuation reports; or (ii) a downward adjustment to the actual book value of such operating assets and mining rights and related liabilities.

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## LETTER FROM THE BOARD

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### **Conditions of the Chengmenshan Agreement**

The Chengmenshan Acquisition is conditional upon, among other things, the fulfillment of the following on or before 26 November 2005 (being the day which is one year after the EGM) or such later date as the parties of the Chengmenshan Agreement may otherwise agree:-

- (a) the approvals from the Independent Shareholders at the EGM to be held on 26 November 2004 to approve the Chengmenshan Agreement and the transaction contemplated thereunder, being obtained, in which JCC and its associates (as defined in the Listing Rules) will abstain from voting;
- (b) the Shanghai Stock Exchange not indicating any objection to the transactions contemplated under the Chengmenshan Agreement;
- (c) all necessary approvals from the relevant PRC authority in respect of the Chengmenshan Acquisition, being obtained; and
- (d) in addition to those set out in paragraph (a) and (b) above, the relevant requirements under the Listing Rules and Shanghai Listing Rules and the listing rules of London Stock Exchange Limited being complied with.

If all the conditions for the Chengmenshan Agreement set out above are not fulfilled by 26 November 2005 or such other date as the parties may agree, the Chengmenshan Agreement will lapse and all the obligations and liabilities of the parties to the Chengmenshan Agreement will cease and terminate except any antecedent breach.

### **(B) Reasons for and benefits of the Chengmenshan Acquisition**

The Company is the largest integrated copper manufacturer in the PRC. Based on Winters' report as of 31 December 2003, Chengmenshan Mine's drill hole database contained 349 drill holes totaling approximately 112,000 meters, the Directors believe the Chengmenshan Mine has significant prospects for mining of copper and gold resources. By acquisition of Chengmenshan Mine, the copper reserves and the rate of self-provision of copper raw materials of the Company will be enhanced, which may further enhance and strengthen the market position of the Company in the PRC. On the other hand, following completion of the acquisition of Chengmenshan Mine, the Company will obtain more resources on copper raw materials which will, in turn, lead to a decrease in the amount of continuing connected transactions between the Company and JCC from the purchase of copper raw materials.

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## LETTER FROM THE BOARD

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### **(C) Leasing of the Chengmenshan Land Use Right**

The Company also entered into a leasing agreement with JCC on 27 September 2004 in relation to the leasing of the Chengmenshan Land Use Right for a term of 50 years from the date of the Chengmenshan Land Leasing Agreement becoming effective at a rate of RMB2,150,000 per annum, payable in cash annually. Such rate was arrived after arm's length negotiations between the Company and JCC with reference to the valuation of such land use right prepared by an independent qualified appraiser, 江西省地源土地評估諮詢有限責任公司, for identification purposes, in English, Jiangxi Diyuan Appraising & Consulting Co., Ltd.

The Chengmenshan Land Leasing Agreement is subject to the Chengmenshan Agreement having become effective. In the event that the Chengmenshan Agreement is not completed for whatever reason, the Chengmenshan Land Land Leasing Agreement shall become no effect. During the term of the Chengmenshan Land Leasing Agreement, the Company may give six months' prior written notice to JCC to terminate the Chengmenshan Land Leasing Agreement.

Pursuant to the approval granted by 江西省國土資源廳 (for identification purposes, in English, Land Resources Department of Jiangxi Province) dated 13 February, 2004, JCC shall have the right to lease the Chengmenshan Land Use Right to any other party.

### **(D) Information on the Chengmenshan Mine**

The Chengmenshan Mine is a mine located Jiujiang city, in the northern part of Jiangxi Province, the PRC. Actual exploration and development of the mine began in early 1980's. The mining rights of Chengmenshan Mine have a duration of 30 years, commenced in 2004, and are renewable upon application to the relevant governmental authority.

The principal business of the Chengmenshan Mine covers, among others, non-ferrous ores and non-metallic ores mining.

Winters, an independent firm of mining engineers, preliminarily estimated that the proven and probable ore reserves of the whole Chengmenshan Mine as of the end of 2003 was 100.2 million tonnes with average grades of 0.68% copper, 0.27 gram/tonne gold, 11.97 gram/tonne silver and 16.0% sulfur. According to the daily handling capacity of 12,000 tonnes or annual handling capacity of 3,960,000 tonnes, such ore reserves will support the coming 26 years production schedule of Chengmenshan Mine. According to this production scale, the estimated mining cost of Chengmenshan Mine would be USD0.45 to USD0.55 per pound for the second year to fifth year after commencement of production. Currently, the copper mine and sulphur mine of the Chengmenshan Mine are exploited by JCC in small scale with a daily handling capacity of 1,200 tonnes of ore. In 2003, the production of copper, gold and silver from Chengmenshan Mine amounted to 6,603 tonnes, 38 kg and 2,569 kg respectively, which generated a profit of RMB16,200,000.

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## LETTER FROM THE BOARD

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According to the computation by Winter on the basis of RMB20,000 per tonne of copper with a discount of 6%, the net value of the total proven and probable ore reserves of Chengmenshan Mine as of 31 December 2003 amounted to RMB733,500,000 (before taxation) which represents the total amount that may be generated from the sale of copper processed from the ore in Chengmenshan Mine. The Directors consider that the estimate of the net value of the total proven and probable ore reserves of Chengmenshan Mine computed by Winter is a fair value of Chengmenshan Mine.

According to the valuation prepared by 北京經緯評估有限責任公司 (for identification purposes, in English, Beijing Jingwei Assets Appraisal Co., Ltd.) an independent qualified valuer, and confirmed by Land Resources Bureau of Jiangxi Province, the part of Chengmenshan Mine which will be acquired by the Company under the Chengmenshan Agreement contains 153,000,000 tonnes of B, C and D grades of copper (the total proven reserve of copper is 182,000,000 tonnes in the whole Chengmenshan Mine), 62 tonnes of gold and 2,426 tonnes of silver (the total proven reserve of silver in the whole Chengmenshan Mine is 3,043 tonnes).

Sallmanns was appointed to conduct a valuation on the fixed assets, plant and machinery of Chengmenshan Mine. The valuation reports prepared by Sallmanns are contained in Appendices I and II of this circular.

#### IV GENERAL

The Company is the largest integrated copper manufacturer in the PRC. It owns Dexing Mine and Yongping Mine, two largest open pits copper mines in the PRC, Wushan Copper Mine, one of the largest underground copper mine in the PRC, and Guixi Smelter, the largest copper smelter in the PRC. The principal business of the Company covers non-ferrous ores, precious metal ores, non-metallic ores, non-ferrous metal and refining and processing and intensive processing of the products and by-products thereof. The principal product of the Company is Copper Cathode.

JCC is an integrated enterprise in non-ferrous metals industry in the PRC. The principal business of JCC covers copper mining, milling, smelting and processing operations. It is the largest copper production base and the important sulphur, gold and silver producer in the PRC. JCC also engages in the business of supply of copper raw materials, including Scrap Copper, Blister Copper and Copper Concentrate, which are the principal raw materials for the production of Copper Cathode.

In view of the fact that JCC is the controlling shareholder of the Company holding approximately 47.88% of the total issued share capital of the Company, JCC is a connected person under Chapter 14A of the Listing Rules. The transactions contemplated under the Chengmenshan Agreement will constitute connected transaction and will be subject to independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

As the A Shares of the Company are listed on the Shanghai Stock Exchange, the Company is also required, in addition to the Listing Rules, to comply with the Shanghai Listing Rules.

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## LETTER FROM THE BOARD

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Given that the amount involved under the Chengmenshan Land Leasing Agreement will not exceed 0.1% of each of the Percentage Ratios, the transactions under the Chengmenshan Land Leasing Agreement will be exempted from the report, announcement and independent shareholders' approval requirements under Rule 14A.31(2)(a) of the Listing Rules.

The Directors, including the independent non-executive Directors, are of the view that the Chengmenshan Agreement is entered into in the ordinary and usual course of business of the Company and on normal commercial terms and is fair and reasonable so far as the Shareholders are concerned.

The Directors, including the independent non-executive Directors, are of the view that the Chengmenshan Land Leasing Agreement is entered into in the ordinary and usual course of business of the Company and on normal commercial terms and is fair and reasonable so far as the Shareholders are concerned.

The EGM and the Class Meetings will be convened at the Conference Room of the Company at 15 Yejin Avenue, Guixi City, Jiangxi, the PRC, at 10:00 a.m., Friday, 26 November 2004 at which special resolution will be proposed to approve, among other things, the Bond Issue in accordance with the articles of association and the relevant requirements of the Listing Rule and ordinary resolution will be proposed to approve, among other things, the Chengmenshan Agreement and the transactions contemplated thereunder. The Class Meetings will be convened at the same place as the EGM at 10:30 a.m. and 10:50 a.m. on 26 November 2004 at which special resolution will be proposed to approve the Bond Issue.

### **V. THE INDEPENDENT BOARD COMMITTEE**

The Independent Board Committee comprising the independent non-executive Directors has been formed for advising the Independent Shareholders on the terms and conditions of the Chengmenshan Agreement.

Goldbond Capital has been appointed as independent financial adviser to the Independent Board Committee on the same. The letter is set out in the section headed "Letter from Goldbond Capital" of this circular.

### **VI THE EGM AND THE CLASS MEETINGS**

Notices convening the EGM, the Domestic Share (including the non-listed Domestic Shares and A Shares) Class Meeting and H Share Class Meeting to be held at the Conference Room of the Company at 15 Yejin Avenue, Guixi City, Jiangxi, the People's Republic of China at 10:00 a.m., 10:30 a.m. and 10:50 a.m. on Friday, 26 November 2004 are set out in Appendices IV, V and VI to this circular.

Shareholders of the Company whose name appeared on the register of members of the Company on Tuesday, 26 October 2004 are entitled to attend and vote at the EGM and the relevant Class Meetings. The register of members of the Company will be closed from Tuesday, 26 October 2004 to Friday, 26 November 2004, both days inclusive, during such period no share transfer will be registered.

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## LETTER FROM THE BOARD

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If you intend to attend the EGM and the Class Meetings, please complete and return the accompanying reply slip in accordance with the instructions printed thereon as soon as possible and in any event by not later than Friday, 5 November 2004.

Whether or not you are able to attend the meeting, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 24 hours before the time appointed for holding of the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

### VII. POLL PROCEDURE

As at the Latest Practicable Date, JCC was interested in 47.88% of the total issued share capital of the Company and a connected person of the Company. In view of the interest of JCC and its associates in the transaction contemplated under the Chengmenshan Agreement, JCC and its associates will abstain from voting at the EGM on the resolution in respect of the Chengmenshan Agreement. The votes to be taken at the EGM and the Class Meetings will be taken by poll, the results of which will be announced after the EGM.

Under the Company's Articles of Association, a poll can be demanded by:

- (a) the chairman of the meeting;
- (b) at least two shareholders present in person or by proxy for the time being entitled to vote at the meeting ;
- (c) by any shareholder or shareholders (including proxy) holding individually or holding an aggregate of 10 per cent or more of the shares carrying the right to vote at the meeting.

The Chairman will demand a poll at the EGM.

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## LETTER FROM THE BOARD

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### VIII. RECOMMENDATION

Considering the information provided in the section headed “Reasons for the Issue of Convertible Bonds”, the Directors believe that the proposed Bond Issue is in the best interests of the Company and its shareholders as a whole.

Your attention is drawn to the letter from the Independent Board Committee set out on page 19 which contains its recommendation to the Independent Shareholders on the terms of the Chengmenshan Agreement, and the letter of advice from Goldbond Capital, the text of which is set out on pages 20 to 26 of this circular containing its advice to the Independent Board Committee. The Independent Shareholders are advised to read the aforesaid letters before deciding as to how to vote on the ordinary resolution approving the Chengmenshan Agreement to be proposed at the EGM.

### IX. FURTHER INFORMATION

Your attention is drawn to the further information set out in the appendices to this circular.

Yours faithfully,  
By Order of the Board  
**He Changming**  
*Chairman*

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LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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**江西銅業股份有限公司**  
**JIANGXI COPPER COMPANY LIMITED**

*(a sino-foreign joint venture joint stock limited company incorporated in the People's Republic of China)*

Legal address:  
15 Yejin Avenue  
Guixi City  
Jiangxi  
People's Republic of China

12 October 2004

*To the Independent Shareholders*

Dear Sir or Madam,

**CONNECTED TRANSACTION**

We have been appointed as members of the Independent Board Committee to advise the Independent Shareholders in respect of the transaction contemplated under the Chengmenshan Agreement, details of which are set out in the letter from the Board in the circular dated 12 October 2004 (the "Circular") to the Shareholders, of which this letter forms part. Terms defined in the Circular shall have the same meanings when used in this letter unless the context otherwise requires.

Having taken into accounts the principal factors and reasons considered by Goldbond Capital, we consider that the transaction contemplated under the Chengmenshan Agreement is fair and reasonable so far as the interests of the Independent Shareholders are concerned and to conduct the transaction contemplated under the Chengmenshan Agreement is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution which will be proposed at the EGM to approve the transaction contemplated under the Chengmenshan Agreement.

Yours faithfully,

**Mr. Kang Yi   Mr. Shi Zhongliang**  
**Mr. Liu Xixi   Mr. Yin Hongshan**  
*Independent Board Committee*

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## LETTER FROM GOLDBOND CAPITAL

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*The following is the letter of advice from Goldbond Capital to the Independent Board Committee prepared for the purpose of inclusion in this circular:*



**Goldbond Capital (Asia) Limited**

3902B, 39th Floor, Tower 1

Lippo Centre

89 Queensway

Hong Kong

12 October 2004

*The Independent Board Committee*

Dear Sirs,

### CONNECTED TRANSACTION

#### INTRODUCTION

We refer to our appointment to advise the Independent Board Committee in relation to the Chengmenshan Acquisition. Details of the Chengmenshan Acquisition are set out in the circular dated 12 October 2004 issued by the Company (the “Circular”) to the Shareholders, of which this letter forms part. This letter contains our advice to the Independent Board Committee as to whether or not (i) the Chengmenshan Acquisition is fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (ii) it would be fair and reasonable for the Independent Shareholders to approve the Chengmenshan Acquisition. Unless the context otherwise requires, terms used in this letter shall have the same meanings as those defined in the Circular.

In formulating our opinions and recommendations, we have relied on the statements, information, opinions, reports and representations contained in the Circular which have been provided to us by the Directors. We have also relied on the assumptions described in the Circular, details of which are also set forth in this letter, being materialised in deriving our opinions and recommendations. We have assumed that all statements, information, opinions, reports and representations contained or referred to in the Circular were true, complete and accurate in all aspects at the time they were made and given and continue to be so in all respects at the date of despatch of the Circular. We have also assumed that all statements of beliefs, opinions, assumptions and intentions made by the Directors in the Circular were reasonably made after due and careful enquiry and were based on honestly-held opinions. We have no reason to doubt the truth, accuracy and completeness of the information and representation provided to us by the Directors and we have been advised by the Directors that no material facts have been omitted from the information and representations provided in and referred to in the Circular.

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## LETTER FROM GOLDBOND CAPITAL

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We consider that we have been provided with sufficient information to enable us to reach an independent view to justify our reliance on the accuracy of the information and representations contained in the Circular and to provide a reasonable basis for our recommendations. We have no reason to suspect that any relevant information or reports have been withheld, nor are we aware of any facts or circumstances which would render the information provided and the representations made to us to be untrue, inaccurate, or misleading. We have not, however, carried out any independent verification of the information provided to us by the Directors, nor have we conducted any independent investigation into any related transactions referred to in the Circular, the businesses, affairs and prospects of the Group.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion regarding the terms of the Chengmenshan Acquisition, we have considered the following principal factors and reasons:

#### 1. Background and particulars of the Chengmenshan Acquisition

The Company is a Sino-foreign joint stock limited company incorporated in the PRC on 24 January 1997. The Company's main scope of operations include non-ferrous metal mines, rare metals, non-metal mines; smelting, rolling processing and further processing of non-ferrous metals and related by-products; sale and after sale services for self-produced products, future business outside the PRC together with related consulting services and business. The principal product of the Company is Copper Cathode.

The Chengmenshan Mine is a mine located in Jiujiang city, in the northern part of Jiangxi Province, the PRC. Exploration and development of the Chengmenshan Mine began in early 1980's. The mining rights of Chengmenshan Mine have duration of 30 years, commenced in 2004, and are renewable upon application to the relevant governmental authorities.

Winters, an independent firm of mining engineers, preliminarily estimated that the proven and probable ore reserves of the whole Chengmenshan Mine as of 31 August 2004 was 100.2 million tonnes with average grades of 0.68% copper, 0.27 gram/ tonne gold, 11.97 grams/ tonne silver and 16.0% sulfur. According to the daily handling capacity of 12,000 tonnes or annual handling capacity of 3,960,000 tonnes, such ore reserves will support the production schedule of Chengmenshan Mine for the next 26 years.

According to the computation by Winters, it is estimated that the net present value of the proven and probable reserves of Chengmenshan Mine as of 31 December 2003 at RMB733,500,000 in real terms at the earnings before interests and taxation level using a discount rate of 6% and a copper price of RMB20,000 per tonne.

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## LETTER FROM GOLDBOND CAPITAL

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The valuation in respect of the mining rights of Chengmenshan Mine as at 31 August 2004 was conducted by 北京經緯評估有限責任公司 (for identification purpose, in English, Beijing Jingwei Assets Appraisal Co., Ltd.). According to such valuation report, the mining rights of the Chengmenshan Mine amounted to approximately RMB202,855,100. The valuation report has been confirmed by the Land Resources Bureau of the PRC and the Jiangxi Municipal Government (Guo Tu Kuang Zi (2004) No.142).

In addition, the operating assets of Chengmenshan Mine as at 31 August 2004 as valued by 北京中證評估有限責任公司 (for identification purpose, in English, Beijing Zhongzheng Appraisal Co., Ltd.) (the “PRC Valuer”) amounted to RMB180,190,900 (including fixed assets and current assets in the amount of RMB150,052,900 and RMB30,138,000 respectively).

Pursuant to the Chengmenshan Agreement, the Company agreed to purchase from JCC the operating assets and related liabilities of the Chengmenshan Mine and the mining rights thereof at a total consideration of RMB378,188,600 (subject to adjustment). Details of the Chengmenshan Acquisition and information on Chengmenshan Mine are set out in the letter from the Board.

As confirmed by the Directors, the Chengmenshan Acquisition is carried out in the ordinary and usual course of business of the Group and is negotiated on arm’s length basis based on normal commercial terms between the Group and the relevant connected persons. In this regard, we have reviewed and evaluated below the nature of the Chengmenshan Acquisition.

As JCC is the controlling shareholder of the Company, holding approximately 47.88% of the total issued share capital of the Company, JCC is a connected person under Chapter 14A of the Listing Rules. In this regard, the Chengmenshan Acquisition shall constitute connected transaction of the Company under the Listing Rules.

The Company will convene the EGM at which, among others, approval of the Chengmenshan Acquisition will be sought from the Independent Shareholders. The Independent Board Committee has been established to consider the terms of the Chengmenshan Acquisition and to advise the Independent Shareholders thereon. In this connection, we have been appointed by the Company to advise the Independent Board Committee as to whether the terms of the Chengmenshan Acquisition are fair and reasonable so far as the Independent Shareholders are concerned.

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## LETTER FROM GOLDBOND CAPITAL

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### 2. Reasons for the transaction

The Company is the largest integrated copper manufacturer in the PRC. By entering into of the Chengmenshan Agreement, the Company will be able to secure additional source of raw copper materials, which is one of the raw materials for the production of Copper Cathode, the major product of the Company. In addition, the Directors believe the Chengmenshan Mine has significant prospects for mining of copper and gold resources which may enable the Group to expand production in the long term and to further enhance and strengthen the market position of the Group in the PRC. As the acquisition of the Chengmenshan Mine, including the operating assets and the mining rights attached, is at a consideration based on their appraised values, we concur with the Directors' view that it is a good opportunity for the Company to invest in a project that would facilitate its principal business and to strengthen its market position through vertical integration. The Directors have also confirmed that the terms of the Chengmenshan Agreement have been determined after arm's length negotiations between the parties thereto and are no less favourable than those terms offered by JCC to Independent Third Parties.

In addition, JCC has granted the option to the Company to purchase from JCC any mines, smelters or refineries owned and/or operated by JCC and any exploration and mining rights held by JCC at no more than the fair market value of such assets or rights, as determined by an independent appraiser recognised under PRC laws and as subsequently confirmed by the State Assets Administration Bureau. Details of the option are set out in the letter from the Board and the prospectus of the Company dated 2 June 1997. The Company has exercised its right in December 2000 and proposed to acquire Wushan Copper Mine which the resolution of such acquisition was duly passed by the then independent Shareholders at an extraordinary general meeting held in January 2001 but the acquisition was not completed subsequently.

The Directors also advised that to the best of their knowledge, they believe that other than the existing mines of the Group, there is no other mines in the PRC which is of similar size and level of reserves as the Chengmenshan Mine, therefore they consider the Chengmenshan Mine is unique and the acquisition of which is beneficial to the Group. The Group has acquired Wushan Copper Mine in January 2001, details of which are set out in the circular of the Company dated 20 December 2000. As stated in such circular, it is estimated by an independent firm of international engineers that the proven and probable ore reserves of Wushan Copper Mine amounted to 29.6 million tonnes, compared to the abovementioned 100.2 million tonnes estimated reserves of the Chengmenshan Mine.

We are of the view that the Chengmenshan Acquisition would strengthen the Group's control of the supply of raw materials and enhance the future growth prospects of the Group.

Based on the above, we concur with the Directors' view that the entering into of the Chengmenshan Agreement would facilitate and enhance the operation of the Company and is fair and reasonable and is also in the interests of the Company and its Shareholders as a whole.

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## LETTER FROM GOLDBOND CAPITAL

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### 3. Consideration

The consideration for the Chengmenshan Acquisition was arrived after arm's length negotiation and was determined with reference to the aggregated appraised values of the operating assets and mining rights of Chengmenshan Mine as at 31 August 2004 of approximately RMB378,188,600 (subject to adjustment). The Directors consider that the consideration for the Chengmenshan Acquisition to be fair and reasonable.

The consideration for the Chengmenshan Acquisition consists of two components, namely (i) the purchase price for the operating assets and related liabilities of the Chengmenshan Mine; and (ii) the purchase price of the mining rights of Chengmenshan Mine.

*i. Purchase price for the operating assets and related liabilities of the Chengmenshan Mine*

The purchase price for the operating assets and related liabilities of the Chengmenshan Mine was determined based on its appraised value as at 31 August 2004, as valued by the PRC Valuer. The asset valuation report prepared by the PRC Valuer covers fixed assets, current assets long-term liabilities, current liabilities and mining rights of the Chengmenshan Mine (the "Chengmenshan Asset Valuation Report").

According to the Chengmenshan Asset Valuation Report, the appraised value of the assets of the Chengmenshan Mine as at 31 August 2004 was approximately RMB180,191,900 (including fixed assets and current assets in the amount of RMB150,052,900 and RMB30,138,000 respectively).

The Company has also appointed Sallmanns (Far East) Limited (the "International Valuer"), a State-approved independent international valuer to assess the fixed assets, namely property, machinery and equipment of the Chengmenshan Mine. According to the valuation prepared by the International Valuer, the value of such fixed assets as at 31 August 2004 was approximately RMB147,916,300. Details of the Chengmenshan Asset Valuation Report and the valuation report prepared by the International Valuer with the corresponding bases and assumptions are set out in the property valuation report and the machinery and equipment valuation reports as contained in Appendices I and II to the Circular. According to the Directors, no valuation of other operating assets and liabilities of the Chengmenshan Mine as at 31 August 2004 have been prepared.

We note that the value of the underlying fixed assets of the Chengmenshan Mine as assessed by the International Valuer as at 31 August 2004 differs from that as assessed by the PRC Valuer as at 31 August 2004 by approximately 1.4%, which is considered not to be significant.

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## LETTER FROM GOLDBOND CAPITAL

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The consideration of the Chengmenshan Mine, in particular the purchase price for the operating assets and related liabilities, is subject to adjustment. The consideration will be adjusted at completion of the Chengmenshan Acquisition subject to the difference between the net asset value of the Chengmenshan Mine as set out in the Chengmenshan Asset Valuation Report and the amount confirmed by relevant government authorities. The aforementioned adjustment is subject to a maximum of 10% increment, but on the other hand, there is no limit for the downward adjustment for the actual consideration to be paid, which will be adjusted to a value equivalent to the book value of the operating assets and related liabilities of the Chengmenshan Mine and the mining rights thereof.

*ii. Purchase price for the mining rights of Chengmenshan Mine*

As it is set out in the letter from the Board, JCC has obtained the approval from the Jiangxi Provincial Government pursuant to which JCC has been granted the mining rights of Chengmenshan Mine. The certificate representing such mining rights is in the course of being processed. The consideration for the acquisition of such mining rights of RMB202,855,100 was arrived at after arm's length negotiation between the Company and JCC, and based on the appraised value by the PRC Valuer and was also approved by the Land Resources Bureau of the PRC and the Jiangxi Municipal Government.

*iii. Assessment of resource reserve by international mining engineers*

The Company has appointed Winters, an independent firm of international mining engineers to assess the resource reserves of the Chengmenshan Mine. According to the computation by Winters, it is estimated that the net present value of the proven and probable reserves of Chengmenshan Mine as of 31 December 2003 at RMB733,500,000 in real terms at the earnings before interests and taxation level using a discount rate of 6% and a copper price of RMB20,000 per tonne.

Having taken into account the results of the valuations prepared by the respective valuers mentioned above, the assessment by Winters, we consider that the basis of the consideration for the Chengmenshan Acquisition to be reasonable.

#### **4. Financial effects of the Chengmenshan Acquisition**

*i. Net asset value*

As it is stated in the letter from the Board, the Company will settle the costs of the Chengmenshan Acquisition by the proceeds from the issue of the Convertible Bonds. In the event that the proposed Bond Issue cannot be completed, the consideration payable by the Company will be financed by internal resources of the Group or bank borrowings within one year from the date of Changmenshan Agreement having become effective. As the cost for the Chengmenshan Acquisition will be capitalised as fixed assets, therefore the net asset value of the Group will remain unchanged as at the date of completion of the Chengmenshan Acquisition.

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## LETTER FROM GOLDBOND CAPITAL

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ii. *Profit and loss accounts*

As advised by the Directors, they expect a positive impact to the profitability of the Company as a result of the Chengmenshan Acquisition. For the avoidance of doubt, the Chengmenshan Acquisition will not have any immediate effect on the profit and loss accounts of the Group.

iii. *Working capital*

As stated in the Company's interim report for the six months ended 30 June 2004, the Group had cash and bank balances of RMB412,432,000 (equivalent to approximately HK\$389,087,000). As mentioned above, the Company will settle the costs of the Chengmenshan Acquisition by the proceeds from the issue of the Convertible Bonds. In the event that the proposed Bond Issue cannot be materialised, the consideration payable by the Company will be financed by internal resources of the Group and/or bank borrowings. The Directors have also confirmed that, in either case, the Group has sufficient resources for its working capital requirements at least for the next 12 months from the date of the Circular and completion of the Chengmenshan Acquisition. We concur with the Directors' view that the Group has adequate working capital and the business operation of the Group would not be adversely affected.

### RECOMMENDATION

Taking into account the above principal factors and reasons, we consider that the Chengmenshan Acquisition is fair and reasonable so far as the Company and the Independent Shareholders are concerned and to conduct the Chengmenshan Acquisition is in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Chengmenshan Acquisition.

Yours faithfully,  
For and on behalf of  
**Goldbond Capital (Asia) Limited**  
**Stacey Wong**  
*Managing Director*

*The following is the text of a letter, summary of values and valuation certificate, prepared for the purpose of incorporation in this Circular received from Sallmanns (Far East) Limited, an independent valuer, in connection with its valuations as at 31 August 2004 of the property interests contracted to be acquired by the Company.*

The Board of Directors  
Jiangxi Copper Company Limited  
15 Yejin Avenue  
Guixi City  
Jiangxi Province  
The People's Republic of China

Dear Sirs,

In accordance with your instructions to value the property interests which Jiangxi Copper Company Limited (the "Company") intends to acquire from Jiangxi Copper Company ("JCC") in the People's Republic of China (the "PRC"), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital values of the property interests as at 31 August 2004 (the "date of valuation").

Our valuations of the property interests represent the market value which we would define as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion".

Due to the nature of the buildings and structures of the properties in the PRC, there are no market sales comparables readily available, hence the property interests have been valued on the basis of their depreciated replacement cost.

Depreciated replacement cost is defined as "an estimate of the Market Value for the existing use of the land, plus the current gross replacement (or reproduction) costs of the improvements, less allowances for physical deterioration and all relevant forms of obsolescence and optimization." This method has been used due to the lack of an established market upon which to base comparable transactions and is a method of using current replacement costs to arrive at the value to the business in occupation of the property as existing at the valuation date.

Our valuations have been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

In valuing the property which is currently under construction, we have assumed that it will be developed and completed in accordance with the JCC's latest development proposal provided to us. In arriving at our opinion of value, we have taken into account the construction costs and professional fees relevant to the stage of construction as at the valuation date and the remainder of the costs and fees to be expended to complete the development.

No allowance has been made in our report for any charges, mortgages or amounts owing on any of the property interests valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

In valuing the property interests, we have complied with all the requirements contained in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Appraisal and Valuation Standards (5th Edition) published by the Royal Institution of Surveyors and effective from May 2003; and the Hong Kong Guidance Notes on the Valuation of Property Assets (2nd Edition) published by the Hong Kong Institute of Surveyors in March 2000.

We have relied to a very considerable extent on the information given by JCC and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been shown copies of various title documents including State-owned Land Use Rights Certificates, Building Ownership Certificates and official plans relating to the property interests and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing titles to the property interests in the PRC and any material encumbrances that might be attached to the property interests or any lease amendments. We have relied considerably on the advice given by the Company's PRC legal adviser-Haiwen & Partners PRC, concerning the validity of JCC's titles to the property interest.

We have not carried out detailed site measurements to verify the correctness of the site areas in respect of the properties but have assumed that the site areas shown on the documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defects. No tests were carried out on any of the services.

We have had no reason to doubt the truth and accuracy of the information provided to us by JCC. We have also sought confirmation from JCC that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

Our valuations are summarised below and the valuation certificates are attached.

Yours faithfully,  
for and on behalf of  
**SALLMANNS (FAR EAST) LIMITED**  
**Paul L. Brown**  
*BSc FRICS FHKIS*  
Director

Note: Paul L. Brown is a Chartered Surveyor who has 21 years of experience in the valuation of properties in the PRC and 24 years of property valuation experience in Hong Kong, the United Kingdom and the Asia-Pacific region.

### SUMMARY OF VALUES

#### Property interests to be acquired by the Company from JCC

<b>No.</b>	<b>Property</b>	<b>Capital Value in existing state as at 31 August 2004 RMB</b>
1	Various buildings and structures located at Lianmeng Village and Xinglian Village Chengmen Town Jiujiang County Jiangxi Province The PRC	123,250,000
2	A building located at Shahejie Town Jiujiang County Jiangxi Province The PRC	No commercial value
<b>Total :</b>		<hr/> <b>123,250,000</b> <hr/>

## VALUATION CERTIFICATE

## Property interests to be acquired by the Company from JCC

Property	Description and tenure	Particulars of occupancy	Capital Value in existing state as at 31 August 2004 RMB
1. Various buildings and structures located at Lianmeng Village and Xinglian Village Chengmen Town Jiujiang County Jiangxi Province The PRC	<p>The property comprises 34 buildings and various ancillary structures which were completed in various stages between 1958 and 2000.</p> <p>The total gross floor area of the buildings is approximately 21,207.24 sq.m..</p> <p>The major buildings and structures include a warehouse, an office building, a reception room, workshops, a garage, pump rooms, walls, pools, etc.</p> <p>The property also comprises an office building and some auxiliary structures which were still under construction as of the date of inspection. As advised by JCC, the gross floor area of the building will be approximately 1,202 sq.m. upon completion. They are scheduled to be completed in 2004. The total investment of the building and auxiliary structures is estimated to be approximately RMB5,690,000, of which the construction cost paid at the relevant date is estimated to be approximately RMB1,313,000.</p> <p>The property is constructed on 23 contiguous parcels of land with a total site area of approximately 1,045,463.74 sq.m..</p>	The property is currently occupied and operated by JCC for copper production purposes.	123,250,000

## Notes:

1. Pursuant to the Chengmenshan Copper Mine Acquisition Agreement (the “Chengmenshan Agreement”) entered into between the Company and JCC dated 27 September 2004, the Company has agreed to purchase from JCC the operating assets (inclusive of the property) and related liabilities of the Chengmenshan Mine and the mining rights thereof at a total consideration of RMB378,188,600 (subject to adjustment). The acquisition takes into effect upon, inter alia, the following conditions:
  - a. the approvals from independent shareholders at the extraordinary general meeting to be held on 26 November 2004 to approve the Chengmenshan Agreement; and
  - b. the obtaining of all necessary approvals from the relevant PRC authority in respect of the acquisition.
2. Pursuant to a Land Use Rights Lease Agreement (“Chengmenshan Land Leasing Agreement”) entered into between the Company and JCC dated 27 September 2004, the Company has agreed to lease from JCC 23 parcels of land with a total site area of approximately 1,045,463.74 sq.m. at an annual rental of RMB2,150,000 for a term of 50 years from the date of the Chengmenshan Land Leasing Agreement becoming effective. The lease takes into effect upon, inter alia, the following conditions:
  - a. all approvals with respect to the lease from the relevant PRC authorities have been obtained; and
  - b. the Chengmenshan Agreement has been signed and become effective.
3. Pursuant to 45 Building Ownership Certificates, Fang Quan Zheng Jiu Fang Zi Di Nos. 10140 to 10153, 10155 to 10173, 10175, 10177 to 10181, 10183 to 10187 and 30182, 33 buildings of the property with a total gross floor area of approximately 20,125.21 sq.m. are owned by JCC.
4. We have not been provided with any title document with respect to the remaining building with a gross floor area of approximately 1,082.03 sq.m.. As confirmed by JCC, the building is scheduled to be demolished.
5. Pursuant to a Construction Commencement Permit with respect to the office building under construction - No. 36042120030907001 dated 7 September 2003, permission by the relevant local authority was given to begin construction on 8 September 2003.
6. We have been provided with a legal opinion regarding the property interests by the Company’s PRC legal adviser, which contains, inter alia, the following:
  - a. The land use rights under the Chengmenshan Land Leasing Agreement have been obtained by JCC, JCC is legally entitled to lease the land use rights to the Company; and
  - b. The building ownership rights of the property have been obtained by JCC. JCC is legally entitled to transfer the buildings to the Company.
  - c. The building under construction is owned by JCC. JCC is legally entitled to transfer the building to the Company.
7. In the valuation of this property, we have attributed no commercial value to the building without title certificate. For reference purposes, we are of the opinion that the value of the depreciated replacement cost of the building as at the valuation date was RMB227,000.

## VALUATION CERTIFICATE

<b>Property</b>	<b>Description and tenure</b>	<b>Particulars of occupancy</b>	<b>Capital Value in existing state as at 31 August 2004 RMB</b>
2. A building located at Shahejie Town Jiujiang County Jiangxi Province The PRC	The property is a warehouse with a gross floor area of approximately 721 sq.m. which was completed in about 2000.	The property is currently occupied and operated by JCC for copper production purposes.	No commercial value

## Notes:

1. We have not been provided with any title document to the property. As such, we have attributed no commercial value to it. However, for reference purposes, we are of the opinion that the value of the depreciated replacement cost of the building as at the valuation date was RMB1,061,000
2. We have been provided with a legal opinion regarding the property interests by the Company's PRC legal adviser, which contains, inter alia, the following:

Upon obtaining the building ownership certificate of the property, JCC will be entitled to transfer, sublet or mortgage the building.

*The following is the text of a letter from Sallmanns (Far East) Limited, an independent plant and machinery valuer, in connection with their opinion of value of the machinery and equipment as at 31 August 2004.*

The Directors  
Jiangxi Copper Company Limited  
15 Yejin Avenue  
Guixi City  
Jiangxi Province  
The PRC

Dear Sirs,

In accordance with your instructions, we have conducted a valuation of machinery and equipment exhibited to us as those held by **Jiangxi Copper Company** (“JCC”) in which **Jiangxi Copper Company Limited** (“the Company”) intends to acquire. We confirm that we have carried out inspections, made relevant inquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the fair market value of the machinery and equipment as at 31 August 2004, for continuation of the current operation as part of an on-going concern.

We have valued the machinery and equipment on the basis of their Fair Market Value which is defined as the estimated amount at which the subject assets in their continued use might be expected to be purchased and sold between a willing buyer and a willing seller, neither being under compulsion, each having a reasonable knowledge of all relevant facts, with equity to both and contemplating the retention of the facilities at their present location for continuation of the operation as part of a going concern.

This summary report forms part of the detailed valuation report dated 31 August 2004, which comprises: -

- A narrative section, which identifies the machinery and equipment valued, scope and character of our investigation; the premise of the value adopted; the valuation process employed and the opinion of value;
- Limiting Conditions;
- A summary of values; and
- A schedule, with technical description of the machinery and equipment, showing for each item or group of items the appraised fair market value.

#### **ASSETS VALUED**

Assets valued comprise the machinery and equipment of Chengmen Shan Copper Mine (“Chengmen Shan Mine”) and Chengmen Shan Copper Mine Trading Company (“Chenmeng Shan Trading Company”), both are wholly owned subsidiaries of JCC. These are:

**Chengmen Shan Mine**

Chengmen Shan Mine is an open pit type mine with one washing plant with a design capacity of 1,200 tonnes per day. Major machinery and equipment were made in China comprising belt conveyors, bucket elevators, feeders, crushers, rock drills, mine loaders, pumps, blowers, air compressors, winches, mine cars, ball mills, float selectors, separators, mixers, generators, and electrical distribution system. Other associated equipment comprises machine shop equipment, test instruments, office equipment and motor vehicles.

The mine is located at Chengmen Shan in Jiujiang County, Jiangxi Province, the PRC.

**Chengmen Shan Trading Company**

Chengmen Shan Trading Company was established in May 2001 and is mainly engaged in transportation of goods, vehicle and equipment maintenance, and metal and mining products processing. Assets valued include milling machine, hydraulic press, air compressor, motor vehicles and office equipment.

The assets were inspected at Lianmeng Village in Chengmen Shan, Jiujiang County, Jiangxi Province, the PRC.

We have excluded in this valuation land, buildings, other land improvements, spare parts, loose hand tools, furniture and fixture, materials on hand, supplies, stocks, company records or any current and intangible assets.

**VALUATION METHODOLOGY**

There are three generally accepted approaches to value, namely:

**The Cost Approach**

The cost approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation arising from condition, utility, age, wear and tear, or obsolescence present (physical, functional or economic), taking into consideration past and present maintenance policy and rebuilding history.

The cost approach generally furnishes the most reliable indication of value for assets without a known used market.

**The Market Approach**

The market approach considers prices recently paid for similar assets, with adjustments made to the indicated market prices to reflect condition and utility of the appraised machinery and equipment relative to the market comparative.

Assets for which there is an established used market may be appraised by this approach.

**The Income Approach**

The income approach is the present worth of the future economic benefits of ownership. This approach is generally applied to an aggregation of assets that consists of all assets of a business enterprise including working capital and tangible and intangible assets.

**Analysis**

We have considered and excluded the income approach due to insufficient financial data being available. In the absence of any market information regarding sales and purchases of large industrial facilities similar to the assets appraised, the most reliable approach in arriving at an opinion of value of the machinery and equipment is by using the cost approach.

Before arriving at our opinion of value, we have personally conducted an inspection of the machinery and equipment, and interviewed personnel to establish condition, utility and history of the equipment. We have also given consideration to the cost of replacement new, accrued depreciation, extent, character, utility and continuation of use of the assets in their present location.

Cost of Replacement New is the estimated amount of money needed to acquire a similar new item having the nearest equivalent utility as the property being valued taking into consideration current prices of materials and manufactured equipment, shipping and handling, labour, contractor's overhead, design and supervision, profit and fees, and other attendant costs associated with its acquisition. In arriving at the cost of replacement new we have also considered one-year interest during construction.

During our inspection, we have been provided with a list of the machinery and equipment, which we have inspected and verified. We have relied considerably on this plus on other information such as maintenance records, equipment specifications and other documents provided to us.

We have not investigated the title or any liabilities affecting the machinery and equipment appraised. No consideration was made for any outstanding amount owed under financing agreements, if any.

We hereby certify that we have neither present nor prospective interest in the assets appraised or on the value reported.

**OPINION OF VALUE**

Premised on the foregoing, we are of the opinion that as at 31 August 2004, the fair market value of the machinery and equipment is fairly represented in the amount of RMB 24,666,000 (RENMINBI TWENTY FOUR MILLION SIX HUNDRED AND SIXTY-SIX THOUSAND). A breakdown is shown in the attached summary of values.

Yours faithfully  
For and on behalf of  
**SALLMANN (FAR EAST) LIMITED**  
**James Lai**  
*Manager*  
*Plant and Machinery Valuation*

*Note:* James lai is a P&M valuer who has extensive experience in plant and machinery valuation in the Asia Pacific region.

## SUMMARY OF VALUES

<b>Description</b>	<b>Fair Market Value</b> <i>(RMB)</i>
<b>Chengmen Shan Mine</b>	
Machinery & Equipment	21,969,000
Office Equipment	484,400
Motor Vehicles	1,570,000
Sub-total	24,023,400
<b>Chengmen Shan Trading Company</b>	
Machinery & Equipment	129,900
Office Equipment	41,000
Motor Vehicles	472,000
Sub-total	642,900
	<hr/>
<b>Grand Total:</b>	24,666,300
<b>Rounded To:</b>	<u>24,666,000</u>

**1. RESPONSIBILITY STATEMENT**

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

**2. DISCLOSURE OF INTERESTS****(i) Directors and Supervisors**

As at the Latest Practicable Date, neither the Directors nor the Supervisors had any interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or any interests and short positions recorded in the register required to be kept under section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

**(ii) Interest discloseable under the SFO**

As at the Latest Practicable Date, so far as is known to any Directors or chief executive of the Company, the following parties had an interest or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO:

Name of Substantial Shareholder	Class of Shares	Number of Shares interested	Capacity	Approximate percentage of shareholding in the relevant class of share capital	Approximate percentage of shareholding in the total issued share capital
JCC	Domestic shares	1,275,556,200(L)	Beneficial owner	99.84%(L)	47.88%(L)
HSBC Asset Management (Hong Kong) Limited	H Shares	186,752,000(L)	Investment manager	16.15%(L)	6.34%(L)

(L) - Long Position (P) - Lending Pool

So far as is known to any Director or chief executive of the Company, the parties, other than member of the Group, directly or indirectly, interested in 10% or more of the voting power at general meetings of the members of the Group as at the Latest Practicable Date were as follows:-

Name of Shareholder	Name of subsidiary	Approximate percentage of total issued shares/equity interest
JCC	Jiangxi Copper Products Company Limited	40%
JCC	Zhejiang Xiao Shan Tong Da Chemical Industry Limited Liability Company (浙江蕭山銅達化工有限公司)	40%
Liang Shan Zhou State-owned Asset Operation Management Limited Liability Company (涼山州國有資產經營管理有限責任公司)	Sichuan Kang Xi Copper Limited Liability Company (四川康西銅業有限責任公司)	11.15%
Sichuan Minzu Investment Company (四川省民族投資公司)	Sichuan Kang Xi Copper Limited Liability Company (四川康西銅業有限責任公司)	11.68%
Xichang Power Joint Stock Company Limited (西昌電力股份有限公司)	Sichuan Kang Xi Copper Limited Liability Company (四川康西銅業有限責任公司)	28.25%
Daitong Gold and Non-ferrous Metals Company Limited (大同市黃金有色金屬有限公司)	Shanxi Province Diaoquan Silver & Copper Mine Company Limited (山西省刁泉銀銅礦業有限公司)	20.78%
Shanxi Non-ferrous Metals Industrial Corporation (山西省有色金屬工業穀公司)	Shanxi Province Diaoquan Silver & Copper Mine Company Limited (山西省刁泉銀銅礦業有限公司)	12.23%
Xinda Gold & Silver Development Centre (鑫達金銀開發中心)	Shanxi Province Diaoquan Silver & Copper Mine Company Limited (山西省刁泉銀銅礦業有限公司)	13.27%

Save as disclosed, as at the Latest Practicable Date, the Directors or chief executive of the Company are not aware of any other person (other than Directors, Supervisors or chief executive of the Company) who has an interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group.

**(iii) Material interests**

None of the Directors or the Supervisors has any direct or indirect interest in any assets which have since 31 December 2003 (being the date to which the latest published audited financial statements of the Company were made up) been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

None of the Directors or the Supervisors is materially interested in any contract or arrangement entered into by the Company subsisting at the date of this circular which is significant in relation to the business of the Group.

**3. COMPETING INTERESTS**

None of the Directors or the Supervisors and their respective associates had any interest in a business which competes or may compete with the business of the Group.

Mr. He Changming, being the executive Director, holds senior management post in JCC Group.

**4. MATERIAL ADVERSE CHANGES**

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2003, the date to which the latest published audited consolidated financial statements of the Company were made up.

**5. SERVICE CONTRACT**

Each of the executive Directors entered into a service contract with the Company for a term of three years commencing from 11 June 2003 and up to the date of the annual general meeting of the Company to be held in the year 2006. Each of the independent non-executive Directors entered into an appointment letter with the Company for a term of three years commencing from 11 June 2003 and up to the date of the annual general meeting of the Company to be held in the year 2006.

Save as disclosed, as at the Latest Practicable Date, none of the Directors or Supervisors has entered into any service contracts with the Company or any of its subsidiaries which may not be terminated by the employer within one year without payment other than statutory compensation.

**6. EXPERT**

- (a) The following are the qualifications of Goldbond Capital and Sallmanns which have given their report, opinion or advice which are contained in this circular:

<b>Name</b>	<b>Qualifications</b>
Goldbond Capital	a licensed corporation under the transitional arrangement within the meaning of the SFO to carry out Types 1 and 6 regulated activities under the SFO
Sallmanns	professional surveyors and valuers

- (b) As at the Latest Practicable Date, none of Goldbond Capital and Sallmanns had any shareholding, direct or indirect, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.
- (c) Goldbond Capital and Sallmanns have given and have not withdrawn their respective written consents to the issue of this circular with the inclusion of their respective letters and references to their respective names in the form and context in which they are included.
- (d) Goldbond Capital and Sallmanns do not have any interest, direct or indirect, in any assets which have been acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2003, the date to which the latest published audited financial statements of the Company were made up.
- (e) The letter and recommendation from Goldbond Capital and the letter and reports from Sallmanns are given as of the date of this circular for incorporation herein.

**7. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection during normal business hours at Suite 2502, 9 Queen's Road, Central, Hong Kong from 12 October 2004 to 27 October 2004 (both days inclusive):

- (a) the letter from the Independent Board Committee, the text of which is set out on page 19 of this circular;
- (b) the letter from Goldbond Capital, the text of which is set out on pages 20 to 26 of this circular;
- (c) the letter and reports from Sallmanns as set out in this circular;
- (d) the written consents of Goldbond Capital and Sallmanns as referred to paragraph 6 above;

- (e) the option agreement dated 16 May 1997 entered into between the Company and JCC;
- (f) the sale and purchase agreement dated 16 May 1997 entered into between the Company and JCC;
- (g) the Chengmenshan Agreement;
- (h) the Chengmenshan Leasing Agreement; and
- (i) the service contracts and the appointment letters referred to in paragraph 5 of this appendix.



**江西銅業股份有限公司**  
**JIANGXI COPPER COMPANY LIMITED**

*(a sino-foreign joint venture joint stock limited company incorporated in the People's Republic of China)*

**NOTICE OF EXTRAORDINARY GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting of Jiangxi Copper Company Limited (the “Company”) will be held at the Conference Room of the Company at 15 Yejin Avenue, Guixi City, Jiangxi, the People’s Republic of China on Friday, 26 November 2004 at 10:00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions as special resolution and ordinary resolutions of the Company:

**SPECIAL RESOLUTION**

1. **“THAT** subject to the approval(s) from the relevant government authorities in the People’s Republic of China (“PRC”) for the proposed Bond Issue (as defined in the circular of the Company dated 12 October, 2004 issued by the Company to the holder of its H Shares (the “Circular”)), the allotment and issue of the new A Shares of the Company upon conversion of the Convertible Bonds (as hereinafter defined), and the listing of and permission to deal in the Convertible Bonds (as hereinafter defined) on the Shanghai Stock Exchange (whether on a conditional basis or not):-
  - (i) the registered share capital of the Company be and is hereby altered by increasing the number of A Shares equal to the number of A Shares to be issued from time to time pursuant to the conversion of the Convertible Bonds (as hereinafter defined) as mentioned in paragraph (ii) below of this Resolution;
  - (ii) the proposed issue by the Company of not more than RMB2,000,000,000 convertible bonds convertible into new A Shares of the Company (the “Convertible Bonds”), upon such terms and conditions as mentioned in the Circular (subject to any amendments as the Directors of the Company may approve) be and is hereby approved and that the Directors of the Company be and are hereby authorized (1) to finalise the issue of the Convertible Bonds upon such terms and conditions as the Directors of the Company may decide and (2) to approve and execute (or approve the execution of) any document in pursuance thereto and (3) to effect the same and to allot and issue the new A Shares arising from the conversion of the Convertible Bonds, such authorities as described in (1) and (2) to expire on 25 November, 2005 unless otherwise revoked or varied by shareholders at general meeting or holders of H Shares or holders of Domestic Shares at class meetings, as the case may be; and
  - (iii) the Directors of the Company be and are hereby authorized to make appropriate and necessary amendments to the relevant provisions of the Articles of Association of the Company as they think fit to reflect the alterations (including but not limited to the alternation to the registered share capital of the Company) as contemplated under this Resolution.”

## ORDINARY RESOLUTIONS

2. “THAT the use of the previous proceeds of the Company be and is hereby approved and confirmed. The total proceeds from the issue of 230,000,000 A shares of the Company amounted to RMB510,140,000 (after deductions of expenses for underwriting, publicity campaigns and fee for issue on the internet amounting to RMB11,960,000) was received on 28 December 2001. The net amount of RMB494,850,000 after deduction of issuing expenses amounting to RMB15,290,000, which was all received on 28 December 2001 and a specific report on capital verification as verified by Deloitte Touche Tohmatsu Shanghai Certified Public Accountants Ltd. was issued. Subsequently, the proceeds was invested in the third phase project of technological renovation of Guixi Smelter, the acquisition of the net operating assets of Wushan Copper Mine from Jiangxi Copper Corporation and the technological renovation for open-pit mining of Fujiawu Copper Mine. The use of proceeds was completed on 31 December 2002. Details of the use of the proceeds are as follows:

Project	Total planning investment (RMB)	Including: use of proceeds in 2002 (RMB)	Progress as at 31 December 2003
The third phase project of technological renovation of Guixi Smelter	1,500,000,000	260,050,000	Primarily completed
Acquisition of Wushan Copper Mine	193,810,000	193,810,000	Completed
Development of Fujiawu Copper Mine	810,000,000	40,990,000	Not yet completed
Total	2,503,810,000	494,850,000	— ”

3. “THAT the use of proceeds from the issue of not more than RMB2,000,000,000 convertible bonds convertible into new A Shares of the Company to acquire the operating assets and mining rights of Chengmenshan Mine, to invest the technological renovation project for open-pit mining of Fujiawu Copper Mine and the acquisition of the surrounding area thereof, to develop and implement the copper resources projects, to finance the working capital of 400,000 tonnes sulphur acid project be and are hereby approved. Among the net proceeds,

1. RMB378,180,000 (subject to adjustment) to be invested in the acquisition of the operating assets and mining rights of Chengmenshan Mine;
2. RMB881,050,000 to be invested in the development of Fujiawu Copper Mine;
3. RMB463,360,000 to be invested in the development and implementation of the copper resources projects;
4. RMB127,050,000 to be invested in the 400,000 tonnes sulphur acid project; and
5. any balance of the net proceeds will be used for general working capital of the Company.”

4. “THAT

- (i) the acquisition agreement entered into between the Company and Jiangxi Copper Corporation (江西銅業集團公司) (“JCC”) dated 27 September, 2004 (a copy of which marked “A” has been produced to the meeting and signed by the chairman of the meeting for the purpose of identification), pursuant to which JCC agreed to sell and the Company agreed to purchase the operating assets and related liabilities of Chengmenshan Mine together with the mining right thereof at the aggregate consideration of RMB378,188,600 (subject to adjustment) (the “Agreement”) be and is hereby approved, ratified and confirmed; and

- (ii) the directors of the Company be and are hereby authorized for and on behalf of the Company to sign, seal, execute, perfect, deliver and do all such documents, deeds, acts, matters and things as they may in their discretion consider necessary or desirable or expedient for the purpose of or in connection with the Agreement and to make and agree such variations of a non-material nature in or to the terms of the Agreement as they may in their discretion consider to be desirable and in the interests of the Company.”

By order of the Board  
**Huang Dongfeng**  
*Company Secretary*

12 October, 2004, Jiangxi Province, the PRC

*Notes:*

- (a) Regarding the Ordinary Resolution No. 2, the effect on the use of previous proceeds from the issue of 230,000,000 A Shares are as follow :-
- The actual use of the proceeds was consistent with the information disclosed in the annual report of the Company for the relevant year and other documents. The effect on use of proceeds was satisfactory. The profit generated from part of the principal business (which part was invested by the use of proceeds) of the third phase project of technological renovation of Guixi Smelter amounted to approximately RMB37,910,000. After completion of the acquisition of Wushan Copper Mine, Wushan Copper Mine has also made a profit of RMB9,330,000 and RMB42,700,000 to the Company in 2002 and 2003 respectively. The technological renovation for open-pit mining of Fujiawu Copper Mine is under construction.
- (b) The aforementioned use of proceeds have been verified by Deloitte Touche Tohmatsu and a specific report on DeShiBao (Shen) Zhi (04) Document No. R036 concerning the use of proceeds was issued. The report stated that the previous use of proceeds are basically consistent with the abovementioned contents and the relevant documents disclosing such information.
- (c) Regarding the Ordinary Resolution No. 3, the investment in such projects are in line with the Company’s development strategy, which, upon completion, will improve the Company’s resource reserves, production capability, economic efficiency and capability against risks (please refer to the circular of the Company to the holders of its H Shares dated 12 October 2004 for details of the investment projects).
- (d) Any shareholder entitled to attend and vote at the meeting mentioned above is entitled to appoint one or more proxies to attend and vote at the meeting on his/her behalf in accordance with the articles of association of the Company. A proxy need not be a shareholder of the Company.
- (e) In order to be valid, the proxy form of holders and, if such proxy form is signed by a person under a power of attorney or other authority on behalf of the appointer, a notarially certified copy of that power of attorney or authority shall be deposited at the Company’s legal address (in the case of the proxy form by holders of Domestic Shares) or at the Company’s H Share Registrars, Hong Kong Registrars Limited at 46/F, Hopewell Centre, 183 Queens’ Road East, Wanchai, Hong Kong (in the case of proxy form of holder of H Shares) not less than 24 hours before the time for holding the meeting or 24 hours before the time appointed for taking the poll.
- (f) Shareholders or their proxies shall produce their identification documents when attending the meeting.
- (g) The register of members of the Company will be closed from Tuesday, 26 October 2004 to Friday, 26 November 2004 (both days inclusive), during such period no transfer of shares will be registered.
- (h) Shareholders whose names appear in the register of members of the Company on Tuesday, 26 October 2004 are entitled to attend and vote at the meeting.
- (i) Shareholders who intend to attend the meeting shall complete and lodge the reply slip for attending the meeting at the Company’s legal address at 15 Yejin Avenue, Guixi City, Jiangxi Province, the People’s Republic of China on or before Friday, 5 November 2004. The reply slip may be delivered to the Company by hand, by post or by fax (fax no. (86) 701-3777013).
- (j) The Extraordinary General Meeting is expected to last for less than half a day. Shareholders or their proxies attending the Extraordinary General Meeting shall be responsible for their own traveling and accommodation expenses.



**江西銅業股份有限公司**  
**JIANGXI COPPER COMPANY LIMITED**

*(a sino-foreign joint venture joint stock limited company incorporated in the People's Republic of China)*

**NOTICE OF CLASS MEETING OF DOMESTIC SHARES**

**NOTICE IS HEREBY GIVEN** that a Class Meeting of holders of Domestic Shares (including non listed Domestic Shares and A Shares) of Jiangxi Copper Company Limited (the “Company”) will be held at the Conference Room of the Company at 15 Yejin Avenue, Guixi City, Jiangxi, the People’s Republic of China on Friday, 26 November, 2004 at 10:30 a.m. or so soon thereafter as the Extraordinary General Meeting of the Company shall have been concluded or adjourned for the purpose of considering and, if thought fit, passing the following resolution which will be proposed as Special Resolution of the Company :

**SPECIAL RESOLUTION**

1. **“THAT** subject to the approval(s) from the relevant government authorities in the People’s Republic of China (“PRC”) for the proposed Bond Issue (as defined in the circular of the Company dated 12 October, 2004 issued by the Company to the holder of its H Shares (the “Circular”)), the allotment and issue of the new A Shares of the Company upon conversion of the Convertible Bonds (as hereinafter defined), and the listing of and permission to deal in the Convertible Bonds (as hereinafter defined) on the Shanghai Stock Exchange (whether on a conditional basis or not):-
  - (i) the registered share capital of the Company be and is hereby altered by increasing the number of A Shares equal to the number of A Shares to be issued from time to time pursuant to the conversion of the Convertible Bonds (as hereinafter defined) as mentioned in paragraph (ii) below of this Resolution;
  - (ii) the proposed issue by the Company of not more than RMB2,000,000,000 convertible bonds convertible into new A Shares of the Company (the “Convertible Bonds”), upon such terms and conditions as mentioned in the Circular (subject to any amendments as the Directors of the Company may approve) be and is hereby approved and that the Directors of the Company be and are hereby authorized (1) to finalise the issue of the Convertible Bonds upon such terms and conditions as the Directors of the Company may decide and (2) to approve and execute (or approve the execution of) any document in pursuance thereto and (3) to effect the same and to allot and issue the new A Shares arising from the conversion of the Convertible Bonds, such authorities as described in (1) and (2) to expire on 25 November, 2005 unless otherwise revoked or varied by shareholders at general meeting or holders of H Shares or holders of Domestic Shares at class meetings, as the case may be; and

- (iii) the Directors of the Company be and are hereby authorized to make appropriate and necessary amendments to the relevant provisions of the Articles of Association of the Company as they think fit to reflect the alterations (including but not limited to the alteration to the registered share capital of the Company) as contemplated under this Resolution. ”

By order of the Board  
**Huang Dongfeng**  
*Company Secretary*

12 October, 2004, Jiangxi Province, the PRC

*Notes:*

- (a) Any shareholder entitled to attend and vote at the meeting mentioned above is entitled to appoint one or more proxies to attend and vote at the meeting on his/her behalf in accordance with the articles of association of the Company. A proxy need not be a shareholder of the Company.
- (b) In order to be valid, the proxy form of holders and, if such proxy form is signed by a person under a power of attorney or other authority on behalf of the appointer, a notarially certified copy of that power of attorney or authority shall be deposited at the Company's legal address (in the case of the proxy form by shareholders of domestic Shares) not less than 24 hours before the time for holding the meeting or 24 hours before the time appointed for taking the poll.
- (c) Shareholders or their proxies shall produce their identification documents when attending the meeting.
- (d) The Domestic Share Class Meeting is expected to last for less than half a day. Shareholders or their proxies attending the Domestic Share Class Meeting shall be responsible for their own traveling and accommodation expenses.

Please refer to the announcements of the Company published in China Securities Journal, Shanghai Securities Journal and Securities Time on 12 October 2004 for the particulars regarding holders of Domestic shares for attendance of general meeting. Such announcements shall prevail in the case of any inconsistency.



**江西銅業股份有限公司**  
**JIANGXI COPPER COMPANY LIMITED**

*(a sino-foreign joint venture joint stock limited company incorporated in the People's Republic of China)*

**NOTICE OF CLASS MEETING OF H SHARES**

**NOTICE IS HEREBY GIVEN** that a Class Meeting of holders of H Shares of Jiangxi Copper Company Limited (the "Company") will be held at the Conference Room of the Company at 15 Yejin Avenue, Guixi City, Jiangxi, the People's Republic of China on Friday, 26 November, 2004 at 10:50 a.m. or so soon thereafter as the class meeting for holders of Domestic Shares of the Company shall have been concluded or adjourned for the purpose of considering and, if thought fit, passing the following resolution which will be proposed as Special Resolution of the Company :

**SPECIAL RESOLUTION**

1. **"THAT** subject to the approval(s) from the relevant government authorities in the People's Republic of China ("PRC") for the proposed Bond Issue (as defined in the circular of the Company dated 12 October, 2004 issued by the Company to the holder of its H Shares (the "Circular")), the allotment and issue of the new A Shares of the Company upon conversion of the Convertible Bonds (as hereinafter defined), and the listing of and permission to deal in the Convertible Bonds (as hereinafter defined) on the Shanghai Stock Exchange (whether on a conditional basis or not):-
  - (i) the registered share capital of the Company be and is hereby altered by increasing the number of A Shares equal to the number of A Shares to be issued from time to time pursuant to the conversion of the Convertible Bonds (as hereinafter defined) as mentioned in paragraph (ii) below of this Resolution;
  - (ii) the proposed issue by the Company of not more than RMB2,000,000,000 convertible bonds convertible into new A Shares of the Company (the "Convertible Bonds"), upon such terms and conditions as mentioned in the Circular (subject to any amendments as the Directors of the Company may approve) be and is hereby approved and that the Directors of the Company be and are hereby authorized (1) to finalise the issue of the Convertible Bonds upon such terms and conditions as the Directors of the Company may decide and (2) to approve and execute (or approve the execution of) any document in pursuance thereto and (3) to effect the same and to allot and issue the new A Shares arising from the conversion of the Convertible Bonds, such authorities as described in (1) and (2) to expire on 25 November, 2005 unless otherwise revoked or varied by shareholders at general meeting or holders of H Shares or holders of Domestic Shares at class meetings, as the case may be;

- (iii) the Directors of the Company be and are hereby authorized to make appropriate and necessary amendments to the relevant provisions of the Articles of Association of the Company as they think fit to reflect the alterations (including but not limited to the alteration to in the registered share capital of the Company) as contemplated under this Resolution; and
- (iv) the holders of H shares of the Company hereby, for the avoidance of doubt, waiver their preemptive rights (if any) over any Convertible Bonds and any new A Shares to be issued pursuant to the exercise of the conversion right of the Convertible Bonds.”

By order of the Board  
**Huang Dongfeng**  
*Company Secretary*

12 October, 2004, Jiangxi Province, the PRC

*Notes:*

- (a) Any shareholder entitled to attend and vote at the meeting mentioned above is entitled to appoint one or more proxies to attend and vote at the meeting on his/her behalf in accordance with the articles of association of the Company. A proxy need not be a shareholder of the Company.
- (b) In order to be valid, the proxy form of holders and, if such proxy form is signed by a person under a power of attorney or other authority on behalf of the appointer, a notarially certified copy of that power of attorney or authority shall be deposited at the Company's H Share Registrars, Hong Kong Registrars Limited at 46/F, Hopewell Centre, 183 Queens' Road East, Wanchai, Hong Kong not less than 24 hours before the time for holding the meeting or 24 hours before the time appointed for taking the poll.
- (c) Shareholders or their proxies shall produce their identification documents when attending the meeting.
- (d) The register of members of the Company will be closed from Tuesday, 26 October 2004 to Friday, 26 November 2004 (both days inclusive), during such period no transfer of shares will be registered.
- (e) Shareholders whose names appear in the register of members of the Company on Tuesday, 26 October 2004 are entitled to attend and vote at the meeting.
- (f) Shareholders who intend to attend the meeting shall complete and lodge the reply slip for attending the meeting at the Company's legal address at 15 Yejin Avenue, Guixi City, Jiangxi Province, the People's Republic of China on or before Friday, 5 November 2004. The reply slip may be delivered to the Company by hand, by post or by fax (fax no. (86) 701-3777013).
- (g) The H Share Class Meeting is expected to last for less than half a day. Shareholders or their proxies attending the H Share Class Meeting shall be responsible for their own traveling and accommodation expenses.