
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in 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 and the forms of proxy and reply slip despatched to you on 29 May 2017 to the purchaser(s) or the transferee(s) or to the bank or stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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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)

EXTENSION OF VALIDITY PERIOD OF SHAREHOLDERS' RESOLUTIONS AND AUTHORISATION GRANTED TO THE BOARD AND/OR BOARD COMMITTEE TO HANDLE MATTERS RELATING TO THE SHARE ISSUANCE

**Independent Financial Adviser to the Independent Board Committee and
Independent Shareholders**



Octal Capital Limited

A letter from the Board is set out on pages 1 to 33 of this circular. A letter from the Independent Board Committee is set out on page 34 of this circular. A letter from Octal Capital, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 35 to 55 of this circular.

A notice convening the New EGM to be held at the Conference Room of the Company at JCC International Plaza, 7666 Chang Dong Avenue, High-tech Development Zone, Nanchang, Jiangxi, the People's Republic of China at 2:30 p.m. on Friday, 14 July 2017 has already been despatched to the Shareholders on 29 May 2017. A notice convening the H Shares Class Meeting to be held at the Conference Room of the Company at JCC International Plaza, 7666 Chang Dong Avenue, High-tech Development Zone, Nanchang, Jiangxi, the People's Republic of China at 3:00 p.m. or immediately after the A Shares Class Meeting on Friday, 14 July 2017 has already been despatched to the Shareholders on 29 May 2017.

Whether or not you are able to attend the New EGM and/or the H Shares Class Meeting, you are required to complete and return the form of proxy despatched together with the aforementioned notices in accordance with the instructions printed thereon to the Company's H Share Registrar, Hong Kong Registrars Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 24 hours before the time appointed for holding of the New EGM and the H Shares Class Meeting or any adjournment thereof. Completion and return of the forms of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

28 June 2017

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DEFINITIONS

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

“2016 Announcements”	the announcements of the Company dated 25 February 2016, 1 June 2016, 18 July 2016, 13 October 2016, 14 October 2016 and 28 November 2016 and the Adjustment Announcement in respect of, inter alia, the proposed Share Issuance
“2016 Class Meetings”	the class meeting of A Shareholders and the class meeting of H Shareholders held on 18 July 2016
“2016 EGM”	the extraordinary general meeting of the Company held on 18 July 2016
“2016 EGM Circular”	the circular of the Company dated 2 June 2016
“2016 Profit Distribution Plan”	the proposal on payment of final dividend of RMB0.15 per Share (tax inclusive) for year 2016 to all Shareholders by the Company
“2017 Board Meeting”	the sixteenth meeting of the seventh session of the Board held on 26 May 2017
“A Shareholders”	holders of A Shares
“A Share Issue”	the proposed issuance of not more than 298,380,221 A Shares (which was revised to not more than 131,040,412 A Shares pursuant to the Supplemental Agreement) to not more than 10 specific investors including JCC. Upon completion of implementation of the 2016 Profit Distribution Plan, the number of A Shares to be issued will be further adjusted to not more than 132,752,613 A Shares
“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
“A Shares Class Meeting”	the class meeting of A Shareholders

DEFINITIONS

“A Share Subscription Agreement”	the subscription agreement (as supplemented and amended by the Supplemental Agreement) entered into between the Company and JCC on 25 February 2016 in relation to the subscription of not less than 10% of the A Shares to be issued pursuant to the A Share Issue by JCC at a subscription price of not lower than (i) RMB11.73 per A Share (which was adjusted to RMB11.63 per A Share as disclosed in the Adjustment Announcement) or (ii) the latest audited net asset per Share of the Company before the A Share Issue, whichever is higher
“acting in concert”	has the same meaning as defined in the Takeovers Code; and the term “concert parties” shall be construed accordingly
“Adjustment Announcement”	the announcement of the Company dated 12 August 2016 in relation to, among others, the adjustment to the issue price and the number of Shares to be issued pursuant to the Share Issuance
“Articles”	the articles of association of the Company
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Board Authorisation Extension Resolution”	the proposed resolution to extend the validity period of the authorisation granted to the Board and/or the Board committee authorised by the Board to handle matters relating to the Share Issuance, for a further period of 12 months, commencing from 18 July 2017, being the expiry date of the existing validity period, to 18 July 2018
“Board Meeting”	the sixth meeting of the seventh session of the Board held on 25 February 2016 for approving, among others, the Share Issuance and the Subscription
“Class Meetings”	A Shares Class Meeting and H Shares Class Meeting
“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

DEFINITIONS

“CSRC”	China Securities Regulatory Commission
“Directors”	director(s) of the Company
“Executive”	the Executive Director of the Corporate Finance Division of the SFC from time to time and any delegate of such Executive Director
“Extension Resolutions”	Share Issuance Extension Resolution and/or Board Authorisation Extension Resolution (as the case may be)
“Group”	the Company and its subsidiaries
“H Shareholders”	holders of H Shares
“H Share Issue”	the proposed issuance of not more than 527,318,932 H Shares (which was revised to not more than 509,828,009 H Shares as disclosed in the Adjustment Announcement) to JCC or its designated wholly-owned subsidiary. Upon completion of implementation of the 2016 Profit Distribution Plan, the number of H Shares to be issued will be further adjusted to not more than 520,702,634 H Shares
“H Shares”	overseas listed foreign shares of RMB1.00 each in the share capital of the Company, which are listed on the Stock Exchange and traded in Hong Kong dollars
“H Shares Class Meeting”	the class meeting of H Shareholders
“H Share Subscription Agreement”	the subscription agreement entered into between the Company and JCC on 25 February 2016 in relation to the subscription of not more than 527,318,932 H Shares (which was revised to not more than 509,828,009 H Shares as disclosed in the Adjustment Announcement) by JCC or its designated wholly-owned subsidiary at a subscription price of not lower than HK\$7.87 (which was adjusted to HK\$8.14 as disclosed in the Adjustment Announcement) per H Share (subject to adjustment)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“Independent Board Committee”	an independent committee of the Board established to advise the Independent Shareholders in relation to the Share Issuance Extension Resolution
“Independent Financial Adviser” or “Octal Capital”	Octal Capital Limited, the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Share Issuance Extension Resolution
“Independent Shareholders”	the Shareholders other than (i) JCC and its associates and concert parties; and (ii) the Shareholders who are involved in or interested in the Share Issuance
“Investor(s)”	the investors which would subscribe for new A Shares to be issued by the Company under the proposed A Share Issue
“JCC”	Jiangxi Copper Corporation, a substantial shareholder of the Company, holding approximately 40.53% of the total issued share capital of the Company
“Latest Practicable Date”	23 June 2017, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New EGM”	an extraordinary general meeting of the Company to be convened to consider and, if thought fit, to approve, the Extension Resolutions
“PRC”	the People’s Republic of China
“Pricing Benchmark Date”	26 February 2016, being the date of the announcement of the Company in relation to the resolutions passed at the Board Meeting
“Relevant Board Resolutions”	resolutions approving the Share Issuance Extension Resolution and the A Share Issue Adjustment at the 2017 Board Meeting
“RMB”	Renminbi, the lawful currency of the PRC

DEFINITIONS

“SASAC of Jiangxi Province”	State-owned Assets Supervision and Administration Commission of Jiangxi Province
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share Issuance”	A Share Issue and H Share Issue
“Share Issuance Extension Resolution”	the proposed resolution to extend the validity period of the then Independent Shareholders’ resolutions relating to the A Share Issue, the H Share Issue and transactions contemplated under the A Share Subscription Agreement and H Share Subscription Agreement, for a further period of 12 months, commencing from 18 July 2017, being the expiry date of the existing validity period, to 18 July 2018
“Shareholder(s)”	the holder(s) of the Shares
“Share(s)”	the A Shares and/or H Shares
“Specific Mandate”	the specific mandate granted by the Shareholders to the Board in relation to the Share Issuance at the 2016 EGM and 2016 Class Meetings
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription for new A Shares and H Shares in the Company by JCC or its designated wholly-owned subsidiary (where applicable) pursuant to the A Share Subscription Agreement and H Share Subscription Agreement
“Subscription Agreements”	the A Share Subscription Agreement and the H Share Subscription Agreement
“Supervisor(s)”	the supervisor(s) of the Company

DEFINITIONS

“Supplemental Agreement”	the agreement supplemental to the A Share Subscription Agreement entered into between the Company and JCC on 26 May 2017, pursuant to which, the proposed issuance under the A Share Issue was revised to not more than 131,040,412 A Shares
“Takeovers Code”	the Code on Takeovers and Mergers
“Whitewash Waiver”	a waiver from the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code of the obligation on the part of JCC to make a general offer for all securities of the Company (other than those already owned or agreed to be acquired by JCC and its concert parties) as a result of the allotment and issue of the Shares under the Subscription Agreements
“%”	percentage

LETTER FROM THE BOARD



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)

Board of Directors

Executive Directors:

Mr. Li Baomin (*Chairman*)
Mr. Long Ziping
Mr. Gao Jianmin
Mr. Liang Qing
Mr. Wang Bo
Mr. Wu Jinxing
Mr. Wu Yuneng

Independent Non-executive Directors:

Mr. Tu Shutian
Mr. Sun Chuanyao
Mr. Liu Erh Fei
Dr. Zhou Donghua

Legal address

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

Place of business in Hong Kong

Suite 4501, 45th Floor
Office Tower
Convention Plaza
1 Harbour Road
Wanchai
Hong Kong

28 June 2017

To the Shareholders

Dear Sir or Madam,

EXTENSION OF VALIDITY PERIOD OF SHAREHOLDERS' RESOLUTIONS AND AUTHORISATION GRANTED TO THE BOARD AND/OR BOARD COMMITTEE TO HANDLE MATTERS RELATING TO THE SHARE ISSUANCE

I. INTRODUCTION

Reference is made to (i) the 2016 Announcements and the 2016 EGM Circular in respect of, inter alia, the proposed Share Issuance; (ii) the announcement of the Company dated 7 June 2017 in respect of, inter alia, the 2016 Profit Distribution Plan; and (iii) the announcement of the Company dated 26 May 2017 and the notices of the New EGM and the H Share Class Meeting despatched to the Shareholders on 29 May 2017 in relation to the Extension Resolutions.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with information regarding, among others, (i) details of Extension Resolutions; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders on the Share Issuance Extension Resolution; and (iii) a letter of advice from Octal Capital to the Independent Board Committee and the Independent Shareholders on the Share Issuance Extension Resolution.

II. PROPOSED SHARE ISSUANCE

Background

At the 2016 EGM and the 2016 Class Meetings held on 18 July 2016, the then Independent Shareholders approved, among others, (i) the proposed issuance of not more than 298,380,221 A Shares to not more than 10 specific Investors including JCC and (ii) the proposed issuance of not more than 527,318,932 H Shares to JCC or its designated wholly-owned subsidiary.

As disclosed in the announcement of the Company dated 18 July 2016, as the closing price on the trading day preceding the date of the 2016 EGM and 2016 Class Meetings was HK\$9.62 per H Share, which was higher than the closing price of HK\$8.45 per H Share on the last trading day preceding the date of Board Meeting, as such, in accordance with the adjustment mechanism set out in the paragraph headed “Adjustment to the issue price” in the section headed “Structure of the H Share Issue” in this circular, the issue price of H Shares to be issued pursuant to the H Share Issue was adjusted upward by 5% from HK\$7.87 per H Share to HK\$8.26 per H Share and the number of H Shares to be issued was adjusted to not more than 502,421,307 H Shares.

Subsequently, as disclosed in the Adjustment Announcement, due to the completion of the implementation of the 2015 profit distribution of the Company for A Shares and H Shares, the issue price and number of Shares to be issued pursuant to the A Share Issue and H Share Issue were further adjusted as follows:

- (i) the base issue price of A Shares to be issued pursuant to the A Share Issue was adjusted to RMB11.63 per A Share, or the latest audited net asset per Share of the Company before the A Share Issue, whichever is higher;
- (ii) the number of A Shares to be issued pursuant to the A Share Issue was adjusted to not more than 300,945,829 A Shares;
- (iii) the issue price of H Shares to be issued pursuant to the H Share Issue was adjusted to HK\$8.14 per H Share; and
- (iv) the number of H Shares to be issued pursuant to the H Share Issue was adjusted to not more than 509,828,009 H Shares.

LETTER FROM THE BOARD

JCC is a substantial shareholder holding approximately 40.53% of the total issued share capital of the Company, and therefore JCC is a connected person of the Company under the Listing Rules. As such, the Share Issuance and the Subscription Agreements constitute connected transactions for the Company and are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The subscription of new A Shares and H Shares by JCC or its designated wholly-owned subsidiary (as the case may be) pursuant to the A Share Subscription Agreement and H Share Subscription Agreement are conditional upon each other obtaining the approvals and/or authorisations from SASAC of Jiangxi Province, the extraordinary general meeting and class meetings of the Company, CSRC and other relevant authorities. As at the Latest Practicable Date, the Company has obtained approval from SASAC of Jiangxi Province and from Shareholders at 2016 EGM and 2016 Class Meetings on the Share Issuance. The A Share Issue, H Share Issue, A Share Subscription Agreement and H Share Subscription Agreement are inter-conditional with each other. The completion of the Share Issuance and the Subscription Agreements will take place simultaneously.

Extension Resolutions

As at the Latest Practicable Date, CSRC is still in the process of reviewing the Company's application for the Share Issuance. Considering that (i) the validity period of the Shareholders' resolutions relating to the Share Issuance which was approved by the then Independent Shareholders at the 2016 EGM and 2016 Class Meetings; and (ii) the validity period of the authorisation granted to the Board and/or the Board committee authorised by the Board to handle matters relating to the Share Issuance which was approved by the then Shareholders at the 2016 EGM and 2016 Class Meetings, will expire on 18 July 2017, the Board proposed to convene the New EGM and the Class Meetings (i) for the Independent Shareholders to consider the Share Issuance Extension Resolution and (ii) for the Shareholders to consider the Board Authorisation Extension Resolution, in order to extend the validity period of the Shareholders' resolutions relating to the Share Issuance and the authorisation granted to the Board and/or the Board committee authorised by the Board to handle matters relating to the Share Issuance for a further period of 12 months, i.e. commencing from 18 July 2017 to 18 July 2018 by way of special resolutions. The Share Issuance is subject to the Extension Resolutions being approved by the Shareholders or the Independent Shareholders (as the case may be) at the New EGM and Class Meetings. JCC and its associates and concert parties and those who are involved in or interested in the Share Issuance will abstain from voting on the Share Issuance Extension Resolution to be proposed at the New EGM and Class Meetings.

LETTER FROM THE BOARD

Adjustment to the A Share Issue

In accordance with the regulatory requirements of the CSRC, a land use certificate shall in principle be obtained for the land to be used in the investment projects funded by the non-public issuance of listed companies. In the event that such certificate has not yet been obtained, a transfer agreement regarding the land use right should be entered into with the land administrative authority for the land which was obtained by transfer. Due to reasons including the fact that the government authority of the area where the land for the engineering project of expansion of Chengmenshan copper reservoir (phase III) is situated needs to carry out overall planning adjustments on land use, the land use procedures involving the engineering project of expansion of Chengmenshan copper reservoir (phase III) are still in progress. The aforementioned regulatory requirements of the CSRC have yet to be fulfilled. As a result, after communicating with the CSRC, the engineering project of expansion of Chengmenshan copper reservoir (phase III) will no longer be an investment project to be funded by the A Share Issue. It is expected that the total expenditure of the engineering project of expansion of Chengmenshan copper reservoir (phase III) will be approximately RMB2.867 billion. Depending on the progress of the project, the Company will fund the project by its own funds or by any other financing means (including obtaining bank loans or by proceeds raised from issuance of corporate bonds). As disclosed above, given that the overall planning adjustments on land use is being carried out by the relevant authority, the Company cannot ascertain the actual progress of the project, therefore, it does not have a concrete plan on the financing methods of the project at this stage.

As such, in view of the overall capital market condition, the actual progress and capital requirement of the investment projects to be funded by the proceeds under the A Share Issue, at a Board meeting held on 26 May 2017, the Board resolved, among others, to adjust the proposed use of proceeds under the A Share Issue, pursuant to which, the proposed use of approximately RMB1,434 million to be raised from the A Share Issue will no longer be applied towards the engineering project of expansion of Chengmenshan copper reservoir (phase III) and (ii) the remaining proceeds to be used to replenish working capital of the Company will be adjusted from not more than RMB1,000 million to not more than RMB457 million. Other than the aforementioned, the use of proceeds of other investment projects as disclosed in the 2016 EGM Circular remains unchanged. As such, the total funds to be raised from the A Share Issue will be reduced from not more than RMB3,500 million to not more than RMB1,524 million. Assuming that there is no change to the issue price under the A Share Issue, the number of A Shares to be issued pursuant to the A Share Issue will be adjusted to not more than 131,040,412 A Shares accordingly (“**A Share Issue Adjustment**”).

On 26 May 2017, the Supplemental Agreement was entered into between JCC and the Company, pursuant to which, the proposed issuance under the A Share Issue was revised to not more than 131,040,412 A Shares and JCC will subscribe for not less than 10% of A Shares to be issued pursuant to the A Share Issue. The Supplemental Agreement shall take effect at the same time as the A Share Subscription Agreement.

LETTER FROM THE BOARD

As an authorisation was given by the Shareholders to the Board to handle matters relating to the Share Issuance (including but not limited to adjust the Share Issuance proposal) at the 2016 EGM and 2016 Class Meetings, Shareholders' approval is not required for the A Share Issue Adjustment and the entering into of the Supplemental Agreement. The Share Issuance is, however, subject to the approval by CSRC.

2016 Profit Distribution Plan

Based on the 2016 Profit Distribution Plan, the Company proposed to distribute a cash dividend of RMB0.15 per Share (tax inclusive) to all Shareholders based on the total issued share capital of 3,462,729,405 Shares as at 31 December 2016, amounting to approximately RMB519,409,411 (tax inclusive). As disclosed in the announcement of the Company dated 7 June 2017, for the purpose of the abovementioned distribution of final dividend to holders of H Shares, the date of announcement is 7 June 2017. The average mean price of one Hong Kong dollar published daily by The People's Bank of China over a period of one calendar week prior to the announcement of the dividend is approximately RMB0.8761. Applying that average to calculation, the dividend for each H Share is HK\$0.17121 (tax inclusive). The dividend warrants of H Shares together with the cheques will be issued by the Company's H Share Registrar, Computershare Hong Kong Investors Service Limited and will be posted by ordinary mail to holders of H Shares at their own risk on or before 12 July 2017. The registration date for the 2016 Profit Distribution Plan for A Shares will be 11 July 2017 and the ex-dividend date for A Shares will be 12 July 2017. The payment date for the cash dividend for A Shares will be 12 July 2017 and the implementation of the distribution of dividend to holders of A Shares will be completed on 12 July 2017.

Following completion of the implementation of the 2016 Profit Distribution Plan, the issue price and number of Shares to be issued pursuant to the A Share Issue and H Share Issue will further be adjusted as follows:

- (i) the base issue price of A Shares pursuant to the A Share Issue will be adjusted to RMB11.48 per A Share, or the latest audited net assets per Share of the Company before the A Share Issue, whichever is higher;
- (ii) the number of A Shares to be issued pursuant to the A Share Issue will be adjusted to not more than 132,752,613 A Shares;
- (iii) the issue price of H Shares pursuant to the H Share Issue will be adjusted to HK\$7.97 per H Share; and

LETTER FROM THE BOARD

- (iv) the number of H Shares to be issued pursuant to the H Share Issue will be adjusted to not more than 520,702,634 H Shares.

Save for the above extensions, A Share Issue Adjustment and the adjustments to be made as a result of the completion of implementation of 2016 Profit Distribution Plan, details of the Share Issuance previously disclosed by the Company which are set out below remain unchanged and in full force and effect:

Structure of the A Share Issue

Class and par value of A Shares to be issued: A Shares with a par value of RMB1.00 each

Subscribers: The new A Shares under the A Share Issue is proposed to be issued to not more than 10 specific Investors (including JCC). The Investors other than JCC include securities investment fund management companies, securities companies, trust investment companies, finance companies, insurance institutional investors, qualified foreign institutional investors (including the proprietary accounts or investment product accounts managed by the abovementioned Investors), other domestic legal person investors and natural persons. Fund management companies, which hold shares with numerous investment accounts, shall each be taken as one single subscriber. The H Shareholders (other than JCC) are not entitled to subscribe for the A Shares under the A Share Issue. As at the Latest Practicable Date, the Company is not aware of other existing Shareholders out of the 10 specific Investors (other than JCC). The final subscribers, other than JCC, will be confirmed by the Board, and/or the Board committee authorised by the Board with the sponsor (the lead underwriter) after obtaining the approval from CSRC in respect of the A Share Issue, based on the bid prices of the Investors and in accordance with the price priority principle.

LETTER FROM THE BOARD

Every investor (including existing A Shareholders) who is interested in participating in the A Share Issue may contact the Company and submit a letter of intent to subscribe for new A Shares under the A Share Issue. The existing Shareholders will not have preferential right or priority over other investors to subscribe for the A Shares under the A Share Issue.

As at the Latest Practicable Date, apart from the A Share Subscription Agreement and the Supplemental Agreement, the Company has not entered into any agreement with any potential Investors in respect of the A Share Issue. The Company currently expects that, with the exception of JCC, (i) the new A Shares to be issued under the A Share Issue will only be placed to Investors who and whose ultimate beneficial owners are third parties independent of the Company and its connected persons, and none of them will become substantial shareholders of the Company nor, together with parties acting in concert with it, would trigger mandatory general offer obligation under the Takeovers Code, upon completion of their respective subscriptions of new A Shares under the A Share Issue and (ii) the Investors will not be parties acting in concert with JCC. The Company will comply with the relevant requirements of the Listing Rules should there be any changes or if otherwise necessary.

LETTER FROM THE BOARD

Number of A Shares to
be issued:

As disclosed in the 2016 EGM Circular, the number of A Shares to be issued under the A Share Issue will be not more than 298,380,221 A Shares. Following the adjustments as a result of the completion of the implementation of the 2015 profit distribution plan of the Company for A Shares as disclosed in the Adjustment Announcement, the number of A Shares to be issued under the A Share Issue was adjusted to not more than 300,945,829 A Shares. Following the A Share Issue Adjustment, the number of A Shares to be issued under the A Share Issue was further adjusted to not more than 131,040,412 A Shares. Upon completion of implementation of the 2016 Profit Distribution Plan, the number of A Shares to be issued will be further adjusted to not more than 132,752,613 A Shares. Pursuant to the A Share Subscription Agreement, JCC shall subscribe for not less than 10% of A Shares to be issued pursuant to the A Share Issue. Subject to the abovementioned size of the A Share Issue, the actual number of A Shares to be issued will be confirmed by the Board and/or the Board committee authorised by the Board in consultation with the sponsor (the lead underwriter) in accordance with the market conditions and the result of the book-building process, which is dependent on the prices quoted by and the number of shares indicated by Investors other than JCC. The actual number of A Shares to be issued under A Share Issue equals to the total proceeds to be raised from the A Share Issue divided by the final issue price of A Shares. As at the Latest Practicable Date, on the basis that the total proceeds to be raised from the A Share Issue being not more than RMB1,524 million and the issue price is RMB13.46 per A Share (being the latest audited net asset per Share of the Company) (subject to adjustment), the number of A Shares to be issued under the A Share Issue will be 113,224,368 A Shares.

LETTER FROM THE BOARD

JCC intends to subscribe for 10% of the total proceeds to be raised from A Share Issue. Assuming there is no further adjustment made to the Share Issuance proposal, the subscription money payable by JCC for subscription of A Shares will be RMB152.4 million. The actual number of A Shares to be subscribed by JCC will depend on the final issue price of A Shares which will be determined by book-building process in which JCC will not be involved. If in the event that the number of valid subscription indicated by Investors other than JCC is less than the proposed issue size of A Share Issue, the final issue size will be reduced but the subscription money payable by JCC will remain as RMB152.4 million, as such, the percentage of proceeds to be subscribed by JCC pursuant to the A Share Issue will be increased accordingly.

The maximum number of A Shares to be issued under the A Share Issue, being 132,752,613 A Shares, represents approximately (i) 3.83% of the existing issued share capital of the Company as at the Latest Practicable Date and (ii) 3.23% of the issued share capital of the Company as enlarged by the issue of the Shares pursuant to the Share Issuance (assuming (a) the completion of implementation of 2016 Profit Distribution Plan took place; (b) there is no change in the total issued share capital of the Company since the date of this circular save for the issue of the Shares pursuant to the Share Issuance; and (c) that the Share Issuance having been approved by the CSRC and on the basis that the maximum number of A Shares and H Shares will be issued).

The maximum number of the new A Shares to be issued will be further adjusted accordingly if there is any ex-right or ex-dividend arrangement such as equity distribution, capitalization of capital reserves or rights issue from the Pricing Benchmark Date to the date of issuance.

Assuming that the total fund to be raised from the A Share Issue as S, the maximum number of the new A Shares to be issued after adjustment as Q and the base issue price of the new A Shares after adjustment as P_2 , then:

$$Q = S/P_2$$

LETTER FROM THE BOARD

Further announcement(s) in relation to the aforesaid adjustment will be made in compliance with the Listing Rules and other relevant requirements in the PRC as and when appropriate.

Method of issue: Non-public offering of A Shares by way of cash subscription within 6 months after the approval from CSRC is obtained.

Basis for determining the issue price: As disclosed in the 2016 EGM Circular, the issue price of the new A Shares shall not be lower than a benchmark price which is 90% of the average trading price of the A Shares during the 20 trading days preceding the Pricing Benchmark Date (the average trading price of the A Shares in the 20 trading days preceding the Pricing Benchmark Date equals to the total trading amount of A Shares traded in the 20 trading days preceding the Pricing Benchmark Date divided by the total volume of A Shares traded in the 20 trading days preceding the Pricing Benchmark Date), which is RMB11.73 per A Share, or the latest audited net asset per Share of the Company before the A Share Issue, whichever is higher. As disclosed in the Adjustment Announcement, due to the completion of the implementation of the 2015 profit distribution plan of the Company for A Shares, the base issue price of A Shares was adjusted to RMB11.63 per A Share, or the latest audited net asset per Share of the Company before the A Share Issue, whichever is higher. Upon completion of implementation of the 2016 Profit Distribution Plan, the base issue price of A Shares will be further adjusted to RMB11.48 per A Share, or the latest audited net assets per Share of the Company before the A Share Issue, whichever is higher. The latest audited net asset per Share of the Company is RMB13.46 (based on the audited consolidated net assets of the Group attributable to the Shareholders as at 31 December 2016, which was prepared under International Financial Reporting Standards). As such, as at the Latest Practicable Date, based on the pricing mechanism of A Share Issue, the issue price of new A Shares will be not lower than RMB13.46 per A Share (subject to adjustment).

The issue price of RMB13.46 per A Share represents:

- i. a discount of approximately 16.66% to the closing price of RMB16.15 per A Share as quoted on the Shanghai Stock Exchange on the Latest Practicable Date;

LETTER FROM THE BOARD

- ii. a discount of approximately 11.56% to the closing price of RMB15.22 per A Share as quoted on the Shanghai Stock Exchange on 26 May 2017, being the date of the announcement of the Company in relation to the Extension Resolutions;
- iii. a discount of approximately 10.15% to the average closing price of RMB14.98 per A Share as quoted on the Shanghai Stock Exchange for the last five consecutive trading days immediately prior to 26 May 2017;
- iv. a discount of approximately 9.97% to the average closing price of RMB14.95 per A Share as quoted on the Shanghai Stock Exchange for the last ten consecutive trading days immediately prior to 26 May 2017; and
- v. a discount of approximately 11.97% to the average closing price of RMB15.29 per A Share as quoted on the Shanghai Stock Exchange for the last 20 consecutive trading days immediately prior to 26 May 2017.

Subject to the abovementioned benchmark price, the issue price of the A Share Issue shall be determined by book-building process. Upon obtaining the approval from CSRC in respect of the A Share Issue, the Board, and/or the Board committee authorised by the Board along in consultation with the sponsor (the lead underwriter) will, with the authorisation of the Shareholders, confirm the issue price of the new A Shares in accordance with the applicable laws, regulations and other regulatory documents, and based on the bid prices of the Investors and in accordance with the price priority principle. JCC will not participate in the pricing exercise for the A Share Issue, but will accept results of the book-building process and make subscription at the same price as other target subscribers. The net issue price per each new A Share will be confirmed and disclosed upon completion of the A Share Issue and the determination of relevant expenses incurred or to be incurred in relation to the A Share Issue in accordance with the requirements of the Listing Rules.

The base issue price of the new A Shares will be further adjusted accordingly if there is any ex-right or ex-dividend arrangement such as equity distribution, capitalization of capital reserves or rights issue from the Pricing Benchmark Date to the date of issuance.

LETTER FROM THE BOARD

Assuming that the 90% of the average trading price of the A Shares during the 20 trading days preceding the Pricing Benchmark Date before adjustment as P_0 , the latest audited net asset per Share of the Company before the A Share Issue as BPS, the ratio of bonus issue or capitalisation of capital reserve as N, the ratio of new Shares issue or allotments as K, the price of the new Shares or allotments as A, distribution of dividends for each Share as D (RMB per A Share), 90% of the average trading price of the A Shares during the 20 trading days preceding the Pricing Benchmark Date after adjustment as P_1 and the base issue price of the new A Shares after adjustment as P_2 , then:

For dividends distribution only: $P_1 = P_0 - D$;

For bonus issue or transfer to share capital from capital reserve only:
 $P_1 = P_0 / (1 + N)$;

For issue of new Shares or allotments only: $P_1 = (P_0 + AK) / (1 + K)$;

For combination of the three items only: $P_1 = (P_0 - D + AK) / (1 + N + K)$;

Adjusted base issue price of the new A Shares: $P_2 = P_1$ or BPS, whichever is higher.

Further announcement(s) in relation to the aforesaid adjustment will be made in compliance with the Listing Rules and other relevant requirements in the PRC as and when appropriate.

As the adjustment made or to be made to the issue price of A Shares was and will be conducted in accordance with the formula set out in this sub-paragraph headed “Basis for determining the issue price”, the Company has not engaged and will not engage any professional party or auditors to assess the adjustment to the issue price of the A Shares under the A Share Issue.

On 15 February 2016 (i.e. the last trading day before the suspension of trading in the A Shares prior to the execution of the Subscription Agreements), the closing price of A Shares was RMB13.45 per A Share.

LETTER FROM THE BOARD

Conditions for the A Share Subscription Agreement to take effect:

The A Share Subscription Agreement will take effect on the date when all the following conditions have been satisfied:

- (1) the approvals and/or authorisations having been granted by the Board and Independent Shareholders at a general meeting for the A Share Issue, the A Share Subscription Agreement and the transactions contemplated thereunder;
- (2) the approval from SASAC of Jiangxi Province in relation to the A Share Issue having been obtained;
- (3) the approval from CRSC in relation to the A Share Issue having been obtained;
- (4) in accordance with the Regulations on Acquisitions by Listed Companies (《上市公司收購管理辦法》) and other relevant regulations, approval having been granted by Independent Shareholders at a general meeting for the waiver of JCC's obligation to make a general offer of the securities of the Company as a result of the Share Issuance;
- (5) the Whitewash Waiver having been approved by the Board and Independent Shareholders at a general meeting and the Executive having granted, and not having withdrawn or revoked such grant, the Whitewash Waiver and the fulfillment of conditions (if any) attached to the Whitewash Waiver; and
- (6) the conditions for the H Share Subscription Agreement as set out in sub-paragraphs (1) to (5) in the paragraph headed "Conditions for the H Share Subscription Agreement to take effect" below having been satisfied.

None of the abovementioned conditions is waivable by the Company and JCC. If any of the conditions above cannot be fulfilled, the A Share Subscription Agreement will not take effect.

As at the Latest Practicable Date, save for conditions numbered (3) and (6) above, all conditions under the A Share Subscription Agreement have been fulfilled.

LETTER FROM THE BOARD

- Lock-up period: The A Shares to be subscribed by JCC pursuant to the A Share Issue shall not be traded or transferred within 36 months from the date of completion of the A Share Issue while the A Shares to be subscribed by other Investors shall not be traded or transferred within 12 months from the date of completion of the A Share Issue.
- Total funds to be raised and used: As disclosed in the 2016 EGM Circular, the total funds to be raised from the A Share Issue will be not more than RMB3,500 million. As a result of the A Share Issue Adjustment, the total funds to be raised from the A Share Issue will be adjusted to not more than RMB1,524 million. The net proceeds from the A Share Issue after deducting fees and expenses are proposed to be used in the following manner:
- (1) as to approximately RMB435 million to be used for the technical renovation for the deep mining expansion project of Yinshan Mine;
 - (2) as to approximately RMB632 million to be used for the new construction of No. 5 gangue reservoir of Dexing Copper Mine (Tieluoshan); and
 - (3) as to the remaining proceeds of not more than RMB457 million to be used to replenish working capital of the Company, of which
 - (i) as to approximately RMB5 million to RMB10 million to be used for payment of selling expenses;
 - (ii) as to approximately RMB5 million to RMB10 million to be used for payment of management expenses and remuneration of employees; and
 - (iii) as to the remaining of approximately RMB437 million to RMB447 million to be used for purchase of raw materials.

LETTER FROM THE BOARD

If the actual proceeds to be raised from the A Share Issue are less than the aggregate amount of the proceeds proposed to be invested in the aforementioned projects, the Company will adjust and determine the specific projects, the order of priority and the specific investment amount of each project based on the net proceeds actually raised and the priority of each project, and will make up for the shortfall by utilising internal resources or through other financing methods. Before the actual receipt of the proceeds to be raised from the A Share Issue, the Company will, depending on the actual situations of the progress of the projects, finance these projects by proceeds raised through other measures, which will be replaced once the proceeds from the A Share Issue have been received according to procedures required by relevant regulations.

- Place of listing: The Company will apply to the Shanghai Stock Exchange for the listing of, and permission to deal in, the new A Shares to be issued pursuant to the A Share Issue.
- Distribution of profit: Upon completion of the A Share Issue, existing and new Shareholders shall be entitled to the undistributed profits of the Company.
- Validity period of the resolution: The resolution regarding the A Share Issue shall be valid for 12 months from the date of the passing of the resolution with respect to the A Share Issue at the 2016 EGM and the 2016 Class Meetings, which will be expired on 18 July 2017. The Board proposes to extend the validity period of such resolution for a further period of 12 months, commencing from 18 July 2017 to 18 July 2018 for approval by the Independent Shareholders at the New EGM and Class Meetings.
- Specific mandate of the issuance of A Shares: The Company will issue the A Shares under the Specific Mandate which was granted to the Board at the 2016 EGM and 2016 Class Meetings subject to the Share Issuance Extension Resolution being approved at the New EGM and the Class Meetings.
- Rights of the new A Shares: The new A Shares to be issued pursuant to the A Share Issue, when fully paid and issued, will rank pari passu in all respects amongst themselves and with the A Shares in issue at the time of the issue and allotment of such new A Shares, and will be entitled to receive all future dividends and distributions which are declared, made or paid on or after the date of allotment and issue of such new A Shares.

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Structure of the H Share Issue

Class and par value of H Shares to be issued:	H Shares with a par value of RMB1.00 each
Subscriber:	JCC shall subscribe all of the new H Shares and it may designate its wholly-owned subsidiary to subscribe the new H Shares.
Number of H Shares to be issued:	As disclosed in the 2016 EGM Circular, the number of H Shares to be issued under the H Share Issue will be not more than 527,318,932 H Shares. Following the adjustments as a result of (i) the adjustment to the issue price of H Shares as disclosed in the announcement of the Company dated 18 July 2016, the number of H Shares to be issued under the H Share Issue was adjusted to not more than 502,421,307 H Shares and (ii) the completion of the implementation of the 2015 profit distribution plan of the Company for H Shares as disclosed in the Adjustment Announcement, the number of H Shares to be issued under the H Share Issue was further adjusted to not more than 509,828,009 H Shares. Upon completion of implementation of the 2016 Profit Distribution Plan, the number of H Shares to be issued will be further adjusted to not more than 520,702,634 H Shares.

The maximum number of H Shares to be issued under the H Share Issue, being 520,702,634 H Shares, represents approximately (i) 15.04% of the existing issued share capital of the Company as at the Latest Practicable Date and (ii) 12.65% of the issued share capital of the Company as enlarged by the issue of the Shares pursuant to the Share Issuance (assuming (a) the completion of implementation of 2016 Profit Distribution Plan took place; (b) there is no change in the total issued share capital of the Company since the date of this circular save for the issuance of the Shares pursuant to the Share Issuance; and (c) that the Share Issuance having been approved by the CSRC and on the basis that the maximum number of A Shares and H Shares will be issued).

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The maximum number of the new H Shares to be issued will be further adjusted accordingly if there is any ex-right or ex-dividend arrangement such as equity distribution, capitalization of capital reserves or rights issue from the date of the Board Meeting to the date of issuance.

Assuming the total fund to be raised from the H Share Issue as S_1 , the maximum number of the new H Shares to be issued after adjustment as Q_1 and the base issue price of the new H Shares after adjustment as P_4 , then:

$$Q_1 = S_1/P_4$$

Further announcement(s) in relation to the aforesaid adjustment will be made in compliance with the Listing Rules and other relevant requirements in the PRC as and when appropriate.

Method of issue:	Non-public offering of H Shares by way of cash subscription within the specified period approved by CSRC.
Basis for determining the issue price:	The issue price of new H Shares shall be the average trading price of the H Shares during the 20 trading days preceding the date of the Board Meeting (the average trading price of the H Shares in the 20 trading days preceding the date of the Board Meeting equals to the total trading amount of H Shares traded in the 20 trading days preceding the date of the Board Meeting divided by the total volume of H Shares traded in the 20 trading days preceding the date of the Board Meeting), which is HK\$7.87 per H Share. Such basis for determining the issue price of H Shares only takes into account the average trading price of the H Shares during the 20 trading days preceding the date of the Board Meeting and does not apply to subsequent meetings of the Board.

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Adjustment to the
issue price:

As disclosed in the 2016 EGM Circular, in the event that the closing price of the H Shares on the last trading day preceding the date of the 2016 EGM and the 2016 Class Meetings is higher than that of the last trading day preceding the date of the Board Meeting, which is HK\$8.45 per H Share, the issue price of new H Shares shall be adjusted upwards proportional to the ratio on the basis of the abovementioned issue price but the upward adjustment should not exceed 5%. The upward adjustment mechanism was set up in order to protect the interests of the minority Shareholders and the 5% ceiling was determined in accordance with the market practice. The formula of the adjustment proportion and adjusted issue prices is as follows:

$$R = \frac{N_2}{N_1} - 1$$

$$P_2 = P_1 \times (1+R)$$

R: the upward adjustment ratio

P₁: issue price before adjustment

P₂: issue price after adjustment

N₁: closing price on the trading day preceding the date of the Board Meeting

N₂: closing price on the trading day preceding the date of the 2016 EGM and the 2016 Class Meetings

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As disclosed in the announcement of the Company dated 18 July 2016, as the closing price on the trading day preceding the date of the 2016 EGM and 2016 Class Meetings was HK\$9.62 per H Share, which was higher than the closing price of HK\$8.45 per H Share on the last trading day preceding the date of Board Meeting, as such, in accordance with the aforesaid adjustment mechanism, the issue price of H Shares to be issued pursuant to the H Share Issue was adjusted upward by 5% from HK\$7.87 per H Share to HK\$8.26 per H Share. The 5% upward adjustment mechanism was a one-off adjustment which only applied to the difference in the closing price of H Shares on the last trading day preceding the date of Board Meeting and the last trading day preceding the date of the 2016 EGM and 2016 Class Meetings.

Subsequently, as disclosed in the Adjustment Announcement, due to the completion of the implementation of the 2015 profit distribution of the Company for the H Shares, the issue price of H Shares pursuant to the H Share Issue was further adjusted to HK\$8.14 per H Share (subject to adjustment). Upon completion of implementation of the 2016 Profit Distribution Plan, the issue price of H Shares will be further adjusted to HK\$7.97 per H Share.

The issue price of HK\$7.97 per H Share represents:

- i. a discount of approximately 33.03% to the closing price of HK\$11.9 per H Share as quoted on the Stock Exchange at the Latest Practicable Date;
- ii. a discount of approximately 32.69% to the closing price of HK\$11.84 per H Share as quoted on the Stock Exchange on 26 May 2017, being the date of the announcement of the Company in relation to the Extension Resolutions;
- iii. a discount of approximately 31.82% to the average closing price of HK\$11.69 per H Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to 26 May 2017;

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- iv. a discount of approximately 31.88% to the average closing price of HK\$11.70 per H Share as quoted on the Stock Exchange for the last ten consecutive trading days immediately prior to 26 May 2017; and
- v. a discount of approximately 32.05% to the average closing price of HK\$11.73 per H Share as quoted on the Stock Exchange for the last 20 consecutive trading days immediately prior to 26 May 2017.

The net issue price per each new H Share will be determined and disclosed upon completion of the H Share Issue and the determination of relevant expenses incurred or to be incurred in relation to the H Share Issue in accordance with the requirements of the Listing Rules.

The issue price of the new H Shares will be further adjusted accordingly if there is any ex-right or ex-dividend arrangement such as equity distribution, capitalization of capital reserves or rights issue from the date of the Board Meeting to the date of issuance.

Assuming the issue price of the new H Shares before adjustment as P_3 (after adjustment on the initial issue price due to the difference between the closing price of the H Shares on the last trading day preceding the date of the 2016 EGM and the 2016 Class Meetings and that of the last trading day preceding the date of the Board Meeting already considered and reflected), the ratio of bonus issue or capitalisation of capital reserve as N , the ratio of new Shares issue or allotments as K , the price of the new Shares or allotments as A , distribution of dividends for each Share as D (HK\$ per H Share), the issue price of the new H Shares after adjustment as P_4 then:

For dividends distribution only: $P_4 = P_3 - D$;

For bonus issue or transfer to share capital from capital reserve only:
 $P_4 = P_3 / (1 + N)$;

For issue of new shares or allotments only: $P_4 = (P_3 + AK) / (1 + K)$;

For combination of the three items only: $P_4 = (P_3 - D + AK) / (1 + N + K)$;

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Further announcement(s) in relation to the aforesaid adjustment will be made in compliance with the Listing Rules and other relevant requirements in the PRC as and when appropriate.

As the adjustments made or to be made to the issue price of H Shares were and will be conducted in accordance with the formula set out in this sub-paragraph headed “Adjustment to the issue price”, the Company has not engaged and will not engage any professional party or auditors to assess the adjustment to the issue price of the H Shares under the H Share Issue.

Conditions for the H Share Subscription Agreement to take effect:

The H Share Subscription Agreement will take effect on the date when all the following conditions have been satisfied:

- (1) the approvals and/or authorisations having been granted by the Board and the Independent Shareholders at a general meeting for the H Share Issue, the H Share Subscription Agreement and transactions contemplated thereunder;
- (2) all necessary approvals, consents from the relevant governmental and regulatory authorities, including but not limited to the approval from SASAC of Jiangxi Province and CSRC, in relation to the H Share Issue and the H Share Subscription Agreement having been obtained;
- (3) in accordance with the Regulations on Acquisitions by Listed Companies (《上市公司收購管理辦法》) and other relevant regulations, approval having been granted by Independent Shareholders at a general meeting for the waiver of JCC’s obligation to make a general offer of the securities of the Company as a result of the Share Issuance;
- (4) the Whitewash Waiver having been approved by the Board and Independent Shareholders at a general meeting and the Executive having granted, and not having withdrawn or revoked such grant, the Whitewash Waiver and the fulfillment of conditions (if any) attached to the Whitewash Waiver;

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- (5) the Listing Committee of the Stock Exchange granting the listing approval in relation to the listing of, and permission to deal in the new H Shares to be issued pursuant to the H Share Issue and the listing approval not subsequently withdrawn or revoked prior to the completion of the H Share Issue; and
- (6) the conditions for the A Share Subscription Agreement as set out in sub-paragraphs (1) to (5) in the paragraph headed “Conditions for the A Share Subscription Agreement to take effect” above having been satisfied.

None of the abovementioned conditions is waivable by the Company and JCC. If any of the conditions above cannot be fulfilled, the H Share Subscription Agreement will not take effect.

As at the Latest Practicable Date, save for conditions numbered (2), (5) and (6) above, all conditions under the H Share Subscription Agreement have been fulfilled.

Lock-up period:	JCC undertook that within 36 months from the date of completion of the H Share Issue, it and/or its designated wholly-owned subsidiary shall not directly or indirectly (if applicable) transfer the H Shares subscribed pursuant to the H Share Issue.
Total funds to be raised and used:	The total funds to be raised from the H Share Issue will be not more than HK\$4,150 million or its equivalent RMB. The net proceeds from the H Share Issue after deducting fees and expenses are proposed to be used to replenish working capital of the Company. The Company intends to use the net proceeds from H Share Issue for purchase of raw materials. The raw materials mainly comprise copper concentrate and blister copper, which are raw materials used for copper smelting.
Place of listing:	The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the new H Shares to be issued pursuant to the H Share Issue.
Distribution of profit:	Upon completion of the H Share Issue, Shareholders shall be entitled to the undistributed profits of the Company.

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Validity period of the resolution:	The resolution regarding the H Share Issue shall be valid for 12 months from the date of the passing of the resolution with respect to the H Share Issue at the 2016 EGM and the 2016 Class Meetings, which will be expired on 18 July 2017. The Board proposes to extend the validity period of such resolution for a further period of 12 months, commencing from 18 July 2017 to 18 July 2018 for approval by the Independent Shareholders at the New EGM and the Class Meetings.
Specific mandate of the issuance of H Shares:	The Company will issue the H Shares under the Specific Mandate which was granted to the Board at the 2016 EGM and the 2016 Class Meetings subject to the Share Issuance Extension Resolution being approved at the New EGM and the Class Meetings.
Rights of the new H Shares:	The new H Shares to be issued pursuant to the H Share Issue, when fully paid and issued, will rank pari passu in all respects amongst themselves and with the H Shares in issue at the time of the issue and allotment of such new H Shares, and will be entitled to receive all future dividends and distributions which are declared, made or paid on or after the date of allotment and issue of such new H Shares.

Authorisation to the Board and/or the Board committee authorised by the Board to complete matters relating to the Share Issuance

The original validity period of the authorisation granted to the Board and/or the Board committee authorised by the Board to complete matters relating to the Share Issuance will expire on 18 July 2017. To ensure orderly and efficient implementation of the Share Issuance, the Board proposed to extend the validity period of the authorisation granted to the Board and the Board committee authorised by the Board to handle matters relating to the Share Issuance pursuant to the rules and regulations including the Company Law of the PRC and the Securities Law of the PRC and the relevant requirements under the Articles, including but not limited to the following, for a further period of 12 months commencing from 18 July 2017 to 18 July 2018:

- (1) subject to the laws, regulations and requirements of other regulatory department, authorise the Board to handle all matters relating to the Share Issuance, including but not limited to determining the issue method, issue size, issue price, method of determining the price, target subscribers and timing of issue;

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- (2) subject to the laws, regulations and requirements of other regulatory department, authorise the Board to handle the review, registration, filing, approval and consent in relation to the Share Issuance, to formulate, prepare, revise, finalise and execute all documents in relation to the Share Issuance and to execute all contracts, agreements and documents relating to the Share Issuance;
- (3) subject to the laws, regulations and requirements of other regulatory department, if requested by the regulatory department or if there is any change to the policies relevant to the Share Issuance or market condition, authorise the Board to adjust the Share Issuance proposal (other than those matters requiring Shareholders' approval in accordance with the relevant laws, regulations or Articles or as requested by the regulatory department);
- (4) authorise the Board to handle the relevant capital verification in respect of the Share Issuance;
- (5) authorise the Board to set up designated account for the fund raised in respect of the Share Issuance;
- (6) authorise the Board to determine and engage intermediaries in respect of the Share Issuance, including but not limited to preparing and filing of documents in accordance with regulatory requirements, and determine their remuneration;
- (7) subject to the laws, regulations and requirements of other regulatory department, authorise the Board, within the scope of the resolutions proposed at the general meeting of the Company, to adjust the investment of raised proceeds in the projects, including but not limited to, advancing payments to the projects by utilizing other funds in accordance with the actual condition in the event that the availability of the proceeds is not consistent with the approval, authorisation, filing or the actual progress of these projects and replacing with raised proceeds once available. When the proceeds are available, the Board is authorised to be solely responsible for adjusting and determining the specific projects, the order of priority and the specific investment amount of the relevant projects according to conditions of practical implementation including the approval, authorisation, filing or the actual progress and urgency of financial needs of the relevant projects;
- (8) authorise the Board to handle registration, lock-up and listing of the new Shares upon completion of the Share Issuance and to file the relevant documents;
- (9) authorise the Board to amend the Articles and to handle the relevant approval, registration and filing procedures and the registration procedures for change of registered capital upon completion of the Share Issuance; and

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- (10) subject to the laws, regulations and requirements of other regulatory department, authorise the Board to determine and handle all other matters in relation to the Share Issuance.

Items No. 7 to 9 above shall have the validity period during the subsistence of the relevant item from the date on which the relevant resolution is passed at the general meeting of the Company and all other items shall have the validity period of 12 months commencing from the date on which the relevant resolution is passed at the general meeting of the Company.

On the basis of the abovementioned authorisation, the Board shall authorise and appoint any two of the executive Directors to form a committee of the Board, which shall decide, handle and deal with all matters relating to the A Share Issue and the H Share Issue.

REASONS FOR AND BENEFITS OF THE SHARE ISSUANCE AND THE EXTENSION RESOLUTIONS

The business scale of the Company has been constantly growing. For the year ended 31 December 2016, operating revenue of the Group was RMB202.31 billion, representing an increase of 8.90% as compared with that of 2015; operating cost of the Group was RMB195.31 billion, representing an increase of 7.62% as compared with that of 2015; and the cash paid by the Group for purchasing goods and accepting services in 2016 was RMB223.76 billion, representing an increase of 8.97% as compared with that of 2015. As further disclosed in the annual report of the Company for the year ended 31 December 2016, the bank balance and cash were approximately RMB8,260 million, together with the net proceeds for replenishing working capital of not more than RMB457 million from A Share Issue and not more than HK\$4,150 million (equivalent to approximately RMB3,631.08 million using exchange rate of HK\$1 equivalent to RMB0.87496) from H Share Issue, the Group will have not more than RMB12,348.08 million general working capital available for the operation and development of the Group upon completion of the Share Issuance. During the year ended 31 December 2016, the Group incurred raw material cost of approximately RMB45,400 million and selling and distribution expenses and administrative expenses of approximately RMB2,233 million. The copper industry is highly cyclical, an increase in copper price will result in the increase in raw material costs of the Company. In addition, due to the expansion of the Group's operational scale, the expenditure of the Company spent on purchase of raw materials has also increased. Moreover, as the size of Renminbi credit facility has been tightened and the capital cost has been going upward, finance cost of the Company has increased. As such, based on the Company's current financial situation, the Company has funding needs to purchase the raw materials and the Directors consider that it is necessary to replenish the working capital in order to be in line with the Group's operating scale and continuous expansion of production capacity and to reduce the financial pressure of the Group. As a leading enterprise in the domestic copper industry, in recent years, the performance of the Company has been among the forefront in the industry. Moreover, production of copper smelting of the Company in recent years has been constantly expanding. The Company intends to realize the upgrading

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of the production lines, increase the production capacities of the existing mines, as well as increase, upgrade and reform the existing copper processing capacity by increasing the procurement of engineering design services, investment in scientific research, engineering investment and purchases of machinery and equipment. According to the Company's production and operation plan of 2017, the Company targets to produce 1.36 million tonnes of copper cathode, representing an increase of 12.40% of the production of 1.21 million tonnes of copper cathode in 2016. With the continuing expansion of scale of operation and capacity, the Company has larger needs for working capital which is necessary to support the development of the Group and provide resources for the Group to grasp merger and acquisition opportunities should such opportunities arise so as to reinforce its investment development. However, due to macro-economy downturn and industry depression, pressure in fund raising faced by the Company has become higher. As at the Latest Practicable Date, the Company has yet to identify any new business opportunities. The Company will comply with the applicable Listing Rules should such opportunities arise.

Moreover, it is urgent for the Company to replenish monetary capitals so as to reduce liquidity risk and improve capital structure. After the working capitals are replenished by the proceeds from the non-public issuance, the operating capital pressure of the Company can be lowered while the assets structure shall be improved and the liquidity pressure shall be relieved. All these shall enhance the ability of the Company to survive various financial pressure and to develop business in the future.

The proceeds from the Share Issuance to be used for the investment in the technical renovation for the deep mining expansion project of Yinshan Mine can help the Company expand its scale of mine production, further improve its self-sufficiency rate of raw material, reduce costs and strengthen its market position in order to develop and lay a solid foundation in a better and faster manner for the future.

Furthermore, the Share Issuance will supplement the capital of the Company effectively, reduce its asset-liability ratio, which is beneficial to the Company in improving its capital structure, optimising its financial status and reducing its financial expenses.

In view of the above, the Directors consider that the Share Issuance assists the steady expansion of mine production scale, increases the self-sufficiency rate of raw material, improves the production and operation efficiency and further reduces the production cost of the Company. Meanwhile, the Company will receive certain external funding for its daily production and operation and future development, which is beneficial to the reduction of its operating risks and enhancement of its resistance to risk exposure during the industry downturn and is also beneficial to the Company in strengthening its ability in countercyclical investment. During the industry downturn, the extra funding from the Share Issuance will enable the Company to make investment in and be capable to acquire target businesses in the industrial chain at a relatively low price, thus enabling the Company to develop and lay a solid foundation in a better manner when the industry cycle turns around in the future. At the same time, the Share Issuance also benefits the Company to have more opportunities in terms of resources.

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The Company has considered other financing alternatives such as rights issue or open offer. However, as the A Shares and H Shares have to be issued at the same price in a rights issue, it may not be feasible to conduct rights issue given the substantial difference between the market price of A Shares and H Shares. In addition, pursuant to the Measures for Administration of the Issuance of Securities by Listed Companies (《上市公司證券發行管理辦法》) issued by CSRC, an A share listed company in PRC is allowed to issue new shares or convertible bonds to the public in the A share market if the average of weighted average returns on net assets (calculated by net income divided by net assets) in the previous three financial years is not less than 6%. The net income is calculated on the basis of the profit after tax and the profit after tax excluding non-recurring items, whichever is lower. Since the weighted average return on net assets of the Company is lower than 6% from 2013 to 2015, being the three financial years preceding the Board Meeting for approving, among others, the Share Issuance, the Company will not be permitted to issue any new A Shares nor convertible bonds to the public in the A share market through open offer. Based on the above reasons, the Directors considered that the Company is unable to issue new A and H Shares to the public, hence the Share Issuance is considered as the best available fund-raising option for the Company.

As disclosed in the 2016 EGM Circular, the then Directors (excluding the then connected directors of JCC but including members of the then independent board committee who have expressed their views after receiving the advice from the Independent Financial Adviser) were of the view that the terms of the Share Issuance and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interest of the Company and the Shareholders as a whole.

As CSRC is in the process of reviewing the Company's application for the Share Issuance, it is uncertain whether the Company would be able to complete the Share Issuance before the expiry of the validity period of the Shareholders' resolutions relating to the Share Issuance. As such, the Board is of the view that it is necessary and in the interests of the Company and its Shareholders as a whole to propose the Extension Resolutions.

Other than Mr. Li Baomin, Mr. Long Ziping, Mr. Wu Jinxing, Mr. Wu Yuneng and Mr. Wang Bo, who are connected directors of JCC, and have abstained from voting at the 2017 Board Meeting on the resolutions, inter alia, approving the Relevant Board Resolutions, none of the Directors have a material interest in the Share Issuance or is required to abstain from voting on the Board resolutions for considering and approving the Relevant Board Resolutions.

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The then independent non-executive Directors also expressed independent opinion prior to the Relevant Board Resolutions and considered the following factors:

- (1) the revised Share Issuance is practicable and its fund raising is beneficial to the Company in expanding the scale of mine production capacity steadily and improving the self-sufficiency rate of raw materials and efficiency of production operations, which will further lower the production costs of the Company. Meanwhile, the Company will receive external funds to support its daily production, operation and future development, which will reduce to a large extent its financing pressure, lower its operation risks and enhance its risk resistance capacity. In addition, the Share Issuance will help lower the asset-debt ratio, improve the capital structure and optimize the financial situation of the Company;
- (2) the revised proposal for the A Share Issue is operational, such proposal and the entering into of the Supplemental Agreement are in compliance with the relevant laws and regulations in the PRC as well as the regulations promulgated by CSRC;
- (3) the relevant resolutions in respect of the revised proposal for the A Share Issue have been considered and passed at the 2017 Board Meeting, of which the convening procedure and voting procedure and method are in compliance with the relevant laws and regulations in the PRC, relevant normative documents as well as the regulations under the Articles;
- (4) the Share Issuance constitutes a connected transaction, and the connected Directors have abstained from voting on the Relevant Board Resolutions, and the procedures of the Board in considering and disclosing matters in relation to the Share Issuance are in compliance with the relevant laws and regulations, relevant normative documents and the regulations under the Articles;
- (5) the implementation of the Share Issuance reflects the support and confidence from the controlling shareholder of the Company, and the Share Issuance and the terms thereunder are fair and reasonable and on normal commercial terms, which is beneficial to the development of the Company and in the interest of the Company and its Shareholders as a whole, and the interests of the minority Shareholders are not prejudiced and the transactions contemplated thereunder are fair and reasonable to the Independent Shareholders;
- (6) as the Share Issuance Extension Resolution is in compliance with all the relevant rules and regulations in the PRC and Hong Kong and beneficial to the implementation of the Share Issuance, the interests of the Company and its Shareholders (especially medium-sized and minority Shareholders) are not prejudiced, and the relevant matters in respect of the Share Issuance Extension Resolutions are still subject to the consideration and approval at the New EGM and the Class Meetings; and

LETTER FROM THE BOARD

- (7) the implementation of the relevant matters in respect of the Share Issuance is still subject to the approval by CSRC.

EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, the number of issued Shares is 3,462,729,405 Shares, comprising, 2,075,247,405 A Shares and 1,387,482,000 H Shares.

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after completion of the Share Issuance (assuming (a) the completion of the implementation of 2016 Profit Distribution Plan took place; (b) JCC will subscribe 10% of A Shares to be issued under the A Share Issue; (c) there is no change in the total issued share capital of the Company since the date of this circular save for the issue of the Shares pursuant to the Share Issuance and (d) that the Share Issuance having been approved by the CSRC; and on the basis that the maximum number of A Shares and H Shares will be issued); and (iii) immediately after completion of the Share Issuance (assuming (a) the completion of implementation of 2016 Profit Distribution Plan took place; (b) JCC will subscribe all the A Shares to be issued under the A Share Issue; (c) there is no change in the total issued share capital of the Company since the date of this circular save for the issue of the Shares pursuant to the Share Issuance and (d) that the Share Issuance having been approved by the CSRC; and on the basis that the maximum number of A Shares and H Shares will be issued):

	Class of Shares	As at the Latest Practicable Date		Immediately after completion of the Share Issuance assuming that the completion of the implementation of 2016 Profit Distribution Plan took place and that JCC will subscribe 10% of A Shares to be issued under the A Share Issue <i>(Note 1)</i>		Immediately after completion of the Share Issuance assuming that the completion of the implementation of 2016 Profit Distribution Plan took place and that JCC will subscribe all the A Shares to be issued under the A Share Issue <i>(Notes 1 & 2)</i>	
		Number of Shares	Approximate % of the total issued Shares	Number of Shares	Approximate % of the total issued Shares	Number of Shares	Approximate % of the total issued Shares
JCC	A	1,205,479,110	34.81%	1,218,754,372	29.61%	1,338,231,723	32.51%
	H	198,135,000	5.72%	718,837,634	17.46%	718,837,634	17.46%
Sub-total for JCC and parties acting in concert with it		1,403,614,110	40.53%	1,937,592,006	47.07%	2,057,069,357	49.97%
Public holders of A Shares	A	869,768,295	25.12%	989,245,646	24.03%	869,768,295	21.13%
Public holders of H Shares	H	1,189,347,000	34.35%	1,189,347,000	28.90%	1,189,347,000	28.90%
Total		<u>3,462,729,405</u>	<u>100%</u>	<u>4,116,184,652</u>	<u>100%</u>	<u>4,116,184,652</u>	<u>100%</u>

LETTER FROM THE BOARD

Notes:

1. The number of A Shares to be issued under the A Share Issue as set out in this column are prepared on the basis that upon completion of the 2016 Profit Distribution Plan, the maximum number of A Shares (i.e. 132,752,613 A Shares) will be issued under the A Share Issue. The actual number of A Shares to be issued pursuant to the A Share Issue equals to the total proceeds to be raised from the A Share Issue (being not more than RMB1,524 million) divided by the final issue price of A Shares which will be determined by book-building process.
2. JCC intends to subscribe for 10% of the total proceeds to be raised from A Share Issue. The actual number of A Shares to be subscribed by JCC will depend on the final issue price of A Shares which will be determined by book-building process in which JCC will not be involved. As such, the number of A Shares to be subscribed by JCC in this column was prepared on the basis that JCC will subscribe for the maximum number of A Shares (i.e. 132,752,613 A Shares) to be issued under the A Share Issue upon completion of the 2016 Profit Distribution Plan and it is for illustrative purpose only.

As at the Latest Practicable Date, the Company has no outstanding options, warrants, derivatives or securities convertible into Shares.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has not carried out any fund raising exercises during the 12 months immediately preceding the Latest Practicable Date.

IMPLICATIONS UNDER THE TAKEOVERS CODE

As at the Latest Practicable Date, JCC holds 1,205,479,110 A Shares and 198,135,000 H Shares, representing approximately 40.53% of the issued share capital of the Company. As the Subscription will increase JCC's shareholding of the Company from approximately 40.53% to approximately 46.95% as enlarged by the issue of new Shares under the Share Issuance, the Subscription will give rise to an obligation on the part of JCC to make a mandatory general offer for all the Shares other than those already owned or agreed to be acquired by it under Rule 26 of the Takeovers Code.

The Executive granted the Whitewash Waiver to JCC on 15 July 2016, subject to (i) the Share Issuance being approved by the Independent Shareholders at a general meeting of the Company by way of poll; and (ii) there being no acquisition or disposal of voting rights being made by JCC and parties acting in concert with it between the announcement of the Company dated 26 February 2016 in relation to the proposed Share Issuance and the completion of the Share Issuance, unless prior consent is given by the Executive. The issue of the new Shares under the Share Issuance and the Whitewash Wavier had been approved by the then Independent Shareholders at the 2016 EGM and 2016 Class Meetings held on 18 July 2016 by way of poll.

LETTER FROM THE BOARD

It is also set out in the Whitewash Waiver letter that JCC and parties acting in concert with it should continue to comply fully with Schedule VI to the Takeovers Code. If there is any non-compliance with the Takeovers Code or any material change to the information provided, the Executive should be advised immediately so that the Executive can determine whether the Whitewash Waiver remains valid. JCC has confirmed that it and parties acting in concert with it have fully complied with and will continue to comply with Schedule VI to the Takeovers Code, in particular, unless the Executive gives prior consent, no acquisition or disposal of voting rights of the Company was and will be made by JCC and parties acting in concert with it between the announcement of the Company dated 26 February 2016 in relation to the Share Issuance and the completion of the Share Issuance.

Save for (i) the extensions of the validity period of the Shareholders' resolutions relating to the Share Issuance, and the authorisation granted to the Board and/or the Board committee authorised by the Board to handle matters relating to the Share Issuance for a further period of 12 months, i.e. commencing from 18 July 2017 to 18 July 2018; and (ii) the A Share Issue Adjustment, there is no other change to the terms of the Share Issuance previously disclosed by the Company. Therefore, the passing of the Extension Resolutions will not affect the validity of the Whitewash Waiver.

III. GENERAL INFORMATION

The Company is a Sino-foreign joint venture joint stock limited company incorporated in the PRC on 24 January 1997. The Company's main scope of operations include: non-ferrous metal, rare metals and non-metallic ores; smelting, rolling processing and further processing of non-ferrous metal and related by-products; after sale services for self-manufactured products; overseas futures and hedging business and related enquiry services and business.

JCC, as the controlling shareholder of the Company, is a collective enterprise (全民所有制企業) in which the SASAC of Jiangxi Province performs contributor function. The principal business of JCC covers non-ferrous mines, non-metal mines and non-ferrous smelting and rolling processed products. JCC undertakes the construction of overseas non-ferrous industry and domestic international tendering construction, the necessary equipment for the abovementioned overseas construction, export of materials and the necessary labour sent to overseas for the implementation of the abovementioned overseas construction.

LETTER FROM THE BOARD

JCC is a substantial shareholder holding approximately 40.53% of the total issued share capital of the Company, and therefore JCC is a connected person of the Company under the Listing Rules. As such, the Share Issuance and the Subscription Agreements constitute connected transactions for the Company and are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. JCC, being a subscriber under both A Share Issue and H Share Issue, has a material interest in the Share Issuance. Therefore, JCC, its associates and parties acting in concert with it and those who are involved in or interested in the Share Issuance will abstain from voting on the Share Issuance Extension Resolution to be proposed at the New EGM and the Class Meetings.

IV. NEW EGM AND CLASS MEETINGS

The New EGM will be held at the Conference Room of the Company at JCC International Plaza, 7666 Chang Dong Avenue, High-tech Development Zone, Nanchang, Jiangxi, the People's Republic of China at 2:30 p.m. on Friday, 14 July 2017. The notice of New EGM, the form of proxy and the reply slip for use at the New EGM have been despatched to the Shareholders on 29 May 2017.

The A Shares Class Meeting will be held at the Conference Room of the Company at JCC International Plaza, 7666 Chang Dong Avenue, High-tech Development Zone, Nanchang, Jiangxi, the People's Republic of China at 2:45 p.m. or immediately after the New EGM on Friday, 14 July 2017.

The H Shares Class Meeting will be held at the Conference Room of the Company at JCC International Plaza, 7666 Chang Dong Avenue, High-tech Development Zone, Nanchang, Jiangxi, the People's Republic of China at 3:00 p.m. or immediately after the A Shares Class Meeting on Friday, 14 July 2017. The notice of H Shares Class Meeting, the form of proxy and the reply slip for use at the H Shares Class Meeting have already been despatched to the Shareholders on 29 May 2017.

In order to determine the identity of the Shareholders entitled to attend and vote at the New EGM and the H Shares Class Meeting, the register of members of the Company will be closed from Wednesday, 14 June 2017 to Friday, 14 July 2017 (both days inclusive), during such period no share transfer will be registered. All transfer documents accompanied by the relevant share certificates, must be lodged with the H Share Registrar of the Company, Hong Kong Registrars Limited, whose address is at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong) by no later than 4:30 p.m. on Tuesday, 13 June 2017.

If you intend to attend the New EGM and H Shares Class Meeting, please complete and return the reply slip in accordance with the instructions printed thereon as soon as possible and in any event by not later than 24 June 2017.

LETTER FROM THE BOARD

Whether or not you are able to attend the New EGM and/or the H Shares Class Meeting, you are required to complete and return the form of proxy despatched together with the notices of New EGM and H Shares Class Meeting on 29 May 2017 in accordance with the instructions printed thereon to the Company's H Share Registrar, Hong Kong Registrars Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event less than 24 hours before the time appointed for holding of the New EGM and the H Shares Class 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.

V. RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on page 34 of this circular which contains its recommendation to the Independent Shareholders on the Share Issuance Extension Resolution, and the letter of advice from Octal Capital, the text of which is set out on pages 35 to 55 of this circular containing its advice to the Independent Board Committee and the Independent Shareholders as regards the Share Issuance Extension Resolution and the principal factors considered by it in arriving thereat. You are advised to read the aforesaid letters before deciding your vote on the Extension Resolutions.

The Board (including the independent non-executive Directors) considers that the Extension Resolutions are in the interests of the Company and the Shareholders as a whole. Therefore, the Board recommends (i) the Independent Shareholders to vote in favour of the Share Issuance Extension Resolution and (ii) the Shareholders to vote in favour of the Board Authorisation Extension Resolution at the New EGM and the H Shares Class Meeting respectively.

VI. FURTHER INFORMATION

The completion of the Share Issuance and the Subscription are subject to the satisfaction of certain conditions. Accordingly, the Share Issuance and the Subscription may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares, and are recommended to consult their stockbroker, bank manager, solicitor or other professional adviser if they are in any doubt about their position and as to actions they should take.

Yours faithfully,
By Order of the Board
Li Baomin
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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)

28 June 2017

To the Independent Shareholders

Dear Sir or Madam,

**EXTENSION OF VALIDITY PERIOD OF SHAREHOLDERS'
RESOLUTIONS AND AUTHORISATION GRANTED TO THE
BOARD AND/OR BOARD COMMITTEE TO HANDLE MATTERS
RELATING TO THE SHARE ISSUANCE**

We refer to the circular of the Company dated 28 June 2017 (the “Circular”), of which this letter forms part. Terms defined in the Circular will have the same meanings when used herein unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to advise the Independent Shareholders in respect of the Share Issuance Extension Resolution, details of which are set out in the “Letter from the Board” in the Circular. Octal Capital has been appointed as the Independent Financial Adviser with our approval to advise the Independent Board Committee and the Independent Shareholders in this regard.

We wish to draw your attention to the “Letter from the Board” set out on pages 1 to 33 of the Circular and the “Letter from Octal Capital” set out on pages 35 to 55 of the Circular and the additional information set out in the appendix of this Circular.

Having taken into the principal factors considered by Octal Capital as set out in the “Letter from Octal Capital” in the Circular, we concur with the view of Octal Capital and consider that the Share Issuance Extension Resolution and the Subscription are on normal commercial terms and in the ordinary and usual course of business of the Company, and are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend you to vote in favour of the Share Issuance Extension Resolution to be proposed at the New EGM and the H Shares Class Meeting.

Yours faithfully,

Tu Shutian **Sun Chuanyao**
Liu Erh Fei **Dr. Zhou Donghua**
Independent Board Committee

LETTER FROM OCTAL CAPITAL

The following is the letter of advice from Octal Capital Limited to the Independent Board Committee and the Independent Shareholders prepared for the purpose of inclusion in this circular.



802–805, 8/F, Nan Fung Tower,
88 Connaught Road Central,
Hong Kong

28 June 2017

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

EXTENSION OF VALIDITY PERIOD OF THE SHAREHOLDERS’ RESOLUTIONS AND AUTHORISATION GRANTED TO THE BOARD AND/OR BOARD COMMITTEE TO HANDLE MATTERS RELATING TO THE SHARE ISSUANCE

INTRODUCTION

We refer to our engagement to advise the Independent Board Committee and the Independent Shareholders in respect of the Share Issuance Extension Resolution, details of which are set out in the letter from the Board (the “**Letter from the Board**”) of the circular to the Shareholders dated 28 June 2017 (the “**Circular**”) of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as given to them under the definitions section of the Circular.

References are made to the 2016 Announcements, the announcement of the Company dated 26 May 2017 and the 2016 EGM Circular in respect of the proposed Share Issuance. As set out in the Letter from the Board, CSRC is still in the process of reviewing the Company’s application for the Share Issuance. Considering the validity period of the Shareholders’ resolutions relating to (i) the Share Issuance and (ii) the authorization granted to the Board and/or the board committee authorized by the Board to handle matters relating to the Share Issuance, both of which were approved at the 2016 EGM and 2016 Class Meetings, will expire on 18 July 2017. The Board proposed to convene the New EGM and the Class Meetings for (i) the Independent Shareholders to consider the Share Issuance Extension Resolution to extend the validity period of the resolutions relating to A Share Issue, H Share Issue and transactions contemplated under A Share Subscription Agreement and H Share Subscription Agreement which are all inter-conditional with each other, for another twelve months; and (ii) the Shareholders to consider the Board Authorization Extension Resolution, in order to extend the abovementioned validity period for another 12 months, i.e. from 18 July 2017 to 18 July 2018, by way of special resolutions.

LETTER FROM OCTAL CAPITAL

JCC is a substantial shareholder holding approximately 40.53% of the total issued share capital of the Company, and therefore JCC is a connected person of the Company under the Listing Rules. As such, the Share Issuance and the Subscription Agreements constitute connected transactions for the Company and are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As set out in the Letter from the Board, JCC, being a subscriber under both A Share Issue and H Share Issue, has a material interest in the Share Issuance. Therefore, JCC, its associate and parties acting in concert with it and those who are involved in or interested in the Share Issuance will abstain from voting on the Share Issuance Extension Resolution to be proposed at the New EGM and the Class Meetings.

The Independent Board Committee comprising all of the independent non-executive Directors has been formed to consider the Share Issuance Extension Resolution, and to advise the Independent Shareholders of the Company on whether the Share Issuance Extension Resolution is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders of the Company as to whether to vote in favour of the Share Issuance Extension Resolution to be proposed at the New EGM and H Shares Class Meeting. We, Octal Capital Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee in this regard.

As at the Latest Practicable Date, we, Octal Capital Limited, are not connected with the directors, chief executives and substantial shareholders of the Company or any of their respective subsidiaries or associates or parties acting in concert with any of them and do not have any shareholding, directly or indirectly, in any members 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. We are therefore considered suitable to give independent advice to the Independent Board Committee and the Independent Shareholders.

During the last two years, Octal Capital Limited has been appointed as the independent financial adviser in respect of the proposed share issuance and connected transactions. Details of such appointment are set out in the 2016 EGM Circular. Apart from the normal professional fees paid to us in connection with the aforesaid appointment, no arrangement exists whereby we had received any fees or benefits from the Company or any other party to the transactions, therefore we consider such relationship would not affect our independence. We are independent of the Company pursuant to Rule 13.84 of the Listing Rules.

In formulating our opinion, we have relied on the accuracy of the information and representations contained in the Circular and have assumed that all information and representations made or referred to in the Circular were true at the time they were made and continue to be true as at the Latest Practicable Date. We have also relied on our discussion with the Directors and management of the Company regarding the Group, the Subscription Agreements and the proposed Extension Resolutions, including the information and representations contained in the Circular. We have also assumed that all statements of belief, opinion and intention made by the Directors and management of the Company in the Circular were reasonably

LETTER FROM OCTAL CAPITAL

made after due enquiry. We consider that we have reviewed sufficient information to reach an informed view, to justify our reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have no reason to suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in the Circular nor to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and management of the Company. We have not, however, conducted an independent in-depth investigation into the business and affairs of the Group and its associates nor have we carried out any independent verification of the information supplied. The Company will notify the Shareholders of any material changes after the Latest Practicable Date and after the despatch of the Circular. The Shareholders of the Company will also be notified of any material changes to such information provided and our opinion as soon as possible.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion regarding the terms of the Share Issuance Extension Resolution, we have considered the following principal factors and reasons:

1. Background and information of the Group

The Company is a Sino-foreign joint venture joint stock limited company incorporated in the PRC on 24 January 1997. The Company's main scope of operations include: non-ferrous metal, rare metals and non-metallic ores; smelting, rolling processing and further processing of non-ferrous metal and related by-products; after-sale services for self-manufactured products; overseas futures and hedging business and related enquiry services and business.

2. Financial Information of the Group

Financial Performance

	Year ended 31 December			Three months ended	
	2014	2015	2016	31 March	
	<i>RMB'000</i> <i>(audited)¹</i>	<i>RMB'000</i> <i>(audited)¹</i>	<i>RMB'000</i> <i>(audited)¹</i>	<i>RMB'000</i> <i>(unaudited)²</i>	<i>RMB'000</i> <i>(unaudited)²</i>
Revenue	198,264,175	185,228,170	201,728,284	38,849,828	44,684,133
Gross profit	5,721,433	3,774,546	6,563,942	906,061	1,837,695
Gross profit margin	2.89%	2.04%	3.25%	2.33%	4.11%
Profit after taxation	2,899,264	738,651	995,061	224,015	543,059
Profit attributable to owners of the Company	<u>2,899,091</u>	<u>689,556</u>	<u>840,794</u>	<u>201,372</u>	<u>541,251</u>

LETTER FROM OCTAL CAPITAL

Note 1: The figures are extracted from the Company's Annual Reports which were prepared under International Financial Reporting Standards (the "IFRS").

Note 2: The figures are extracted from the Company's 2017 First Quarterly Report which was prepared under PRC Accounting Standards for Business Enterprises.

Source: *Annual Reports of FY2016 and FY2017 and 2017 First Quarterly Report of the Company*

For the year ended 31 December 2015 ("FY2015")

As disclosed in the annual report for the year ended 31 December 2015, the revenue was approximately RMB185.23 billion, representing a decrease of approximately RMB13.03 billion or 6.58% compared to that of last year. It was mainly due to the significant decrease in the average selling prices of copper cathode and copper rod. The gross profit margin decreased from 2.89% in FY2014 to 2.04% in FY2015. The major revenue of the Group was still derived from the sale of copper cathode, representing approximately RMB113.15 billion or 61.09% of the Group's total revenue. The Group's major market was still in the Mainland China which accounted for approximately 89.21% of the total revenue of the Group. The Group recorded a profit after taxation of approximately RMB0.74 billion, representing a decrease of approximately RMB2.16 billion or 74.52% as compared to that of the last year. The profit attributable to owners of the Company amounted to approximately RMB0.69 billion, representing a decrease of approximately RMB2.21 billion or 76.21% as compared to FY2014. The decrease of profit is due to the deterioration in gross profit by approximately 34.03%, which was caused by the continuous decrease in the international commodities prices and significant drop in the average selling prices of copper products and gold products. The continuous drop of copper price has adversely affected the operation performance of the Group.

For the year ended 31 December 2016 ("FY2016")

As disclosed in the annual report of FY2016, the revenue of FY2016 was RMB201.73 billion, representing an increase by approximately RMB16.50 billion or 8.91% from that of FY2015 and it was mainly due to the increase in trading volume of copper cathode and copper-related products. The revenue of copper cathode and copper-related products accounted for approximately 83.09% of the total revenue of FY2016. The gross profit improved from 2.04% in FY2015 to 3.25% in FY2016 because the Group strengthened the cost control and mining efficiency. The profit attributable to owners of the Company amounted to approximately RMB0.84 billion, representing an increase of approximately RMB0.15 billion or 21.93% as compared to FY2015. The improvement in the net profit was mainly due to the increase in gross profit and the rebounded copper price. The copper price increased from USD4,462.75 per tonne to USD5,666.25 per tonne from January 2016 to December 2016.

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For the three months ended 31 March 2017

With reference to the 2017 First Quarterly Report of the Company, the Group recorded revenue of approximately RMB44.7 billion, representing an increase of RMB5.83 billion or 15.02% compared to the same period of last year. The profit attributable to owners of the Company was approximately RMB0.5 billion, representing an increase of RMB0.3 billion or 168.78% compared to the same period of last year. It was mainly due to the improvement in gross profit and the continuous growth of copper price which reached its highest level of USD5,940.65 in the past 12 months.

Financial position

The table below summarises the consolidated financial position of the Group at the respective date.

	As at 31 December			As at 31 March
	2014	2015	2016	2017
	<i>RMB'000</i> <i>(audited)¹</i>	<i>RMB'000</i> <i>(audited)¹</i>	<i>RMB'000</i> <i>(audited)¹</i>	<i>RMB'000</i> <i>(unaudited)²</i>
Assets				
Non-current assets	28,605,796	29,699,103	30,590,455	33,525,033
Current assets	66,710,473	60,051,926	56,793,635	56,215,073
Total assets	<u>95,316,269</u>	<u>89,751,029</u>	<u>87,384,090</u>	<u>89,740,106</u>
Liabilities				
Non-current liabilities	7,815,811	1,417,740	1,222,116	1,160,883
Current liabilities	40,480,294	40,503,988	37,339,126	39,147,405
Total liabilities	<u>48,296,105</u>	<u>41,921,728</u>	<u>38,561,242</u>	<u>40,308,288</u>
Net assets	<u>47,020,164</u>	<u>47,829,301</u>	<u>48,822,848</u>	<u>49,431,818</u>
Capital and reserves				
Equity attributable to the owners of the Company	45,727,950	45,902,357	46,597,986	47,205,036
Non-controlling interests	1,292,214	1,926,944	2,224,862	2,226,782
Total equity	<u>47,020,164</u>	<u>47,829,301</u>	<u>48,822,848</u>	<u>49,431,818</u>
Number of Shares	3,462,729,405	3,462,729,405	3,462,729,405	3,462,729,405
Net asset value per Share	13.21	13.26	13.46	14.28

Source: Annual Reports of FY2015 and FY2016 and 2017 First Quarterly Report of the Company

Note 1: The figures are extracted from the Company's Annual Reports which were prepared under IFRS.

Note 2: The figures are extracted from the Company's 2017 First Quarterly Report which was prepared under PRC Accounting Standards for Business Enterprises.

LETTER FROM OCTAL CAPITAL

The net assets of the Company (excluding the non-controlling interests) increased from RMB45.7 billion as at 31 December 2014 to RMB46.6 billion as at 31 December 2016 and the increase moved in line with the growth of net profits during the two financial years ended 31 December 2016. Giving that the number of issued shares of 3,462,729,405, the net asset value per Share increased from RMB13.21 per Share as at 31 December 2014 to RMB13.46 per Share as at 31 December 2016.

3. Reasons for and benefits of the Share Issuance Extension Resolution

Progress of obtaining CSRC's approval

Referring to the two announcements of the Company dated 13 and 14 October 2016, CSRC issued “CSRC’s Acceptance Notice of the Application for Administration Permission No. 162863” (《中國證監會行政許可申請受理通知書》(162863號)) and “CSRC’s Acceptance Notice of the Application for Administration Permission No. 162910” (《中國證監會行政許可申請受理通知書》(162910號)) (collectively the “**Acceptance Notices**”). Pursuant to the Acceptance Notices, CSRC considered that application materials in relation to the A Share Issue and H Share Issue of the Company were complete and had complied with the statutory form and therefore CSRC decided to accept the application materials for further processing.

The Company made another two announcements on 28 November 2016 and 21 December 2016 which disclosed that CSRC issued “Notice Regarding China Securities Regulatory Commission’s Feedback on the Review of Administrative Permission Items” (No. 162910) (《中國證監會行政許可項目審查反饋意見通知書》(162910號)) (the “**Notice**”) in relation to the A Share Issue of the Company on 25 November 2016. The Company and its relevant professional parties prepared and then submitted the corresponding replies to CSRC on 21 December 2016. After the replies were submitted, CSRC is currently reviewing the replies and has not issued further written enquires to the Company in relation to the A Share Issue at the Latest Practicable Date.

The Company has proactively prepared all application materials in relation to the A Share Issue and H Share Issue for CSRC’s review. After the resolutions in relation to the A Share Issue and H Share Issue were duly passed on 18 July 2016, the Company has arranged the application materials for CSRC’s review. The CSRC’s Acceptance Notices were issued within three months from 18 July 2016. Further enquiries in relation to the A Share Issue were received from CSRC on 25 November 2016. The Company and its relevant professional parties immediately prepared and submitted the replies to CSRC on 21 December 2016. As at the Latest Practicable Date, the Company has not yet received further written enquiries in relation to the A Share Issue from CSRC or obtained a written approval from the CSRC. Based on our discussion with the management of the Company, it is unclear and uncertain whether the written approval from CSRC could be obtained before the expiry of the validity period of the Shareholders’ resolutions passed on 18 July 2016. The management also indicated that there are a series of administrative matters relating to the Share Issuance and the

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book-building process in relation to the A Share Issue after the CSRC's approval is granted. After the approval from CSRC is obtained, the A Share Issue is to be completed within six months from such approval and the H Share Issue is to be completed within the specified period approved by CSRC.

We reviewed the conditions for the A Share Subscription Agreement to take effect and noted that the major outstanding condition is the approval from CSRC. We also reviewed the conditions for the H Share Subscription Agreement to take effect and noted that the major outstanding conditions are (i) all necessary approvals, consents from the relevant governmental and regulatory authorities, including but not limited to the approval from SASAC of Jiangxi Province and CSRC in relation to the H Share Issue and the H Share Subscription Agreement and (ii) the approval from the Listing Committee of the Stock Exchange in relation to the listing of and permission to deal in the new H Shares to be issued pursuant to the H Share Issue. Also, the completion of A Share Subscription Agreement and the H Share Subscription Agreement are inter-conditional.

In consideration of the Independent Shareholders' resolutions relating to the Share Issuance and transactions contemplated under the A Share Subscription Agreement and the H Share Subscription Agreement, which were approved and passed by the then Independent Shareholders at the 2016 EGM and the 2016 Class Meetings, respectively, on 18 July 2016, the validity period of these Shareholders' resolutions will expire on 18 July 2017. The Board proposes to convene the New EGM and the Class Meetings for Independent Shareholders to consider the Share Issuance Extension Resolution.

Use of proceeds

As set out in the Letter from the Board, the net proceeds of the A Share Issue will be reduced from not more than RMB3,500 million to not more than RMB1,524 million. The Board reviewed the CSRC's requirements as to the use of proceeds from the A Share Issue, the actual progress and the capital requirements of the three investment projects to be funded by the proceeds under the A Share Issue as set out in the 2016 EGM Circular. Based on our discussion with the management of the Company and the communication between the Company and CSRC, we understand that CSRC requires the funds raised from the non-public issuance of the listed issuer should be applied to a project which has obtained land use right or the listed issuer has entered into a land transfer agreement with the land administrative authority. The management of the Company explained that the land, where the engineering project of expansion of Chengmenshan copper reservoir (phase III) is situated, is subject to further governmental planning adjustment on the land usage, leading to a delay in entering into the land transfer agreement with the land administrative authority. As advised by the management of the Company, after communicating with CSRC, the Board resolved that the engineering project of expansion of Chengmenshan copper reservoir (phase III) will no longer be financed by the net proceeds from the A Share Issue and the Company will arrange other financing methods to support the said project. Moreover, we understand from the Company that CSRC

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requires listed issuer not to allocate more than 30% of the total funds raised for general working capital purpose. In order to fulfil CSRC's requirement, the net proceeds used for replenishing the working capital of the Company will be reduced from not more than RMB1,000 million to not more than RMB457 million. As such, the net proceeds of the A Share Issue will now be applied on (i) as to approximately RMB435 million for the technical renovation for the deep mining expansion project of Yinshan Mine; (ii) as to approximately RMB632 million for the new construction of No. 5 gangue reservoir of Dexing Copper Mine (Tieluoshan); and (iii) as to the remaining proceeds of not more than RMB457 million to replenish working capital of the Company, including (a) RMB5 million to RMB10 million for payment of selling expenses; (b) RMB5 million to RMB10 million for payment of management expenses and employees' remuneration; and (c) RMB437 million to RMB447 million for purchase of raw materials.

The usage of net proceeds from the H Share Issue will all be used for the purchase of raw materials.

Approximately 29% of the net proceeds from A Share Issue will be applied to Yinshan Mine to improve its productivity. As advised by the management of the Company, the Company has entered into a land transfer agreement with the land authority in March 2017 in relation to the land used for the deep mining expansion project of Yinshan Mine and the project is still in its early development stage. The construction period of the Yinshan Mine project is estimated to be about three and a half years. The estimated total investment cost for the technical renovation for the deep mining expansion project of Yinshan Mine is about RMB1,478 million, of which not more than approximately RMB435 million will be funded by A Share Issue. We understand that the existing exploration and processing capacity of Yinshan Mine is approximately 5,000 tonnes/day with annual output of copper contained in copper concentrate up to approximately 7,118 tonnes/year and production capacity of sulphuric concentrate up to approximately 380,000 tonnes/year. The expansion project is divided into two phases in which (i) phase I will construct a new underground mining system and an exploration industrial site; and (ii) phase II will improve and expand the mining and milling capacity of the mine and ancillary facilities of phase I. Upon completion of the technical renovation for the deep mining expansion project of Yinshan Mine, the mining and milling capacity will increase to approximately 8,000 tonnes/day.

Approximately 41% of the net proceeds from A Share Issue will be applied to Dexing Copper Mine, the current largest domestic copper mine of China. We understand that since 2010, upon the completion of expansion of Dexing Copper Mine, the exploration and processing capacity of Dexing Copper Mine increased from 100,000 tonnes/day to 130,000 tonnes/day and this exploration and processing scale will remain until mining rights expire on 29 July 2027. As the existing storage capacity will be saturated by 2021 and the exploration and processing capacity is increasing, the Group should require an construction of No. 5 gangue reservoir to increase the storage capacity. As advised by the management of the Company, the Company has entered into a land transfer agreement with the land authority in April 2017 in relation to the land used for the construction

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of No. 5 gangue reservoir of Dexing Copper Mine (Tieluoshan) and this project is still in its early development stage. The construction period is around four years with the total investment cost of approximately RMB3,123 million, of which not more than approximately RMB632 million will be funded by A Share Issue. With the net proceeds from the Share Issuance, the working capital pressure and liquidity of these two projects shall be improved.

The remaining net proceeds from A Share issue and all net proceeds of H Share Issue, in aggregate approximately RMB4,068 million (approximately HK\$4,150 million of net proceeds from the H Share Issue is amounted to approximately RMB3,611 million based on the exchange rate at HK\$1 equivalent to RMB0.8701), will be used to support the working capital of the Company. During the year ended 31 December 2016, the revenue improved by 8.91%. In line with the growth in revenue, the cost of sales increased by 7.56% and the selling and distribution expenses also increased by 10.41%, leading to a higher cashflow pressure. As at 31 December 2016, the Group's cash and bank balances is approximately RMB17 billion. Based on the Group's financial analysis, if the revenue increases by 7% during the year ending 31 December 2017, the required operating cash will be approximately RMB23 billion. Based on the Group's bank balances and cash as at 31 December 2016, we note that the Group would require additional resources to alleviate the pressure on the operating capital. If the proceeds of RMB4,068 million from the A Share Issue is fully financed by bank borrowings, the annual interest expenses will be approximately RMB199 million based on the highest effective annual interest rate of the Group's bank borrowings at 4.90% as disclosed in the 2016 annual report, representing 9.6% of the profit before tax for FY2016. As disclosed in the 2016 annual report, the production volume of copper cathode in 2017 is expected to be higher than the actual production volume in 2016 by approximately 12.4%. Since the Group is further expanding its operation scale, the cashflow pressure of the Group will be increased and therefore it is necessary to replenish the working capital through the Share Issuance without increasing the Group's finance cost burden and repayment obligations. All these net proceeds are expected to enhance the ability of the Company to relieve the financial pressure, reduce its finance cost and explore new business opportunities in the future. As at the Latest Practicable Date, the Company confirmed that no new business opportunities have been identified yet.

Other financing alternatives available to the Group

As discussed with the management of the Company, we note that when formulating the terms of the Share Issuance, the Directors have considered various fund raising methods, including both equity financing and debt financing.

We have enquired and were informed by the management of the Company that in considering debt financing alternatives, they are of the view that additional bank borrowings and debt issuance will increase interest burden and repayment obligations of the Group.

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As for equity financing, pursuant to the Measures for Administration of the Issuance of Securities by Listed Companies (《上市公司證券發行管理辦法》) issued by CSRC, an A share listed company in PRC is allowed to issue new shares or convertible bonds to the non-specific public investors in the A share market if the average of weighted average returns on net assets (calculated by net income divided by net assets) in the previous three financial years is not less than 6%. The net income is calculated on the basis of the profit after tax and the profit after tax excluding non-recurring items, whichever is lower. Since the weighted average return on net assets of the Company is lower than 6% for the three financial years ended 31 December 2015, the Company will not be permitted to issue any new A Shares nor convertible bonds to the non-specific public investors in the A share market through open offer.

The Company has also considered other equity financing alternatives such as rights issue and open offer. However, as the A Shares and H Shares have to be issued at the same price in a rights issue or an open offer, it may not be feasible to conduct rights issue or open offer given the substantial difference between the market price of A Shares and H Shares.

Given the abovementioned statutory requirements and limitations of other fund raising alternatives, the Directors consider that the Share Issuance is considered as the best available fund-raising option for the Company.

JCC is a collective enterprise (全民所有制企業), on which the SASAC of Jiangxi Province performs contributor function, was established in the PRC on 26 June 1979, and is the controlling shareholder of the Company. The principal business of JCC covers non-ferrous mines, non-metal mines and non-ferrous smelting and rolling processed products. JCC undertakes the construction of overseas non-ferrous industry and domestic international tendering construction, the necessary equipment for the abovementioned overseas construction, export of materials and the necessary labour sent to overseas for the implementation of the abovementioned overseas construction. We are of the view that, JCC, being a substantial shareholder of the Company, agrees to subscribe a substantial amount of new shares which shows JCC's confidence and support on the future development of the Group.

In view of (i) the substantial effort spent on the Share Issuance by the Company for almost a year; (ii) the usage of the net proceeds from the Share Issuance and the associated benefits of Share Issuance to the Group; (iii) the major outstanding condition for the Subscription Agreements to take effect is the approval from CSRC; and (iv) the limited alternative fund raising methods available to the Group, we are of the view that it is reasonable to extend the validity period of the Shareholders' resolutions relating to the Share Issuance for another 12 months, i.e. from 18 July 2017 to 18 July 2018 to allow the Company to obtain the CSRC's written approval of A Share Issue and H Share Issue and to complete the Share Issuance.

4. Subscription price of new A Shares

As disclosed in the 2016 EGM Circular, the issue price of new A Share should not be lower than the base issue price of A Share of RMB11.73 per A Share or the latest audited net asset per Share of the Company before the A Share Issue, whichever is higher. We understand from the management of the Company that the State-owned Assets Supervision and Administration Commission requires that the issue price of the non-public issuance of A Shares should not be lower than the net asset value per share to protect the interests of state-owned entity. The base issue price of the new A Shares will be adjusted accordingly if there is any ex-right or ex-dividend arrangement such as equity distribution, capitalization of capital reserves or rights issue from the Pricing Benchmark Date to the date of issuance.

The final issue price of the A Share Issue shall be determined by way of book-building after CSRC's approval is granted. On the day immediately preceding the commencement date of the offer period, the sponsor (the lead underwriter), who is a third party independent of the Company and its connected persons, shall provide invitation documents in relation to A Share Issue to targeted subscribers. The list of targeted subscribers shall jointly be determined by the company and sponsor (the lead underwriter) and shall include (i) investors (including existing A Shareholders but other than northbound trading investors under the Shanghai – Hong Kong Stock Connect) that have submitted letter of intent in respect of the subscription of new A shares after the Board approved and resolved the Share Issuance; (ii) top 20 existing A Shareholders; and (iii) targeted subscribers qualified under “Measures for the Administration of Securities Issuance and Underwriting” (《證券發行與承銷管理辦法》).

In addition, all existing A Shareholders who are interested in participating in the A Share Issue are entitled to express their interests to the Company and submit a letter of intent to subscribe for new A Shares after the Board Meeting. The interested investors will be invited to participate in the book-building process. The existing Shareholders will not have preferential right or priority over other investors to subscribe for the A Shares under the A Share Issue.

The Company currently expects that, with the exception of JCC, (i) the new A Shares to be issued under the A Share Issue will only be placed to investors who and whose ultimate beneficial owners are third parties independent of the Company and its connected persons, and none of them will become substantial shareholders of the Company nor, together with parties acting in concert with it, would trigger the mandatory general offer obligation under the Takeovers Code, upon completion of their respective subscriptions of new A Shares under the A Share Issue, and (ii) the investors will not be parties acting in concert with JCC.

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When the book-building process commences, the subscribers should submit their bid prices and monetary value of subscription within a prescribed period to the book-building room by fax or in person. The whole book-building process is witnessed on site by the Company's legal adviser in order to ensure confidentiality of the subscription information and fair treatment to all subscribers.

Upon completion of the book-building period, the Board and/or the authorized Board committee in consultation with the sponsor (the lead underwriter) will confirm the final issue price of the new A Shares in accordance with the applicable laws, regulation, and based on the investors' bid prices, the price priority principle, the size priority principle and the first come first basis. JCC will not participate in the pricing exercise while JCC will accept the final issue price as other subscribers. Mr. Li Baomin, Mr. Long Ziping, Mr. Wu Jinxing, Mr. Wu Yuneng and Mr. Wang Bo, who are connected directors of JCC, will not participate in the pricing exercise of the final issue price of A Shares.

Pursuant to A Share Subscription Agreement, JCC will subscribe for not less than 10% of the A Shares to be issued pursuant to the A Share Issue. We understand from the management of the Company that JCC intends to subscribe for 10% of the total proceeds to be raised from the A Share Issue. Assuming there is no further adjustment to the Share Issuance proposal and the total funds raised will be approximately RMB1,524 million, the subscription money payable by JCC for subscription of A Shares will be approximately RMB152.4 million. The final number of A Shares to be subscribed by JCC will depend on the final issue price of A Shares which will be determined through the book building process.

Having considered that (i) the connected Directors of JCC will not involve in the pricing exercises of the A Share Issue; (ii) the final issue price is required to be higher than the latest audited net asset value per Share (iii) JCC does not involve in the pricing exercise; (iv) subscribers' bid prices and monetary value of subscription are one of the price determination factors; and (v) all existing shareholders have no preferential rights or priority over other investors to subscribe the new A Shares, we are of the view that the issue price will be determined under a fair and reasonable manner.

The final dividend of RMB0.1 per share (inclusive of tax) for the year ended 31 December 2015 was approved in the annual general meeting on 29 June 2016. The base issue price of A Share is adjusted downward from RMB11.73 per A Share to RMB11.63 per A Share. Refer to the announcement dated 7 June 2017, the final dividend of RMB0.15 per Share (inclusive of tax) for the year ended 31 December 2016 was approved at the annual general meeting held on 7 June 2017. In accordance with the pricing mechanism and following the completion of 2016 Profit Distribution Plan, the base issue price of each A Share will be further adjusted downward to RMB11.48 which may be subject to further adjustment prior to the date of issuance. Refer to the audited financial statement for the year ended 31 December 2016, the latest audited net asset per Share is RMB13.46 per Share. In accordance with the pricing mechanism of A Share Issue, the issue price of the new A Shares will not be lower than RMB13.46 per A Share.

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The following analysis will be based on the issue price of RMB13.46 per A Share which represents:

- i. a discount of approximately 16.7% to the closing price of RMB16.15 per A Share as quoted on the Shanghai Stock Exchange on the Latest Practicable Date;
- ii. a discount of approximately 11.56% to the closing price of RMB15.22 per A Share as quoted on the Shanghai Stock Exchange on 26 May 2017, being the date of the announcement of the Company in relation to the Extension Resolutions;
- iii. a discount of approximately 10.15% to the average closing price of RMB14.98 per A Share as quoted on the Shanghai Stock Exchange for the last five consecutive trading days immediately prior to 26 May 2017;
- iv. a discount of approximately 9.97% to the average closing price of RMB14.95 per A Share as quoted on the Shanghai Stock Exchange for the last ten consecutive trading days immediately prior to 26 May 2017;
- v. a discount of approximately 11.91% to the average closing price of RMB15.28 per A Share as quoted on the Shanghai Stock Exchange for the last 20 consecutive trading days immediately prior to 26 May 2017.

Comparison of the issue price of new A Shares

To further assess the fairness and reasonableness of the minimum issue price (i.e. RMB13.46 per A Share) of new A Shares under the A Share Issue, we have tried to search for transactions regarding issuance of new A shares conducted by companies listed on both the Main Board of the Stock Exchange and Shanghai Stock Exchange with fixed terms (including subscription price) announced during first six months of 2017. However, no such transactions have been conducted. We extended our sample search to the period between January 2015 and December 2016. We have identified transactions regarding issuance of new A shares under specific mandate conducted by companies listed on both the main board of the Stock Exchange and Shanghai Stock Exchange with fixed terms (including subscription price) announced during 2015 and 2016 (the “**A Shares Transaction Comparables**”), being the latest available information to demonstrate the prevailing market practices for issuance of A Shares under specific mandate. To the best of our knowledge, we found 11 transactions that met the aforesaid criteria, which represented an exhaustive list. Notwithstanding the market capitalisation and/or industries of the A Shares Transaction Comparables are different from the Company, we consider that the A Shares Transaction Comparables and the number of A Shares Transaction Comparables identified under the criteria are fair and representative samples for comparison purpose and can reflect the prevailing market trend in relation to issuance of A Shares.

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The table below illustrates the details of the A Shares Transaction Comparables.

Date	Company (Stock code)	Subscription price (RMB)	Premium/(discount) over/to the closing price of the shares			
			As at the last trading day on/prior to the date of announcement	For the last 5 consecutive trading days on/prior to the date of announcement	For the last 10 consecutive trading days on/prior to the date of announcement	For the last 20 consecutive trading days on/prior to the date of announcement
			%	%	%	%
12/01/2015	Guangzhou Baiyunshan Pharmaceutical (874.HK and 600332.SH) (Note)	23.84	(12.03)	(10.89)	(10.25)	(9.74)
26/03/2015	BBMG Corporation (2009.HK and 601992.SH) (Note)	8.53	(15.21)	(11.70)	(9.39)	(8.96)
09/04/2015	CSSC Offshore & Marine Engineering (Group) (317.HK and 600685.SH)	37.78	(7.49)	(11.41)	(12.29)	(8.75)
16/04/2015	Beijing North Star (588.HK and 601588.SH) (Note)	4.51	(20.32)	(17.76)	(12.41)	(4.60)
25/08/2015	Metallurgical Corporation of China Ltd. (1618.HK and 601618.SH)	6.92	(11.17)	(15.84)	(12.14)	(7.63)
10/09/2015	Chongqing Iron & Steel (1053.HK and 601005.SH)	3.86	(3.02)	(11.71)	(14.24)	(10.58)
04/12/2015	Shanghai Electric Group (2727.HK and 601727.SH) (Note)	10.41	(7.30)	(9.18)	(10.04)	(9.68)
11/12/2015	Air China (753.HK and 601111.SH) (Note)	7.89	(2.71)	(5.35)	(5.67)	(9.41)
11/12/2015	Zijin Mining (2899.HK and 601899.SH)	3.22	(11.29)	(10.56)	(9.22)	(9.47)
20/5/2016	China Molybdenum (3993.HK and 603993.SH)	3.15	(6.53)	(18.60)	(24.46)	(26.06)
11/10/2016	COSCO Shipping (2866.HK and 601866.SH) (Note)	3.66	(8.04)	(10.95)	(12.02)	(11.59)
	Mean		(9.56)	(12.18)	(12.01)	(10.59)
	Median		(8.04)	(11.41)	(12.02)	(9.47)
	Maximum		(20.32)	(18.60)	(24.46)	(26.06)
	Minimum		(2.71)	(5.35)	(5.67)	(4.60)
	A Share Issue	13.46	(11.56)	(10.15)	(9.97)	(15.28)

Source: Website of Shanghai Stock Exchange and Stock Exchange

Note: The transactions are connected transactions.

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Among our selected samples, six of them are connected transactions. However, any elimination of the A Shares Transaction Comparables will reduce the sample size and may result in a less thorough comparison.

As shown in the above table, (i) the subscription shares of all A Shares Transaction Comparables were issued at a discount to the closing price on the last trading day on/prior to the date of announcement; and (ii) the subscription shares of all A Shares Transaction Comparables were also issued at a discount to the average closing price on the last five consecutive trading days, the last ten consecutive trading days and the last 20 consecutive trading days on/prior to the date of announcement.

Having considered that (i) the requirement of the State-owned Assets Supervision and Administration Commission; and (ii) the minimum issue price of new A Share (i.e. RMB13.46 per A Share) was within the range of discount of A Share Transaction Comparables, we consider that the minimum issue price of the new A Shares is on a normal commercial term as well as is fair and reasonable.

5. Subscription price of new H Shares

As disclosed in the 2016 EGM Circular, the issue price of new H Share is HK\$7.87 per H Share which is determined based on the average trading price of the H Shares during the 20 trading days preceding the date of the Board Meeting (i.e. 26 February 2016). After the 2016 EGM and 2016 Class Meetings, as disclosed in the announcement dated 18 July 2016, the issue price of H Share is adjusted upward to HK\$8.26 per H Share in accordance with the price adjustment mechanism as set out in the 2016 EGM Circular.

The final dividend of RMB0.1 per share (inclusive of tax) for the year ended 31 December 2015 was approved in the annual general meeting on 29 June 2016. Based on the average exchange rate of RMB0.8474 per HK\$ during the period from 20 to 24 June 2016, which is one calendar week before the dividend announcement dated 29 June 2016, the dividend of each H Share is HK\$0.1180 (inclusive of tax). The issue price per H Share is adjusted downward from HK\$8.26 to HK\$8.14.

Refer to the announcement dated 7 June 2017, the dividend for the year ended 31 December 2016 is RMB0.15 per Share (inclusive of tax). Based on the average exchange rate of RMB0.8761 per HK\$ during the period from 29 May 2017 to 2 June 2017, the dividend for each H Share is HK\$0.17121 (inclusive of tax). In accordance with the pricing mechanism and following the completion of 2016 Profit Distribution Plan, the issue price of new H Shares will be reduced to HK\$7.97 which may be subject to further adjustment prior to the date of issuance.

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The following analysis will be based on the issue price of HK\$7.97 per H Share which represents:

- i. a discount of approximately 33.0% to the closing price of HK\$11.90 per H Share as quoted on the Stock Exchange at the Latest Practicable Date;
- ii. a discount of approximately 32.69% to the closing price of HK\$11.84 per H Share as quoted on the Stock Exchange on 26 May 2017, being the date of the announcement of the Company in relation to the Extension Resolutions;
- iii. a discount of approximately 31.82% to the average closing price of HK\$11.69 per H Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to 26 May 2017;
- iv. a discount of approximately 31.88% to the average closing price of HK\$11.70 per H Share as quoted on the Stock Exchange for the last ten consecutive trading days immediately prior to 26 May 2017;
- v. a discount of approximately 32.05% to the average closing price of HK\$11.73 per H Share as quoted on the Stock Exchange for the last 20 consecutive trading days immediately prior to 26 May 2017.

Comparison of the issue price of new H Shares

To further assess the fairness and reasonableness of the issue price of new H Shares (i.e. HK\$7.97 per new H Share), we have tried to search for transactions of Hong Kong listed companies which have conducted subscription/issuance of shares. Such transactions (i) are conducted under specific mandate during the first five months of 2017; (ii) have announced fixed terms; (iii) are connected transactions; and (iv) did not involve mandatory general offer (the “**H Share Transaction Comparables**”). Based on these criteria, we identified seven transactions which represented an exhaustive list.

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Date	Company (Stock code)	Subscription price (HK\$)	Premium/(discount) over/to the closing price of the shares			
			As at the last trading day on/prior to the date of announcement	For the last 5 consecutive trading days on/prior to the date of announcement	For the last 10 consecutive trading days on/prior to the date of announcement	For the last 20 consecutive trading days on/prior to the date of announcement
			%	%	%	%
1/12/2016	IRC Limited (1029)	0.21	(44.74)	(44.00)	(36.56)	(22.22)
13/1/2017	C CHENG Holdings (1486)	1.99	(37.62)	(37.62)	(38.58)	(35.18)
24/1/2017	SMI Culture (2366)	0.70	(12.50)	(13.15)	(12.50)	(13.58)
7/4/2017	REXLot Holdings (555)	0.134	15.52	14.73	10.29	6.35
13/4/2017	Zhongsheng Group (881)	11.15064	0.10	2.00	(0.10)	(0.06)
2/5/2017	China Everbright Bank (6818)	5.3283	48.01	46.38	46.79	44.40
17/5/2017	China Financial Services (605)	0.68	(5.56)	(6.85)	(6.98)	(6.85)
	Mean		(5.26)	(5.50)	(5.38)	(3.88)
	Median		(5.56)	(6.85)	(6.98)	(6.85)
	Maximum		48.01	46.38	46.79	44.40
	Minimum		(44.74)	(44.00)	(38.58)	(35.18)
	H Share Issue	7.97	(32.69)	(31.82)	(31.88)	(32.05)

Source: Website of the Stock Exchange

As shown in the above table, the subscription prices of four H Share Transaction Comparables are issued at a discount to the closing price on/prior to the date of their respective announcements; the subscription prices of four H Share Transaction Comparables are issued at a discount to the average closing price of the last five consecutive trading days, the last ten consecutive trading days and the last 20 consecutive trading days, prior to the date of their respective announcements.

The issue price of new H Share of HK\$7.97, which represents a discount of approximately 32.69% to the closing prices on 26 May 2017 as well as represents a discount to the average closing prices of the last five consecutive trading days, the last ten consecutive trading days and the last 20 consecutive trading days immediately prior to 26 May 2017, respectively, is within the range of the H Share Transaction Comparables.

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We understand from the management of the Company that after the H Share Issue had been approved by the Independent Shareholders, the Company submitted the application materials in relation to the H Share Issue for CSRC's review within three months from 18 July 2016. CSRC had reviewed the application materials of the H Share Issue for almost eight months. The management of the Company stated that if the issue price of new H Share is now adjusted based on the recent share prices, CSRC will request the Company to re-submit all the application materials. Then, the review process of CSRC will be further prolonged. Also, SASAC of Jiangxi Province had approved the H Share Issue in April 2016. If the issue price of new H Share is adjusted based on the recent share prices, SASAC of Jiangxi Province will need to review the H Share Issue once again and the review time of SASAC of Jiangxi Province is uncertain.

Moreover, the Company requires immediate fundings to replenish its working capitals and inject capital into its two major projects mentioned above. The Group is unable to afford a further delay in obtaining the necessary approvals from SASAC of Jiangxi Province and CSRC.

Despite the issue price of new H Shares represents a discount to the recent share prices, having considered in particular that: (i) the discount of issue price of H Shares is within the range of H Share Transaction Comparables; (ii) the review process of CSRC will be further prolonged if the issue price is adjusted based on the recent share prices; (iii) the review time of SASAC of Jiangxi Province in relation to the revised issue price of H Share is uncertain; (iv) the Group has urgency to raise funds from H Share Issue for its needs of the working capital; (v) the Group is unable to control the time of the approval process from CSRC and SASAC of Jiangxi Province; and (vi) the subscription from JCC, being a controlling shareholder, demonstrates JCC's support to the Group's future development, we consider that the H Share Issue, as a whole, is on normal commercial terms and is fair and reasonable so far as the Independent Shareholders are concerned.

6. Effect on the shareholding structure of the Company

Taking into account of (i) the adjustment to the issue price of H Shares as disclosed in the announcement of the Company dated 18 July 2016; (ii) the dividend for the year ended 31 December 2015 as disclosed in the Adjustment Announcement; and (iii) the reduction of required proceeds from the A Share Issue; and (iv) the dividend for the year ended 31 December 2016 as disclosed in the announcement dated 7 June 2017, the issue price of new H Shares is increased from HK\$7.87 to HK\$7.97 and the base issue price of A new Shares is reduced from RMB11.73 to RMB11.48, both of which may be subject to further adjustment before the new Shares are issued.

Based on the assumptions stated in the Letter from the Board, the maximum number of H Shares and A Shares to be issued will be 520,702,634 H Shares and 132,752,613 A Shares, respectively. Pursuant to the H Share Subscription Agreement, JCC or its designated wholly-owned subsidiary will subscribe all the new H Shares. Pursuant to the A Share Subscription Agreement, JCC will subscribe not less than 10% of A Shares to be issued pursuant to the A Share Issue.

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Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after completion of the Share Issuance (assuming (a) the completion of the implementation of 2016 Profit Distribution Plan took place; (b) JCC will subscribe 10% of A Shares to be issued under the A Share Issue; (c) there is no change in the total issued share capital of the Company since the date of this circular save for the issue of the Shares pursuant to the Share Issuance and (d) the Share Issuance having been approved by CSRC; and on the basis that the maximum number of A Shares (i.e. 132,752,613 A Shares) and H Shares (i.e. 520,702,634 H Shares) will be issued); and (iii) immediately after completion of the Share Issuance (assuming (a) the completion of implementation of 2016 Profit Distribution Plan took place; (b) JCC will subscribe all the A Shares to be issued under the A Share Issue; (c) there is no change in the total issued share capital of the Company since the date of this circular save for the issue of the Shares pursuant to Share Issuance; and (d) the Share Issuance having been approved by CSRC; and on the basis that the maximum number of A Shares (i.e. 132,752,613 A Shares) and H Shares (i.e. 520,702,634 H Shares) will be issued):

	Class of Shares	As at the Latest Practicable Date		Scenario 1		Scenario 2	
		Approximate		Immediately after completion of the Share Issuance assuming that the completion of the implementation of 2016 Profit Distribution Plan took place and that JCC will subscribe 10% of A Shares to be issued under the A Shares Issue		Immediately after completion of the Share Issuance assuming that the completion of the implementation of 2016 Profit Distribution Plan took place and that JCC will subscribe all the A Shares to be issued under the A Share Issue	
		Number of Shares	% of the total issued Shares	Number of Shares	% of the total issued Shares	Number of Shares	% of the total issued Shares
JCC	A	1,205,479,110	34.81%	1,218,754,372	29.61%	1,338,231,723	32.51%
	H	198,135,000	5.72%	718,837,634	17.46%	718,837,634	17.46%
Sub-total for JCC and parties acting in concert with it		1,403,614,110	40.53%	1,937,592,006	47.07%	2,057,069,357	49.97%
Public holders of A Shares	A	869,768,295	25.12%	989,245,646	24.03%	869,768,295	21.13%
Public holders of H Shares	H	1,189,347,000	34.35%	1,189,347,000	28.90%	1,189,347,000	28.90%
Total		<u>3,462,729,405</u>	<u>100%</u>	<u>4,116,184,652</u>	<u>100%</u>	<u>4,116,184,652</u>	<u>100%</u>

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Under Scenario 1, (i) the shareholding of the public A Shareholders will be decreased from approximately 25.12% to approximately 24.03%; and (ii) the shareholding of the public H Shareholders will be decreased from approximately 34.35% to approximately 28.90%. Under Scenario 2, the (i) the shareholding of the public A Shareholders will be decreased from approximately 25.12% to approximately 21.13%; and (ii) the shareholding of the public H Shareholders will be decreased from approximately 34.35% to approximately 28.90%.

Although there will be dilution effect to the shareholding interest of the existing public holders of A Shares and H Shares as a result of the Share Issuance under scenario I and II, we have, however taken into account (i) reasons for and benefits of the Share Issuance and the proposed use of proceeds; (ii) the limited alternative fund raising methods available to the Company (iii) the subscription by JCC, being a controlling shareholder of the Company, demonstrates its confidence to the Group; (iv) the A Share Issue and H Share Issue are fair and reasonable, we consider that the shareholding dilution effects to the existing Shareholders upon completion of the Share Issuance is acceptable.

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RECOMMENDATION

Having considered the above principal factors, we are of the opinion that the Share Issuance Extension Resolution and the Subscription are on normal commercial terms and in the ordinary and usual course of business of the Company, and are fair and reasonable so far as the Independent Shareholders are concerned as well as is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders, and we advise the Independent Shareholders, to vote in favor of the Share Issuance Extension Resolution to be proposed at the New EGM and the H Shares Class Meeting.

Yours faithfully,

For and on behalf of

Octal Capital Limited

Alan Fung

Wong Wai Leung

Managing Director

Executive Director

Note: Mr. Alan Fung has been a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 2003. Mr. Fung has more than 20 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions in respect of mergers and acquisitions, connected transactions and transactions subject to the compliance to the Takeovers Code of listed companies in Hong Kong. Mr. Wong Wai Leung has been a responsible officer of Type 1 (dealing in securities), Type 6 (advising on corporate finance) regulated activities since 2008 and Type 9 (asset management) regulated activities. Mr. Wong has more than 15 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions of listed companies in Hong Kong in respect of the Takeovers Code.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. INTERESTS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE

As at the Latest Practicable Date, none of the Directors, the Supervisors or the chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), that 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 or short positions which were taken or deemed to have taken under such provisions of the SFO), or which were recorded in the register required to be kept under section 352 of Part XV of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

As at the Latest Practicable Date, other than (i) Mr. Li Baomin, an executive Director and the chairman of the Company, who is the chairman, legal representative and secretary to the Party of JCC; and (ii) Mr. Long Ziping, an executive Director and the vice chairman of the Company, who is the vice-chairman of JCC, none of the Directors or the Supervisors is a director or employee of the substantial Shareholder of the Company.

3. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors or the Supervisors has entered into any service contract with any member of the Group which does not expire or is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

4. NO MATERIAL ADVERSE CHANGE

The Directors confirm that there has been no material change in the financial or trading position or outlook of the Group since 31 December 2016 being the date to which the latest published audited consolidated financial statements of the Company were made up, up to and including the Latest Practicable Date.

5. CONTRACTS REFERRED TO IN THIS CIRCULAR

Set out below are the contracts referred to in this circular and which are material for the purposes of the Extension Resolutions:

- (a) the A Share Subscription Agreement;
- (b) the H Share Subscription Agreement; and
- (c) the Supplemental Agreement.

6. COMPETING INTERESTS

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors, the Supervisors or their respective associates had any interests in any business which competes or may compete, either directly or indirectly, with the business of the Group.

7. INTERESTS OF DIRECTORS AND SUPERVISORS IN THE GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE GROUP

As at the Latest Practicable Date, none of the Directors or the Supervisors had any direct or indirect interests in any assets which have been acquired or disposed of by or leased to any member of the Group since 31 December 2016 (being the date to which the latest published audited financial statements of the Company were made up) or proposed to be so acquired, disposed of or leased.

As at the Latest Practicable Date, other than Mr. Li Baomin, Mr. Long Ziping, Mr. Wu Jinxing, Mr. Wu Yuneng and Mr. Wang Bo, the executive Directors, who are connected directors of JCC, none of the Directors or the Supervisors was materially interested in any contract or arrangement entered into by any member of the Group subsisting at the date of this circular which is significant in relation to the business of the Group.

8. EXPERT AND CONSENT

- (a) The following is the qualification of Octal Capital who has given opinions, letter or advice contained in this circular:

Name	Qualification
Octal Capital	a corporation licensed under the SFO to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Share Issuance Extension Resolution

- (b) As at the Latest Practicable Date, Octal Capital did not have any shareholding, directly or indirectly, 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) As at the Latest Practicable Date, Octal Capital did not have any direct or indirect interests in any assets which have been acquired or disposed of by or leased to any member of the Group since 31 December 2016 (being the date to which the latest published audited consolidated financial statements of the Company were made up) or proposed to be so acquired, disposed of or leased.
- (d) As at the Latest Practicable Date, Octal Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter dated 28 June 2017 and references to its name and logo in the form and context in which it is included.
- (e) The letter and recommendation from Octal Capital is given as of the date of this circular for incorporation herein.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours from 9:00 a.m. to 5:30 p.m. on any business day (except Saturdays, Sundays and public holidays) at the office of Tung & Co. at Office 1601, 16th Floor, LHT Tower, 31 Queen's Road Central, Hong Kong from the date of this circular up to and including the date of the New EGM and the Class Meetings:

- (a) this circular;
- (b) the letter from the Board, the text of which is set out in the section headed "Letter from the Board" of this circular;
- (c) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out in the section headed "Letter from the Independent Board Committee" of this circular;
- (d) the letter from Octal Capital to the Independent Board Committee and the Independent Shareholders, the text of which is set out in the section headed "Letter from Octal Capital" of this circular;
- (e) the written consent from Octal Capital referred to in the paragraph headed "8. Expert and Consent" in this appendix; and
- (f) the contracts referred to in the paragraph headed "5. Contracts referred to in this circular" in this appendix.