

FURTHER INFORMATION ABOUT THE COMPANY

- On 6th September, 2000, the Company was incorporated as a joint stock limited company in the PRC by Xinghang Investment, Xinhudu Industrial, Jinshan Trading, Xinhudu Engineering, Xiamen Hengxing, Xinhudu Department Store, Fujian Gold Group and Minxi Geologist as promoters. At the time of establishment, the registered capital of the Company was RMB95,000,000 divided into 95,000,000 Domestic Shares of RMB1.00 each. The Company has established a place of business in Hong Kong at Suite 1913, 19/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong and has applied for registration as an overseas company in Hong Kong under Part XI of the Companies Ordinance. Such application contains a notice of appointment of Livasiri & Co. at Suite 1913, 19/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong as the authorised representative of the Company for the acceptance of service of process in Hong Kong.
- As the Company was incorporated in the PRC, it is subject to PRC laws and regulations. Summaries of the relevant PRC laws and regulations and of the Articles of Association are set out in Appendices V and VI to this prospectus respectively.
- The incorporation of the Company and its conversion into a public subscription joint stock limited company involved (among which) the following procedures and approvals:
 - On 2nd August, 2000, Xinghang Investment, Xinhudu Industrial, Jinshan Trading, Xinhudu Engineering, Xiamen Hengxing, Xinhudu Department Store, Fujian Gold Group and Minxi Geologist executed an agreement among the Promoters, pursuant to which, the Promoters of the Company agreed to establish the Company;
 - On 17th August, 2000, the Fujian People's Government issued an approval document (Min Zheng Ti Gu [2000] No. 22), approving the establishment of the Company by the Promoters;
 - On 26th August, 2000, an inaugural meeting of the Company was held, at which the following resolutions (among other resolutions which) were passed:
 - the "Preparation report of Fujian Zijin Mining Industry Co., Ltd." for the establishment of the Company were approved;
 - the initial articles of association of the Company were adopted;
 - Chen Jinghe, Liu Xiaochu, Luo Yingnan, Ke Xiping, Lan Fusheng, Rao Yimin and Ke Deyu were appointed as Directors, and Zheng Qingxiang and Xu Qiang were appointed as Supervisors; and
 - the "Valuation report in relation to the assets to be taken as capital contributions in the promotion of a joint stock limited company" were approved, and the Promoters' contributions of their own assets (or cash) to the Company and conversion into share capital (Domestic Shares) in the proportion of 1.505:1 were agreed;

- According to a capital verification report (Hua Xia Tian Gu Yan [2000] No. 01) issued by Xiamen Huatian Accounting Firm (廈門華天會計師事務所) dated 31st August, 2000, the capital contributions of the Promoters were fully paid up;
- On 6th September, 2000, the Fujian Administration for Industry and Commerce issued a business license in respect of the establishment of the Company as a joint stock limited company and as an independent legal entity;
- From 28th February to 1st March, 2001, the Company held shareholders' general meetings, at which the resignation of Mr. Ke Deyu as an independent Director of the Company was accepted, and the appointment of Mr. Yang Dali as an independent Director of the Company (among other resolutions) was passed;
- At an extraordinary general meeting of the Company held on 2nd November, 2002, the resolution (among others) for the appointment of Mr. Yao Lizhong as an independent non-executive Director of the Company was passed;
- At an extraordinary general meeting of the Company held on 28th June, 2003, the following resolutions (among others) were passed:
 - subject to the approval by the relevant authorities of the PRC, the conversion of the Company into a public subscription company was approved;
 - the application by the Company to the CSRC and the Stock Exchange for the listing of H Shares of the Company of RMB0.1 each on the Main Board was approved and ratified;
 - the application by the Company to the CSRC for the sub-division of the Domestic Shares of RMB1.00 each into 10 Domestic Shares of RMB0.1 each was approved and ratified;
 - the issue, placing and public offering of the Shares were approved, and the Board was authorised (among others) to arrange for the Share Offer and listing of H Shares;
 - the Over-allotment Option was approved;
 - the additional increment in the registered capital of the Company from RMB95,000,000 for an amount equivalent to the total nominal value of the H Shares to be offered was approved;
 - the new Articles of Association were amended by adopting the “Mandatory Provisions for Articles of Association of Companies to be listed overseas”; and

- the plan for the reduction of State-owned shares held by State-owned Shareholders approved by the relevant authority, pursuant to the “Provisional Administrative Measures for the Reduction of State-owned Shares and the Raising of the Social Security Fund” and the conversion of part of the Domestic Shares held by them into H Shares and offer for sale of such H Shares, were approved;
- On 18th November, 2003, the CSRC issued a document (證監國合字[2003]41號) approving the application by the Company to list the H Shares on the Main Board;
- At a Board Meeting of the Company held on 7th December, 2003, the following resolutions (among others) were passed:
 - (i) the amended Articles of Association were adopted;
 - (ii) the Share Offer was approved; and
 - (iii) within 30 days of the latest day for the lodging of application under the Public Offer, to authorise the Placing, Public Offer and issue of H Shares by the Company, subject to (1) the Listing Committee of the Stock Exchange approving the listing of and dealing in the Shares; and (2) the obligations of the Underwriters under the Underwriting Agreement as set out in the section headed “Underwriting” in this prospectus becoming unconditional and not being terminated pursuant to the terms of the Underwriting Agreement.
- On 6th September, 2000, the Company was established as a joint stock limited company in the PRC under the Company Law. Please refer to the section headed “Corporate structure and history” in this prospectus for details.

Following completion of the Share Offer, the Company intends to apply for the status of a sino-foreign investment joint stock limited company and will be subject to the relevant PRC laws regarding sino-foreign joint ventures upon acquiring such status.

- On the establishment of the Company, its registered capital was RMB95,000,000, divided into 95,000,000 Domestic Shares of RMB1.00 each, all of which were fully paid up or credited as fully paid up.

At an extraordinary general meeting of the Company held on 28th June, 2003, it was resolved to sub-divide its Shares from Domestic Shares of RMB1 each to 10 Domestic Shares of RMB0.1 each, and the number of Shares in the share capital of the Company was increased to 950,000,000 Shares of RMB0.1 each accordingly upon approval by CSRC.

Immediately after the completion of the Share Offer and assuming no exercise of the Over-allotment Option, the issued share capital of the Company will be RMB126,663,636, divided into 918,336,364 Domestic Shares and 348,300,000 H Shares. The Domestic Shares held by Xinghang Investment, Xinhua Industrial, Jinshan Trading, Xinhua Engineering, Xiamen Hengxing, Xinhua Department Store, Fujian Gold Group, Minxi Geologist represented approximately 33.61%,

13.65%, 13.51%, 5.25%, 3.75%, 1.29%, 1.20% and 0.24% in the issued share capital of the Company respectively, and all the share capital are fully paid up or credited as fully paid up. Immediately after the completion of the Share Offer and assuming the Over-allotment Option is fully exercised, the issued share capital of the Company will be increased to RMB131,413,182, divided into 913,586,819 Domestic Shares and 400,545,000 H Shares, and all the share capital are or will be fully paid up or credited as fully paid up.

Save as the aforesaid, there has been no alteration in the share capital of the Company since the date of its establishment on 6th September, 2000.

SUBSIDIARIES

The Company's major subsidiaries and the existing share capital of such subsidiaries are set out in the Accountants Report, the text of which is set out in Appendix I to this prospectus.

The following sets out changes to the share capital made by the subsidiaries of the Company during the two years prior to the date of this prospectus:

- **Anhui Zijin**

Anhui Zijin was incorporated in the PRC on 30th December, 2001 with a registered capital of RMB8,000,000. As at the date of the incorporation, the Company and Shanghang County Fuxin Mining Engineering Company Limited respectively contributed an amount of RMB600,000 and an amount of RMB200,000 representing 75% and 25% of the registered capital of Anhui Zijin.

- **Hunchun Zijin**

Hunchun Zijin was incorporated in the PRC on 10th January, 2003 with an initial registered capital of RMB10,000,000. As at the date of the incorporation:

- the Company had contributed an amount of RMB6,700,000, representing 67% of the registered capital;
- Xiamen Zijin had contributed an amount of RMB600,000, representing 6% of the registered capital;
- Hongyang Mine had contributed an amount of RMB600,000, representing 6% of the registered capital;
- Hunchun Gold and Copper Mining Company Limited had contributed an amount of RMB2,000,000, representing 20% of the registered capital;
- Xiamen Hengxing had contributed an amount of RMB100,000, representing 1% of the registered capital.

On 15th April, 2003, Hunchun Zijin has decided to increase its share capital to RMB30,000,000 and the newly created shares were subscribed by the existing shareholders on a pro-rata basis. As of the date of 20th May, 2003:

- The Company had contributed an additional amount of RMB13,400,000, increasing its total contribution to RMB20,100,000;
- Xiamen Zijin had contributed an additional amount of RMB1,200,000, increasing its total contribution to RMB1,800,000;
- Hongyang Mine had contributed an additional amount of RMB1,200,000, increasing its total contribution to RMB1,800,000;
- Hunchun Gold and Copper Mining Company Limited had contributed an additional amount of RMB4,000,000, increasing its total contribution to RMB6,000,000;
- Xiamen Hengxing had contributed an additional amount of RMB200,000, increasing its total contribution to RMB300,000.

After the increase of registered capital, the proportion of shareholdings in Hunchun Zijin remains unchanged.

● **Tongling Zijin**

Tongling Zijin was incorporated on 9th June, 2003 with a registered capital of RMB34,280,000. As at the date of the incorporation:

- the Company had contributed an amount of RMB17,480,000, representing 51% of the registered capital;
- Anhui Tongling Jin Chan Mining Company Limited had contributed an amount of RMB14,060,000, representing 41% of the registered capital;
- Anhui Geological and Mining Bureau, Geological Team 321 had contributed an amount of RMB2,740,000, representing 8% of the registered capital.

● **Shanghang Zijin Shuidian**

Shanghang Zijin Shuidian was incorporated on 13th June, 2003 with a registered share capital of RMB20,000,000. As at the date of the incorporation:

- the Company had contributed an amount of RMB10,200,000, representing 51% of the registered capital;
- Fujian Shanghang Da Guang Ming Electricity Group Limited had contributed an amount of RMB9,800,000, representing 49% of the registered capital.

- **Jinshan Construction**

Jinshan Construction was incorporated on 5th March, 2003 with a registered share capital of RMB9,000,000. As at the date of the incorporation:

- the Company had contributed an amount of RMB7,200,000, representing 80% of the registered capital;
- Fujian Shanghang Jinma Economic Development Limited (福建省上杭縣金馬經濟開發有限公司) had contributed an amount of RMB1,800,000, representing 20% of the registered capital.

- **Xiamen Zijin**

- on 24th May, 2002, Xinhua Engineering injected into Xiamen Zijin an investment amount of RMB50,000, representing 1% of the registered capital;
- on 29th May, 2002, the Company injected into Xiamen Zijin an investment amount of RMB4,325,000, representing 86.5% of the registered capital;
- on 1st July, 2002, Xiamen Hengxing injected into Xiamen Zijin an investment amount of RMB250,000, representing 5% of the registered capital;
- on 8th July, 2002, Fuzhou Xinhua Technology Company Limited injected into Xiamen Zijin an investment amount of RMB250,000, representing 5% of the registered capital;
- on 28th August, 2002, Longyan Technology Development Center injected into Xiamen Zijin an investment amount of RMB125,000, representing 2.5% of the registered capital.

- **Xinjiang Ashele**

- on 17th December, 2001, Zhongbao Daimengdei Joint-Stock Limited transferred 72,500,000 shares (representing 29% of the total issued shares) to Xinjiang Non-ferrous Metal Industry (Group) Limited for a consideration of RMB74,300,000;
- on 20th December, 2002, China Geology and Mining Company transferred its shareholding of 110,000,000 shares in Xinjiang Ashele (representing 44% interest in its registered share capital) to the Company for a consideration of RMB115,000,000;
- on 20th December, 2002, Zhongbao Kekong Joint-Stock Limited which originally invested and legally held a shareholding of 95,000,000 shares in Xinjiang Ashele (representing 38% of interest in its registered share capital) transferred 22,500,000 shares of Xinjiang Ashele (representing 9% interest in its registered share capital) to the Company for a consideration of RMB29,800,000;

- on 6th April, 2002, Xinjiang Habahe Gold Mine Company (新疆哈巴河縣黃金礦產總公司) transferred 5,000,000 shares (representing 2% of the total issued shares) to Hongyang Mine for a consideration of RMB5,000,000;
- on 23rd April, 2003, Hongyang Mine transferred 5,000,000 shares (representing 2% of the total issued shares) to Xinjiang BaoDi Mining Company Limited for a consideration of RMB5,250,000;
- on 23rd April, 2003, the Company transferred 5,000,000 shares in Xinjiang Ashele to the Xinjiang Geological Mining and Prospecting Development Bureau at a consideration of RMB5,000,000;
- on 24th April, 2003, Xinjiang Non-ferrous Metal Industrial Company (新疆有色金屬工業公司) transferred 12,500,000 shares (representing 5% of the total issued shares) to Xinjiang Non-ferrous Metal Industrial Company Kalatongke Copper-nickel Ore for a consideration of bonds of RMB12,500,000.

● **Guizhou Zijin**

Guizhou Zijin was incorporated on 17th December, 2001 with an initial registered capital of RMB10,000,000. As at the date of the incorporation:

- the Company had contributed an amount of RMB5,500,000, representing 55% of the registered capital;
- Guizhou Land and Mineral Resources Development had contributed an amount of RMB2,000,000, representing 20% of the registered capital.
- Guizhou Bureau of Geology & Mineral Resources 105 had contributed an amount of RMB1,000,000, representing 10% of the registered capital;
- Xiamen Zijin had contributed an amount of RMB1,000,000, representing 10% of the registered capital;
- Xiamen Hengxing Mining Company Limited had contributed an amount of RMB500,000 representing 5% of the registered capital.

On 26th January, 2003, Guizhou Zijin increased its registered capital to RMB30,000,000. The Company contributed RMB9,800,000 for an additional subscription of 9,800,000 shares, totalling a 51% shareholding in Guizhou Zijin; Guizhou Land and Mineral Resources Development contributed RMB3,400,000 for an additional subscription of 3,400,000 shares, totalling a 18% shareholding in Guizhou Zijin; Guizhou Bureau of Geology & Mineral Resources 105 contributed RMB1,700,000 for

an additional subscription of 1,700,000 shares, totalling a 9% shareholding in Guizhou Zijin; Xiamen Zijin contributed RMB500,000 for an additional subscription of 500,000 shares, totalling a 5% shareholding in Guizhou Zijin; Xiamen Hengxing Mining Company Limited contributed RMB1,000,000 for an additional subscription of 1,000,000 shares, representing a 5% shareholding in Guizhou Zijin; Zhenfeng County Industrial Investment Limited contributed RMB3,000,000 for an additional subscription of 3,000,000 shares, representing a 10% shareholding in Guizhou Zijin; Hongyang Mine contributed RMB600,000 for an additional subscription of 600,000 shares, representing a 2% shareholding in Guizhou Zijin.

- **Jiuzhaigou Zijin**

Jiuzhaigou Zijin was incorporated on 30th July, 2003 with a registered share capital of RMB40,000,000. As at the date of the incorporation:

- the Company had contributed an amount of RMB24,000,000, representing 60% of the registered capital;
- Sichuan Jiuzhaigou Mineral Resources Development Limited had contributed an amount of RMB4,000,000, representing 10% of the registered capital;
- Xihuadau Engineering had contributed an amount of RMB6,000,000, representing 15% of the registered capital;
- the Committee of Labour Union of the Company had contributed an amount of RMB6,000,000, representing 15% of the registered capital.

- **Tibet Jindi**

Tibet Jindi was incorporated in PRC on 22nd August, 2003 with an initial registered capital of RMB30,000,000. As at the date of the incorporation:

- the Company had contributed an amount of RMB15,300,000, representing 51% of the registered capital;
- Tibet Geological Development Bureau, Geological Team (西藏地質勘查開發局地熱地質大隊) had contributed an amount of RMB13,200,000, representing 44% of the registered capital;
- Jinshan Trading had contributed an amount of RMB1,200,000, representing 4% of the registered capital;
- Xiamen Zijin had contributed an amount of RMB300,000, representing 1% of the registered capital.

- **Shimian Zijin**

Shimian Zijin was incorporated in the PRC on 18th August, 2003 with a registered share capital of RMB10,000,000.00. As at the date of the incorporation:

- Xiamen Zijin had contributed an amount of RMB5,100,000.00, representing 51% of the registered capital;
- Sichuan Geological and Mining Bureau, Geological Team 405 (四川省地礦局四零五地質工程隊) had contributed an amount of RMB4,900,000.00, representing 49% of the registered capital.

FURTHER INFORMATION ABOUT DIRECTORS, SUPERVISORS, MANAGEMENT, STAFF AND SUBSTANTIAL SHAREHOLDERS

- **Particulars of service contracts of Directors and Supervisors**

The Company has entered into a service contract with each of the Directors and Supervisors of the Company for a term of 3 years. The service contracts of the Directors are identical in all major respects. The salaries of the Directors and Supervisors of the Company are subject to amendments by the shareholders' annual general meetings.

- **Remuneration of Directors and Supervisors**

Directors

The salaries, housing allowances, other allowances and benefits in kind paid by any member of the Group to the Directors for each of the three years ended 31st December, 2002 and the six months ended 30th June, 2003 were approximately RMB461,000, RMB1,313,000, RMB1,695,000 and RMB893,000 respectively.

Save as disclosed in this prospectus, no other emolument has been paid or is payable by any member of the Group to the Directors in respect of the three years ended 31st December, 2002.

Under the arrangements currently in force, the Company estimates that the aggregate remuneration (including benefits in kind) of the Directors payable by any member of the Group for the year ending 31st December, 2003 will be approximately RMB3,694,000.

There was no waiver of any emoluments by the Directors during each of the three years ended 31st December, 2002 and the six months ended 30th June, 2003.

Supervisors

The salaries, housing allowances, other allowances and benefits in kind paid by any member of the Group to the Supervisors for each of the three years ended 31st December, 2002 and the six months ended 30th June, 2003 were approximately RMB157,000, RMB286,000, RMB408,000 and RMB211,000.

Save as disclosed in this prospectus, no other emolument has been paid or is payable by any member of the Group to the Supervisors in respect of the three years ended 31st December, 2002.

Under the arrangements currently in force, the Company estimates that the aggregate remuneration (including benefits in kind) of the Supervisors payable by any member of the Group for the year ending 31st December, 2003 will be RMB718,000.

There was no waiver of any emoluments by the supervisors during each of the three years ended 31st December, 2002 and the six months ended 30th June, 2003.

● **Disclosure of the interests of Directors and Supervisors in the issued share capital of the Company**

Immediately following completion of the Share Offer (assuming no exercise of the Over-allotment Option), the following Directors or Supervisors will have an interest in the equity or debt securities of the Company or any associated corporations (within the meaning of the SFO) which will fall to be disclosed pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in the shares and debentures), or will be required, pursuant to section 352 of the SFO (including interests and short positions which they have taken or are deemed to have taken under the SFO) to be notified to the Company and the Stock Exchange, or to be entered in the register referred to therein or any interest in warrants to subscribe for shares of the Company or any associated corporations (as so defined) which, once the H Shares are listed, will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies:

Directors/Supervisors	Company name	Type of interest	Number of Shares/amount of equity interest	Percentage of shareholding
Ke Xiping	the Company	Corporate (note 1)	114,000,000	9.00%
Chen Jinghe	Jiuzhaigou Zijin	Personal (note 2)	50,000	0.125%
Liu Xiaochu	Jiuzhaigou Zijin	Personal (note 2)	50,000	0.125%
Luo Yingnan	Jiuzhaigou Zijin	Personal (note 2)	50,000	0.125%

Directors/Supervisors	Company name	Type of interest	Number of Shares/amount of equity interest	Percentage of shareholding
Lan Fusheng	Jiuzhaigou Zijin	Personal (note 2)	50,000	0.125%
Rao Yimin	Jiuzhaigou Zijin	Personal (note 2)	50,000	0.125%
Zeng Qingxiang	Jiuzhaigou Zijin	Personal (note 2)	50,000	0.125%
Lan Liying	Jiuzhaigou Zijin	Personal (note 3)	25,000	0.0625%

Notes:

- (1) Xiamen Hengxing directly or indirectly owns 9.00% interest in the Company. Mr. Ke Xiping owns 73.21% interest in Xiamen Hengxing. Under section 316 of the Securities and Futures Ordinance, Mr. Ke Xiping is regarded as being interested in such Shares.
- (2) The Committee of Labour Union of the Company owns 15% of the total registered capital of Jiuzhaigou Zijin on behalf of approximately 830 members. Among which, it holds an equity interest of RMB50,000 as an agent for and on behalf of each of Mr. Chen Jinghe, Mr. Liu Xiaochu, Mr. Luo Yingnan, Mr. Lan Fusheng, Mr. Rao Yimin and Mr. Zeng Qingxiang.
- (3) The Committee of Labour Union of the Company owns 15% of the total registered capital of Jiuzhaigou Zijin on behalf of approximately 830 members. Among which, it holds an equity interest of RMB25,000 as an agent for and on behalf of Ms. Lan Liying.

● **Substantial shareholders**

So far as the Directors are aware, immediately following completion of the Share Offer (assuming no exercise of the Over-allotment Option), the following persons will have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings or any other members of the Group:

Name	Number of Shares	Approximate percentage of shareholding
Xinghang Investment (notes 1 & 2)	425,643,587	33.61%
Xinhuadu Industrial (notes 3 & 4)	255,768,500	20.19%

Name	Number of Shares	Approximate percentage of shareholding
Chen Fashu (<i>notes 3,5 & 6</i>)	255,768,500	20.19%
Jinshan Trading (<i>note 7</i>)	171,095,000	13.51%
Xiamen Hengxing (<i>notes 8 & 9</i>)	114,000,000	9.00%
Ke Xiping (<i>notes 10 & 11</i>)	114,000,000	9.00%
Xinhuadu Engineering (<i>note 12</i>)	66,500,000	5.25%

Notes:

- (1) Pursuant to the “Provisional method for the administration of social protection funds raised from the reduction of State-owned Shares” promulgated by the State Council on 12th June, 2001, Xinghang Investment, Fujian Gold Group and Minxi Geologist will convert their Domestic Shares representing 10% of the H Shares under the Share Offer (not including the Domestic Shares to be converted into H Shares) into H Shares. Upon the conversion of 31,663,636 Domestic Shares into 31,663,636 Sale H Shares for sale by State-owned shareholders, the number of Domestic Shares held by Xinghang Investment upon completion of the Share Offer will accordingly be reduced.
- (2) In the event the Over-allotment Option is exercised in full, State-owned shareholders will be required to convert up to 36,413,181 Domestic Shares into 36,413,181 additional H Shares. Upon completion of the Share Offer (assuming the Over-allotment Option is exercised in full), Xinghang Investment will hold 421,090,125 Domestic Shares, representing approximately 32.04% of the registered share capital in the Company.
- (3) Xinhuadu Engineering owns 5.25% interests in the issued share capital of the Company. Xinhuadu Department Store owns 1.29% interest in the issued share capital of the Company. Xinhuadu Industrial owns 51% and 64.54% interests in the issued share capital of Xinhuadu Engineering and Xinhuadu Department Store respectively. Therefore, pursuant to section 316 of the SFO, Xinhuadu Industrial is deemed to be interested in such Shares.
- (4) Once the Over-allotment Option is exercised in full, the proportion of the direct/indirect interests of Xinhuadu Industrial in the issued share capital of the Company will be reduced to approximately 19.47%.
- (5) Pursuant to section 316 of the SFO, Xinhuadu Industrial is deemed to have 20.19% interests in the issued share capital in the Company. Mr. Chen Fashu owns 73.56% interest in the issued share capital in Xinhuadu Industrial. Therefore, pursuant to section 316 of the SFO, Mr. Chen Fashu is deemed to be interested in such Shares.
- (6) Once the Over-allotment Option is exercised in full, the proportion of the direct/indirect interests of Mr. Chen Fashu in the issued share capital of the Company will be reduced to approximately 19.47%.
- (7) Once the Over-allotment Option is exercised in full, the proportion of the direct/indirect interests of Jinshan Trading in the issued share capital of the Company will be reduced to approximately 13.02%.
- (8) Xinhuadu Engineering owns 5.25% interest in the issued share capital of the Company. Xiamen Hengxing owns 49% interest in the registered capital of Xinhuadu Engineering. Pursuant to section 316 of the SFO, Xiamen Hengxing is deemed to be interested in such Shares.

- (9) Once the Over-allotment Option is exercised in full, the proportion of the direct/indirect interests of Xiamen Hengxing in the issued share capital of the Company will be reduced to approximately 8.67%.
- (10) Xiamen Hengxing owns 9% interest in the Company. Mr. Ke Xiping owns 73.21% interests in Xiamen Hengxing. Pursuant to section 316 of the Securities & Futures Ordinance, Mr. Ke Xiping is deemed to be interested in such Shares.
- (11) Once the Over-allotment Option is exercised in full, the proportion of the direct/indirect interests of Mr. Ke Xiping in the issued share capital of the Company will be reduced to approximately 8.67%.
- (12) Once the Over-allotment Option is exercised in full, the proportion of the direct/indirect interests of Xinhua Engineering in the issued share capital of the Company will be reduced to approximately 5.06%.

Save as disclosed in this prospectus, but without taking into account the H Shares which may be subscribed under the Share Offer, so far as the Directors are aware, immediately following the completion of the Share Offer, no person will be directly or indirectly interested in 5% or more of the issued Shares or equity interests of the Company.

● **Disclaimers**

Save as disclosed in this prospectus:

- none of the Directors or Supervisors has any interest in the equity or debt securities of the Company or any associated corporations (within the meaning of the SFO) which will have to be disclosed pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in the shares and debentures), or will be required, pursuant to section 352 of the SFO (including interests and short positions which they have taken or are deemed to have taken under the SFO) to be notified to the Company and the Stock Exchange, or to be entered in the register referred to therein or any interest in warrants to subscribe for shares of the Company or any associated corporations (as so defined) which, once the H Shares are listed, will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies;
- so far as any Director or Supervisor is aware, no person will be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company immediately following the completion of the Share Offer;
- there is no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)) between the Directors or the Supervisors and any member of the Group;
- none of the Directors, Supervisors nor the experts named in the paragraph headed “Consent of experts” in this Appendix has any interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;

- none of the Directors or the Supervisors nor any of the parties listed in the paragraph headed “Consent of experts” in this Appendix is materially interested in a contract or arrangement subsisting at the date of this prospectus which is significant in relation to the overall business of any member of the Group; and
- none of the parties listed in paragraph headed “Consent of experts” in this Appendix has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

FURTHER INFORMATION ABOUT THE BUSINESS

● Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business), were entered into by the Company or its subsidiaries within the two years preceding the date of this prospectus and are or may be material:

(a) Guarantee and loan contracts

- (i) the guarantee fee agreement dated 8th February, 2002 entered into between the Company and Xinghang Investment, pursuant to which the Company agreed to pay to Xinghang Investment a guarantee handling fee, to be calculated at 0.7% on each bank loan guarantee, as a consideration for the Xinghang Investment to guarantee the obligations of the Company as a borrower with the maximum amount of the aggregated bank loan guarantee of RMB140,000,000;
- (ii) the agreement dated 10th August, 2002 entered into between the Company and Xinghang Investment in respect of the guarantee fee agreement, which terminated the obligations of the parties under the guarantee fee agreement;
- (iii) the guarantee contract dated 29th August, 2002 entered into between the Company and the Construction Bank of China, Fujian Shanghang Branch (中國建設銀行福建省上杭縣支行), pursuant to which the Company guaranteed the obligations of Fujian Shanghang Power Company (福建省上杭縣電力公司), as borrower, of its obligations to the Construction Bank of China, Fujian Shanghang Branch, under a loan of RMB4,400,000;
- (iv) the guarantee contract dated 30th August, 2002 entered into between the Company and the Bank of China, Shanghang Branch (中國銀行上杭支行), pursuant to which the Company guaranteed the obligations of Fujian Shanghang Jinshan Hydro-Electricity Co., Ltd. (福建上杭金山水電有限公司), to the Bank of China, Shanghang Branch, under a loan of RMB5,000,000;
- (v) the guarantee contract dated 1st November, 2002 entered into between the Company and the Bank of China, Longyan Branch (中國銀行龍岩分行), pursuant to which the Company guaranteed the obligations of Longyan Makeng Mining Co., Ltd (龍岩馬坑礦業有限責任公司) to the Bank of China, Longyan Branch, under a loan of RMB15,000,000;

- (vi) the guarantee contract dated 18th December, 2002 entered into between the Company and the Agricultural Bank of China, Shanghang Branch (中國農業銀行上杭縣支行), pursuant to which the Company guaranteed the obligations of Fujian Shanghang Wanyang Construction Engineering Co., Ltd. (福建上杭萬樣建設工程有限公司), to the Agricultural Bank of China, Shanghang Branch, under a loan of RMB2,000,000;
 - (vii) the guarantee contract dated 28th March, 2003 entered into between the Company and the China Industrial and Commercial Bank, Shanghang Branch (中國工商銀行上杭縣支行), pursuant to which the Company guaranteed the obligations of Hongyang Mine (福建省上杭鴻陽礦山工程有限公司), to the China Industrial and Commercial Bank, Shanghang Branch, under a loan of RMB3,000,000;
 - (viii) the guarantee contract entered into between the Company and the Construction Bank of China, Fujian Shanghang County Branch (中國建設銀行福建省上杭縣支行) on 31st March, 2003, pursuant to which the Company guaranteed the obligations of Fujian Shanghang Electricity Power Company (福建省上杭縣電力公司) to the Construction Bank of China, Fujian Shanghang County Branch, under a loan of RMB7,600,000;
 - (ix) the supplementary contract to the joint capital contribution agreement for the expansion of the Hunchun Gold and Copper Mine dated 16th December, 2002 entered into between the Company and Hunchun Gold and Copper Mining Company Limited, pursuant to which the Group shall, inter alia, provide a loan facility up to RMB3,500,000 to Hunchun Gold and Copper Mining Company Limited;
 - (x) the current capital loan contract dated 24th December, 2002, entered into between Xinjiang Ashele and the Jingxiang Branch of Xinjiang Non-ferrous Gold Construction Limited, pursuant to which the Jingxiang Branch of Xinjiang Non-ferrous Gold Construction Limited borrowed an amount of RMB 600,000 from Xinjiang Ashele for a term of 12 months commencing from 24th December, 2002; two confirmation letters dated 16th February, 2003 and 8th March, 2003 respectively, pursuant to which the Jingxiang Branch of Xinjiang Non-ferrous Gold Construction Limited borrowed an additional aggregate of RMB240,000; and
 - (xi) the financial assistance agreement dated 20th February, 2003 entered into between the Company and Zhenfeng Industrial Investment Limited, pursuant to which the Company shall, inter alia, provide a loan of RMB800,000 to Zhenfeng Industrial Investment Limited.
- (b) **Investment contracts**
- (i) the equity interest transfer agreement dated 30th January, 2002, entered into between the Company and Fujian Longgang Company Limited, pursuant to which Fujian Longgang Company Limited transferred 15.75% shareholding in Longyan Makeng Mining Co., Ltd. to the Company for a consideration of RMB 2.88 million;

- (ii) the two equity interest transfer agreements dated 13th August, 2002 and 20th December, 2002, entered into between the Company and China Geology and Mining Company, pursuant to which China Geology and Mining Company transferred 44% shareholding in Xinjiang Ashele to the Company for a consideration of RMB115 million;
- (iii) the equity interest transfer agreement dated 20th December, 2002, entered into between the Company and Zhongbao Kekong Joint Stock Limited, pursuant to which Zhongbao Kekong Joint Stock Limited transferred 9% shareholding in Xinjiang Ashele to the Company for a consideration of RMB29.8 million;
- (iv) the joint capital contribution agreement for the expansion of the Hunchun Gold and Copper Mine dated 16th December, 2002 entered into between the Company and Jilin Hunchun Gold and Copper Mining Company Limited, pursuant to which the parties agreed, inter alia, to jointly establish Hunchun Zijin;
- (v) the capital and shares increase agreement of Guizhou Zijin dated 26th January, 2003 entered into among the Company, the other four existing shareholders of Guizhou Zijin, namely Guizhou Bureau of Geology & Mineral Resources 105, Xiamen Hengxing Mining Company Limited, Xiamen Zijin and Guizhou Land & Mineral Resources Development Company, and two new investors, namely Zhenfeng Industrial Investment Limited and Hongyang Mine, pursuant to which the parties agreed, inter alia, to increase the registered capital of Guizhou Zijin to RMB30,000,000;
- (vi) the agreement on the establishment of the Fujian Shanghang County Jinshan Construction Company Limited dated 26th February, 2003 entered into between the Company and Shanghang Jinma Economic Development Limited, pursuant to which the parties agreed, inter alia, to jointly establish Jinshan Construction;
- (vii) the agreement on the joint construction of Shanghang County Jiantou Hydroelectric Power Station dated 17th April, 2003 entered into between the Company and Fujian Shanghang Da Guang Ming Electricity Group Limited, pursuant to which the parties agreed, inter alia, to jointly establish Shanghang Zijin Shuidian;
- (viii) the two share transfer agreements dated 11th January, 2003 and 23rd April, 2003, entered into between the Company and Xinjiang Geological Mining and Prospecting Development Bureau, pursuant to which the Company, inter alia, transferred 5,000,000 shares in Xinjiang Ashele to Xinjiang Geological Mining and Prospecting Development Bureau for a consideration of RMB5 million;
- (ix) the agreement for the joint establishment of the Tongling Zijin executed by the Company, Anhui Tongling Jin Chan Mining Limited, and Anhui Geological and Mining Bureau, Geological Team 321 on 28th May, 2003, pursuant to which the parties agreed, inter alia, to jointly establish Tongling Zijin;

- (x) the agreement on the joint development of the Tongling Jiaochong Gold Mine, the Hamaling Gold Mine and the Qingyang Yinjiazha Gold Mine dated 1st June, 2003 entered into between the Company and Anhui Tongling Jin Chan Mining Limited, pursuant to which the parties agreed, inter alia, to jointly establish a limited liability company to carry out mining and prospecting services in respect of three gold mines in Anhui province;
- (xi) the cooperation contract on the joint prospecting and development of the Muyan Gold Mine of Mayou, Pulan County, Tibet dated 16th July, 2003 entered into between the Company and Tibet Geological Exploration Development Bureau Geothermal Geological Team (西藏地質勘查開發局地熱地質大隊), pursuant to which the parties agreed, inter alia, to jointly establish Tibet Jindi;
- (xii) the cooperation contract on the joint prospecting and development of the Daheba Platinum Mine dated 25th July, 2003 entered into between Xiamen Zijin and Sichuan Geological and Mining Bureau, Geological Team 405, pursuant to which the parties agreed, inter alia, to jointly establish Shimian Zijin; and
- (xiii) the agreement on joint establishment of Jiuzhaigou Zijin dated 28th July, 2003 entered into between the Company, Sichuan Jiuzhaigou Mineral Resources Development Limited, Xinhua Engineering and the Committee of Labour Union of the Company, pursuant to which the parties agreed, inter alia, to jointly establish Jiuzhaigou Zijin.

(c) **Other contracts**

(i) *Underwriting agreement*


The underwriting agreement dated 11th December, 2003 entered into between the Company, the Controlling Persons, Chen Jinghe, Liu Xiaochu, Luo Yingnan, Lan Fusheng, Rao Yimin, the Lead Manager, the Vendors, the Public Offer Underwriters (as defined therein) and the Placing Underwriters (as defined therein).

(ii) *Deed of indemnity*

The deed of indemnity dated 11th December, 2003 entered into by the Promoters in favour of the Company and the Group Companies (as defined therein), pursuant to which the Promoters have agreed to indemnify the Company (on its own behalf and as trustee for the Group Companies (as defined therein) against Hong Kong estate duty and taxation (as defined therein) on the terms therein (for details, please refer to paragraph 6(a) of this Appendix).

● **Intellectual property rights**

The Company owns a patent, particulars of which are as follows: practical new type patent certificate number 483892; name of practical new type patent: open non-fluid fixed adsorption device (敞口式非流態化固定床吸附裝置); patent application date: 9th May, 2001; authorised notification date: 13th March, 2002.

The Company owns a trademark  **ZiJin**, particulars of which are as follows: trademark registration certificate number 1560573; certified application commodity category number 14: gold bullion, silver bullion; validity of registration: 28th April, 2001 to 27th April, 2011.

The Company has applied for registration of a patent, particulars of which are as follows: name of practical new type patent: ionic raw earth stir-leach counter-current washing process (離子型稀土攪拌浸出逆流洗滌用意)

● Mining rights/Exploration rights

The Group legally owns 23 exploration rights and 7 mining right. Information of the exploring and mining rights are set out in the sub-section headed “Mining and Exploration Rights” in the section headed “Business” in this prospectus.

SHARE OPTION SCHEME

Terms of the Share Option Scheme

The Company conditionally adopted the Share Option Scheme. The following sets out the terms of the Share Option Scheme.

1. Definitions

1.1 In the Share Option Scheme the following expressions shall have the following meanings:

“Adoption Date”	means the date on which the Share Option Scheme becomes unconditional upon fulfilment of all the conditions set out in clause 3.1;
“All Share Option Schemes”	means the Share Option Scheme and Any Other Share Option Scheme;
“Any Other Share Option Scheme”	means any schemes for subscription of H Shares for Eligible Participants of the Company and/or any of its Subsidiaries adopted by or to be adopted by the Company (other than the Share Option Scheme);
“Articles of Association”	means the articles of association of the Company (as amended from time to time);
“Associate”	means the meaning ascribed to it in chapter 1 of the Listing Rules;
“Auditors”	means the auditors appointed by the Company from time to time;
“Board”	means the board of directors of the Company;
“Business Day”	means a day on which the Stock Exchange is open for trading (excluding Saturday);

“Chief Executive”	means a person who either alone or together with one or more other persons is responsible under the direct authority of the Board for the conduct of the business of the Company as defined in the Listing Rules;
“Closing Price”	means the closing price of the H Shares to be listed on the Stock Exchange, in respect of any particular Option, the closing price as stated in the daily quotation sheet of the Stock Exchange on the relevant Grant Date; for the purpose of calculating the Subscription Price where the Company has been listed for not more than 5 Business Days, the issue price of the H Shares shall be deemed as the closing price for any Business Day falling within the period prior to the Listing of the H Shares;
“Company Law”	means the Company Law of the PRC enacted by the Standing Committee of the Eighth National People’s Congress on 29th December, 1993 and which become effective on 1st July, 1994, as amended or supplemented from time to time;
“Company”	means Fujian Zijin Mining Industry Co., Ltd, established in the PRC pursuant to the Company Law;
“Connected Person”	means the meaning ascribed thereto in chapter 1 of the Listing Rules;
“CSRC”	means China Securities Regulatory Commission, responsible for the supervision and regulation of the PRC national securities market;
“Director(s)”	means the director(s) of the Company for the time being (including the executive, non-executive and independent non-executive Directors);
“Domestic Shares”	means ordinary shares of nominal value of RMB0.1 each issued by the Company to the domestic persons or institutions in the PRC, and subscribed for and traded in RMB;
“Eligible Participant”	means the full-time or part-time employee (including executive Director, non-executive Director, or independent non-executive Director) of the Company or any consultant or adviser of or to the Company who was confirmed by the resolution of Board to be an Eligible Participant;
“Exceeding Grant”	means any grant of the Share Option under clause 11.2 where the H Shares to be issued upon the exercise of such Share Option exceeds the maximum limit of each Eligible Participant stipulated in the Listing Rules;

“Grant Date”	means in respect of any particular Option, the date upon which the Option is granted in accordance with clause 5.4, which date must be a Business Day;
“Grantee”	means any Eligible Participant who accepts the Offer in accordance with the terms of the Share Option Scheme or his Personal Representative(s) (as the case may be);
“H Shares”	means foreign invested shares of nominal value of RMB0.1 each issued by the Company under the PRC laws, subscribed for and traded in Hong Kong dollars and to be applied for its Listing and permission for dealing on the Stock Exchange;
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC;
“Listing”	means the grant of a listing of and permission to deal in the H Shares on the Main Board;
“Listing Agreement”	means an agreement entered/to be entered into between the Company and the Stock Exchange setting out the continuing obligations of the Company;
“Listing Rules”	means Rules Governing the Listing of Securities issued and amended from time to time, by the Stock Exchange;
“Main Board”	means the Main Board for the time being operated by the Stock Exchange;
“Main Board Listing Committee”	means the listing sub-committee of the board of the Stock Exchange responsible for Main Board;
“Offer”	means an offer for the grant of an Option made in accordance with clause 5.2;
“Offer Date”	means the date on which an Offer is made to an Eligible Participant;
“Option”	means an option to subscribe for the H Shares granted or to be granted pursuant to the Share Option Scheme;
“Option Period”	means in respect of any particular Option, a period (which may not expire within 10 years from the Grant Date of that Option) to be determined and notified by the Board to the Grantee thereof and, in the absence of such determination by the Board, the Option Period shall be from the date of acceptance of the Offer of such Option until the termination upon the earlier of the happening of the following events: (i) the termination under clause 9; and (ii) 10 years from the Grant Date of that Option;

“Over-allotment Option”	means the meaning ascribed to in the section headed “Definitions” in the Prospectus;
“Personal Representative(s)”	means the person or persons who, in accordance with the laws of succession applicable in respect of the death of a Grantee, is or are entitled to exercise the Option granted to such Grantee (to the extent not already exercised);
“PRC”	means the People’s Republic of China, excluding Hong Kong;
“Prospectus”	means the prospectus of the Company issued in connection with the Listing;
“Relevant Period”	means the 12 months immediately preceding the Grant Date of the relevant Option, including the Grant Date;
“RMB”	means Renminbi, the lawful currency of the PRC;
“Share Option Scheme”	means Share Option Scheme in its present form or as may be amended in accordance with clause 15;
“Scheme Mandate Limit”	means the total number of H Shares to be issued upon exercise of all Options to be granted under the Share Option Scheme must not exceed 10% of the H Shares in issue of the Company as at the time of Listing, being 34,830,000 Options, based on 348,300,000 H Shares in issue upon listing, and the limit of the number of H Shares to be issued where upon exercise of all outstanding Options already granted under the Share Option Scheme and Any Other Share Option Schemes and yet to be exercised must not exceed 30% of the H Shares in issue from time to time;
“Scheme Period”	means a period of 10 years commencing from the Adoption Date;
“Shares”	means Domestic Shares and H Shares;
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited or other principal stock exchange in Hong Kong for the time being or other stock exchange (as determined by the Board) on which the H Shares are to be listed or traded;
“Subscription Price”	means the price per H Share at which a Grantee may subscribe for Shares on the exercise of an Option pursuant to clause 7;
“Subsidiary(ies)”	means a company(ies) which is(are) for the time being and from time to time a subsidiary (within the meaning of the Companies Ordinance (Cap. 32 of the Laws of Hong Kong) or the Company Law) of the Company, whether incorporated in the PRC, Hong Kong or elsewhere;
“Substantial Shareholder”	means the meaning ascribed to it in Chapter 1 of the Listing Rules.

1.2 In the Share Option Scheme:

- (a) headings and indexes are for ease of reference only, and shall not affect the interpretation of the Share Option Scheme;
- (b) references to paragraphs or sub-paragraphs are references to paragraphs or sub-paragraphs hereof;
- (c) words importing the singular include the plural and vice versa;
- (d) references to persons include bodies corporate and unincorporated;
- (e) references to any statutory provisions shall include the same as from time to time amended and re-enacted and any subsidiary legislation made under the same; and
- (f) references to any statutory body shall include any association or body established to replace or assume the functions of the same.

2. Purpose of scheme

In order to acknowledge the contribution of certain Eligible Participant and provide incentive to Eligible Participant to improve their work performance, and to contribute further to the success of the Company, all the shareholders of the Company hereby agree that it is in the best interests of the Company that such Eligible Participant are given the opportunity to obtain certain equity holdings in the Company.

3. Conditions

3.1 The Share Option Scheme shall take effect subject to the passing of the resolution in accordance with the Articles of Association to adopt the Share Option Scheme by the shareholders of the Company in an extraordinary general meeting and is conditional upon satisfaction of all the following conditions:

- (a) the approval of the Share Option Scheme pursuant to the laws of the PRC;
- (b) the Main Board Listing Committee granting the approval of listing of and permission to deal in any H Shares that may be issued by the Company pursuant to the exercise of any Options granted under the Share Option Scheme; and
- (c) the obligations of the underwriters under the Underwriting Agreement entered into between the underwriters, the Company and other relevant parties before the date of listing of the Company (the “Underwriting Agreement”) becoming unconditional (including (where applicable) as a result of any relevant conditions having been waived), and such obligations of the underwriters are not terminated in accordance with the terms of the Agreement.

- 3.2 Reference in clause 3.1 to the Main Board Listing Committee formally granting the approvals, listing and permission referred to therein shall include any such approvals, listing and permission which are granted subject to the fulfillment of any condition precedent or condition subsequent (including but not limited to the publications and dispatch of any circular and/or announcement and any other disclosure as required under chapter 17 of the Listing Rules).
- 3.3 A certificate signed by a Director stating that the conditions set out in clause 3.1 have been satisfied and the date on which such conditions were satisfied or that such conditions have not been satisfied as of any particular date and the exact date of the Adoption Date will be conclusive evidence of the matters certified.

4. Administration

- 4.1 The Share Option Scheme will be subject to the administration and implementation of the Board whose decision or interpretation on matters arising out of the Share Option Scheme shall (save as otherwise provided herein) be final and binding, and effective on all persons who may be affected thereby.
- 4.2 Subject to clauses 3, 15 and 16, the Share Option Scheme will be valid and effective until the end of the Scheme Period, after which, no further Options may be granted but the provisions of the Share Option Scheme will remain in force to the extent necessary to give effect to the exercise of any Options granted or exercised prior thereto in accordance with the provisions of the Share Option Scheme.
- 4.3 An Eligible Participant will ensure that any exercise of his/her Option under clause 8 is valid and complies with all laws, legislations and regulations to which he/she is subjected. The Board may, as a condition precedent to allotting H Shares upon an exercise of an Option, require the relevant Eligible Participant to produce such evidence as the Board may reasonably require for such purpose.

5. Grant of options

- 5.1 The Board will, within the Scheme Period in accordance with the provisions of the Share Option Scheme, be entitled to make an Offer to such Eligible Participant at its discretion and such Eligible Participants will be entitled in their absolute discretion in selecting to subscribe or not. No person other than the Eligible Participant named in such Offer may subscribe for such number of H Shares (being, a board lot for dealing in H Shares on the Stock Exchange or an integral multiple thereof) at the Subscription Price as the Board will, subject to clause 9, determine.
- 5.2 An Offer will be made to an Eligible Participant in writing (and unless so made shall be deemed as invalid) in such form as the Board may from time to time determine (the "Offer Letter") specifying the number of H Shares and the Option Period in respect of which the Offer is made and further requiring the Eligible Participant to undertake to comply with and to be bound by the provisions of the Share Option Scheme. The Offer Letter will also specify that the offer will remain open for acceptance by the Eligible Participant concerned (not including any other person or his/her Personal Representative(s)) for a period of 21 days from the Offer Date.

- 5.3 An Offer will be deemed to have been accepted by an Eligible Participant in respect of all Options which are offered to such Eligible Participant in the Offer Letter when the duplicate Offer Letter duly signed by the Eligible Participant together with a remittance in favour of the Company of HK\$1.00 by way of consideration for the grant thereof is received by the Company within 21 days from the Offer Date. Such remittance will in no circumstances be refundable.
- 5.4 Upon an Offer being accepted by an Eligible Participant in whole or in part in accordance with clause 5.3 or 5.4, the Company will be deemed to grant to such Eligible Participant the number of H Shares Option in respect of which the Offer was so accepted on the date of such acceptance (the “Grant Date”). Should the Offer not be accepted within 21 days in the manner indicated in clause 5.3 or 5.4, it will be deemed to have been irrevocably rejected and such Offer will be automatically lapsed.
- 5.5 The Option Period of an Option will not be later than ten (10) years from the Grant Date of that Option.
- 5.6 The Company may not grant an Option after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been published in newspapers. In particular, no Option may be granted by the Company during the period commencing one month immediately preceding the earlier of:
- (a) the date of the Board meeting of the Company (as such date is first notified to the Stock Exchange in accordance with paragraph 12 of the Listing Agreement for the approval of the Company’s interim or annual results; and
 - (b) the period as determined by the Company in accordance with the Listing Agreement to publish its interim or annual results announcement, and such period will cover any period of delay in the publication of the relevant results announcement;
- and ending on the date of the results announcement.

6. Restrictions on grant of option to director, chief executive, substantial shareholder, non-executive director or any of their respective associates

- 6.1 Subject to provisions of clauses 6, 10 and 11, if the Company proposes to grant Option to a Director, Chief Executive or Substantial Shareholder (excluding a proposed Director or Chief Executive) of the Company, or any of their Associates, it must be approved by independent non-executive Directors duly appointed from time to time by the Company in accordance with the Articles of Association (excluding any independent non-executive Director of the Company who is the proposed Grantee of the subject Option).

6.2 Where any grant of Options by the Company (the “Restricted Grant”) to a Substantial Shareholder, an independent non-executive Director or any of their respective Associates (the “Restricted Grantee”), resulting in the H Shares issued or falling to be issued upon exercise of all Options previously granted or to be granted under the Share Option Scheme (including Options exercised, cancelled and outstanding) to the Restricted Grantee in the Relevant Period:

- (a) represents in aggregate over 0.1% of the H Shares in issue; and
- (b) (if the H Shares are already listed on the Stock Exchange) has an aggregate value, based on the Closing Price of H Shares on the date of the relevant Restricted Grant, in excess of HK\$5 million,

the Restricted Grant must be approved by the shareholders of the Company in a general meeting in which all Connected Persons of the Company must abstain from voting, except for any of the Connected Persons who vote against the relevant resolution in the general meeting provided that his/her intention to do so has been clearly stated in a circular issued by the Company to its shareholders as required under rules 17.04 of the Listing Rules. Further, any vote taken in the general meeting for passing of the resolution for the Restricted Grant must be taken on a poll.

7. Subscription price

7.1 Subject to provisions of clauses 7.2 and 12, the Subscription Price in respect of any Option will be determined at the discretion of the Board, provided it will not be less than the highest of:

- (a) the Closing Price on the relevant Grant Date;
- (b) the average of the Closing Price for the five Business Days immediately preceding the relevant Grant Date; and
- (c) the nominal value of a H Share.

7.2 The calculation of the Subscription Price stated in clause 7.1 will not be applicable in respect of the Exceeding Grant under clause 11.2. For the purpose of calculating the Subscription Price of such relevant Option, the date of resolution of the shareholders of the Company in a general meeting approving the relevant Exceeding Grant will be taken as a substitution of the Grant Date.

8. Exercise of options

8.1 In respect of the exercise of the Option granted by the Company from time to time, there is no general requirement for the shortest holding period or performance targets under the Share Option Scheme, but when granting an Offer to any Eligible Participants, the Board will have the absolute discretion to impose, together with other conditions, a condition relating to the shortest holding period or performance targets.

- 8.2 Any Eligible Participants who are PRC nationals, will not be entitled to exercise such Options though acceptances of the Options have been made, until (a) the current restrictions imposed by the relevant PRC laws and regulations restricting PRC nationals from subscribing for and dealing in H Shares or any laws or regulations with similar effects have been abolished or removed; and (b) the CSRC or other relevant government authorities in the PRC have approved the new issue upon the exercise of any Options granted under the Share Option Scheme.
- 8.3 An Option will be personal to the Grantee and will not be assignable and no Grantee will in any way sell, transfer, charge, mortgage, encumber or create any interest whatsoever in favour of any third party over or in relation to any Option or enter into any agreement so to do. Any breach of the foregoing by a Grantee will entitle the Company to cancel any or all Options or part thereof granted to such Grantee to the extent not already exercised.
- 8.4 Subject to clauses 8.1 and 17.8, an Option will be exercisable in whole or in part in the manner as set out in clauses 8.5 and 8.6 by giving notice in writing to the Company stating his/her intent to exercise and the number of H Shares in respect of which it is so exercised (which, except where the number of H Shares in respect of which the Option remains unexercised is less than one board lot for dealing in H Shares on the Stock Exchange or where the Option is exercised in full, must be for a board lot for dealings in Shares on the Stock Exchange or an integral multiple thereof). Each such notice must be accompanied by a remittance for the full amount of the Subscription Price for H Shares in respect of which the notice is given. Within 21 days (7 days in the case of exercise pursuant to paragraph 8.5(c), (d) and (e)) after receipt of the notice and (where appropriate) receipt of the Auditors' or independent financial advisers' certificate pursuant to clause 12, the Company will issue the relevant number of fully-paid H Shares to the Grantee (or, in the event of an exercise of Option by a Personal Representative pursuant to clause 8.5(i), to the estate of the Grantee) and issue a share certificate for every board lot of H Shares so issued and a share certificate for the balance (if any) of the H Shares so issued which do not constitute a board lot and register the Grantee as the holder of such H Shares.
- 8.5 Subject as hereinafter provided, an Option may be exercised by the Grantee at any time during the Option Period provided that:
- (a) in the event of the Grantee ceasing to be an Eligible Participant by reason of his death, ill-health or retirement in accordance with his contract of employment (including the services agreement and employment agreement made between the Company and the Eligible Participant) (if applicable) before exercising the Option in full, his/her Personal Representative(s) or the Grantee (as the case may be), may exercise the Option (to the extent not already exercised) in whole or in part in accordance with the provisions of clause 8.4 within a period of 12 months following the date of cessation of employment (if applicable) which date will be the last day on which the Grantee was at work with the Company or the relevant Subsidiary whether salary is paid in lieu of notice or not, or such longer period as the Directors may determine. Should any of the events referred to in clause 8.5(c), (d) or (e) occur, the Grantee may exercise his/her Option pursuant to clause 8.5 (c), (d) or (e) respectively.

- (b) in the event of the Grantee ceasing to be an Eligible Participant (for any reason other than his death, ill-health or retirement in accordance with his contract of employment or the Grantee's employment is terminated (if applicable) on one or more of the grounds specified in clause 9.1(c)) before exercising the Option in full, the Grantee may exercise the Option (to the extent not already exercised) in whole or in part in accordance with the provisions of clause 8.4 within a period of 3 months following the date of cessation of employment (if applicable) which date will be the last day on which the Grantee was employed by the Company or the relevant Subsidiary whether salary is paid in lieu of notice or not, or such longer period as the Directors may determine. Should any of the events referred to in clause 8.5(c), (d) or (e) occur, the Grantee may exercise his/her Option pursuant to clause 8.5(c), (d) or (e) respectively.
- (c) in the event of a general offer by way of takeover being made in PRC and/or Hong Kong to all holders of the H Shares (or all holders other than the offeror and/or any person controlled by the offeror and/or any persons acting in concert with the offeror) and in the case of a general offer in the PRC, such general offer obligation is not exempted by the CSRC, and in the case of a general offer in Hong Kong, where such offer becomes or is declared unconditional, the Company will issue a notice to the Grantee within 7 days, pursuant to which, the Grantee (or his/her Personal Representative(s)) will be entitled to exercise the Option in full or in part within 14 days after the date of the notice. Subject to the above, the Option (to the extent not already exercised) will automatically lapse on the expiry date of the takeover offer.
- (d) in the event of a resolution being proposed to approve the voluntary winding-up of the Company during the Option Period, the Company will forthwith give notice to all the Grantee (or his/her Personal Representative(s)) at the time of giving notice to the shareholders to convene the general meeting. A Grantee (or his/her Personal Representative(s)) may, subject to the provisions of all applicable laws, by notice in writing to the Company accompanied by a remittance of the full amount of the aggregate Subscription Price for the H Shares to be subscribed, at any time not later than 2 Business Days prior to the date on which such general meeting is convened, exercise his/her Option (to the extent not already exercised) either in full or in part. The Company will as soon as possible, and in any event, not later than 1 Business Day prior to the date on which such general meeting is convened, issue the relevant H Shares to the Grantee credited as fully paid and register such Grantee as the holder of the relevant H Shares.
- (e) in the event of a compromise or arrangement in connection with the repayment of debts, restructuring or amalgamation being proposed between the Company and its shareholders or creditors, the Company will give notice thereof to all Grantees (or his/her Personal Representative(s)) on the same day as it gives notice of the meeting to its shareholders or creditors to consider such compromise or arrangement. The Grantee (or his/her Personal Representative(s)) may by notice in writing accompanied by a remittance of the full amount of the aggregate Subscription Price for the H Shares to be subscribed, at any time not later than 2 Business Days prior to the date on which such general meeting/meeting of creditors' is convened, exercise his/her Option (to the extent not already exercised) either in full or in part. The Company will as soon as possible, and in any event, not later than 1 Business

Day prior to the date on which such general meeting or meeting of creditors, as the case may be, is convened, issue the relevant H Shares to the Grantee credited as fully paid and register such Grantee as holder of the relevant H Shares. Upon the effective date of such compromise or arrangement, all outstanding options not exercised under this provision will automatically lapse.

8.6 The H Shares to be allotted upon the exercise of an Option will be subject to the Articles of Association and will rank *pari passu* in all respects with the existing fully paid H Shares in issue on the date on which the Option is duly exercised (or, if that date falls on a day when the register of members of the Company is closed, the first day of the re-opening of the register of members) (the “Exercise Date”). The holders will be entitled to all dividends or other distributions paid or made on or after the Exercise Date other than any dividends or other distributions previously declared or recommended or resolved to be paid or made if the record date therefor will be before the Exercise Date. The H Share allotted upon the exercise of an Option will not carry voting rights until the name of the Grantee has been duly entered on the register of members of the Company as the holder thereof.

9. Early termination of option period

9.1 The Option Period in respect of any Option (to the extent not already exercised) will automatically terminate and that Option shall lapse on the earliest of:

- (a) the expiry of the Option Period;
- (b) where clause 8.5 is applicable, the expiry of any of the periods referred to in clause 8.5;
- (c) the Grantee ceases to be an Eligible Participant by reason of the followings:
 - (i) the expiry or termination of the period set out in the employment contract entered into between the Company and the Directors (when applicable); or
 - (ii) a termination of his/her employment contract entered into between the Company and the employees (whether full-time or part-time) on the ground that he/she has been guilty of persistent or serious misconduct, or has committed any act of bankruptcy or has become unable to pay debts and has made any arrangement with his/her creditors generally, or has been convicted of any criminal offence (other than an offence which in the opinion of the Directors does not bring the Grantee or the Company into disrepute).
- (d) the date on which the Directors will exercise the right of the Company to terminate any Option by reason of a breach of the matters set out in clause 8.3 by the Grantee.

- 9.2 A resolution of the Board to the effect that the Grantee ceases to be an Eligible Participant on the grounds specified in clause 9.1(iii)(b) will be final and conclusive.
- 9.3 If the Company proposes to cancel, terminate or abolish any Option held by a Grantee (to the extent not already exercised) before the relevant Option Period expires, and to allot new Option (hereinafter “New Option”) to replace the cancelled Option, the Company will not grant further Option under the Share Option Scheme (other than the Option already granted). The number of H Shares available for subscription under the grant of New Option will not, in any circumstances, exceed the refreshed mandate limit approved by the shareholders of the Company from time to time in accordance with clause 10.2 below.

10. Maximum number of H Shares available for subscription

- 10.1 Subject to adjustment referred to in this clause 10, the number of H Shares available for subscription under the Share Option Scheme will not exceed the Scheme Mandate Limit. Options lapsed in accordance with clause 9 will not be counted for the purpose of calculating the Scheme Mandate Limit.
- 10.2 The Company may seek approval by its shareholders in general meeting to refresh the Scheme Mandate Limit (hereinafter “Refreshed Mandate Limit”). However, the Refreshed Mandate Limit of the total number of H Shares to be allotted upon the exercise of all subscription rights (including the Option) under All Share Option Schemes must not exceed 10% of the H Shares in issue as of the date of approval to refresh by the shareholders of the Company. Option previously granted (including but not limited to those outstanding, cancelled, lapsed in accordance with the Share Option Scheme and those that have been exercised) will not be counted for the purpose of calculating the Refreshed Mandate Limit. The Company will, in accordance with the Listing Rules, send a circular to its shareholders containing the information, statistics and disclaimer required by the Stock Exchange in rules 17.02(2)(d) and 17.02(4) of the Listing Rules on a date not later than the date of notice of general meeting to approve the Share Option Scheme or the relevant matters.
- 10.3 The Company may also seek approval by its shareholders in general meeting for granting Options beyond the Scheme Mandate Limit (hereinafter “Additional Options”), provided such Additional Options are granted only to Eligible Participants specifically identified (hereinafter “Specified Eligible Participants”) before such approval by shareholders is sought. The Company will send a circular to the shareholders containing a generic description of the Specified Eligible Participants, number and terms of the Additional Options to be granted, the purpose of granting Additional Options to the Specified Eligible Participants, an explanation as to how such Additional Options serve the purpose and the information, statistics and disclaimer required by rules 17.02(2)(d) and 17.02(4) of the Listing Rules.
- 10.4 No options may be granted under the Share Option Scheme or Any Other Share Option Scheme if the total number of H Shares to be allotted upon exercise of all outstanding Options and yet to be exercised under All Share Option Schemes will exceed 30% of the H Shares in issue from time to time.

11. Maximum entitlement of each eligible participant under the Share Option Scheme

- 11.1 Subject to the provision of clause 11.2 below, the maximum number of H Shares issued or falling to be issued (hereinafter “Aggregate H Shares Amount”) to each Eligible Participant in any Relevant Period upon the exercise of all Options granted in accordance with the Share Option Scheme, will not exceed 1% of the total number of the H Shares for the time being in issue (hereinafter “Maximum Entitlement”).
- 11.2 Any further grant of Options to a Eligible Participant resulting in the Aggregate H Shares Amount in respect of all Options already granted or to be granted (including exercised, cancelled and outstanding Options) under the Share Option Scheme in the Period up to and including the date of such further grant, exceeding the Maximum Entitlement (hereinafter the “Exceeding Grant”) will be separately approved by the shareholders of the Company in a general meeting in which such Eligible Participant and his/her Associates must abstain from voting. The Company will determine the terms and conditions of the Exceeding Grant prior to such general meeting and will send to its shareholders a circular containing the identity of such Eligible Participant, the number and terms (including the Subscription Price) of related Options issued and to be issued under the relevant Exceeding Grant (including such Options previously granted to such Eligible Participant by the Company), together with the statistics and disclaimer as required under rules 17.02(2)(d) and 17.02(4) of the Listing Rules. The date of convening such general meeting will be taken as the relevant Grant Date for the purpose of calculating the Subscription Price in respect thereof under clause 7.

12. Reorganisation of capital structure

- 12.1 In the event of any alteration in the capital structure of the Company whilst any Option remains exercisable or the Share Option Scheme remains in effect, and such event arises from a capitalisation issue, rights issue, consolidation or sub-division of H Shares or reduction of capital of the Company then, in any such case the Company will instruct the Auditors or independent financial advisers to certify in writing that in their fair and reasonable opinion the following in respect of either generally or as regards any particular Grantee:

- (a) the number of H Shares subject to any Option(s) (insofar as it is/they are unexercised); and/or
- (b) the Subscription Price of any Option;

and such adjustment certified by the Auditors and independent financial advisers will be subject to the following:

- (i) any such adjustment will be made on the basis that the aggregate Subscription Price payable by a Grantee on the full exercise of any Option will remain as nearly as possible the same (but will not be greater than) as it was before such event;

- (ii) no such adjustment will be made which will enable a H Share to be issued at less than its nominal value;
- (iii) no such adjustment will be made to the effect of which will be to increase the proportion of the issued share capital of the Company for which any Grantee will have been entitled to subscribe had he exercised for all the Options held by him prior to such adjustment; and
- (iv) the issue of securities of the Company as consideration in a transaction will not be regarded as a circumstance requiring any such adjustment.

In addition, in respect of any aforesaid adjustments, other than those made on a capitalisation issue, the Auditor or independent financial adviser will confirm to the Directors in writing that the adjustments have satisfied the relevant requirements under the Listing Rules as may be amended from time to time by the Stock Exchange.

12.2 If there has been any alteration in the capital structure of the Company as referred to in clause 12.1, the Company will, upon receipt of a notice from a Grantee in accordance with clause 8.4, inform the Grantee of such alteration and will either inform the Grantee of the adjustment to be made by the Company in accordance with the certificate of the Auditors or the independent financial advisers or, if no such certificate has yet been obtained, inform the Grantee of the alteration in the capital structure and instruct the Auditors or independent financial advisers as soon as practicable thereafter to issue a certificate in that regard in accordance with clause 12.1.

12.3 In giving any certificate under this clause 12, the Auditors or independent financial adviser will be deemed to be acting as experts and not as arbitrators; and their certificate will, in the absence of manifest error, be final and binding on the Company and all persons who may be affected thereby.

13. Share capital

The exercise of any Option will be subject to the shareholders of the Company in general meeting approving any necessary increase in the authorised share capital of the Company (subject to the Company Law and any other relevant PRC laws).

14. Disputes

Any dispute arising in connection with the number of H Shares in respect of an Option, any of the matters referred to in clause 7.1, any adjustment under clause 12.1 will be referred to the decision of the Auditors or the independent financial advisers who will act as experts and not as arbitrators and whose decision will, in the absence of manifest error, be final and binding on all persons who may be affected thereby.

15. Alteration of the share option scheme

Subject to the Listing Rules, any terms of the Share Option Scheme may be altered from time to time by a resolution of the Directors, save that the following alterations will be made with the prior approval of the shareholders of the Company in a general meeting (in which the relevant Grantee and his/her Associates must abstain from voting), and in appropriate circumstances, approved by the holders of H Shares in its general meeting (any alterations made to the terms of the Share Option Scheme will be required to comply with the relevant requirements in chapter 17 of the Listing Rules):

- (a) the altered terms relate to matters set out in rule 17.03 of the Listing Rules which will be to the advantage of Eligible Participants or future Eligible Participants;
- (b) the altered terms and conditions are material, except where the alteration takes effect automatically under the existing terms of the Share Option Scheme; and
- (c) any change to the authority of the Board in respect of alterations to the terms of the Share Option Scheme.

provided that no such alteration will operate to affect adversely the terms of any Option granted, or agreed to be granted, prior to such alteration, save with the consent of the relevant Grantees or sanction under the Articles of Association from such majority of the Grantees as will be required of the holders of the H Shares for the time being of the Company for a variation of the rights attached to the H Shares.

15.2 In the event of any alteration proposed to be made to any Option in which the relevant Eligible Participant is the Substantial Shareholder, independent non-executive Director or any of their respective Associates, such proposed alteration will be approved by the shareholders of the Company at general meeting, in which any Connected Person(s) must abstain from voting, save where such Connected Person(s) intend to vote against the resolution concerned and his/her intention to do so has been stated in a circular sent to its shareholders by the Company containing the information and statistics required under rule 17.04 of the Listing Rules. In addition, the proposed alteration will be approved by the shareholders in general meeting by poll.

16. Termination of scheme

16.1 The Company by resolution in general meeting may at any time terminate the operation of the Share Option Scheme before the expiry of the Scheme Period and, in such event, no further Options will be granted and all remaining Options that have yet to be granted, will become void or non-exercisable. The provisions of the Share Option Scheme will remain in force to the extent necessary to give effect to the exercise of any Options granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme.

16.2 Should the Company wish to adopt a new share option scheme in replacement subsequent to the termination of the Share Option Scheme, subject to any requirement as of the Listing Rules, the Company will issue a circular to the shareholders of the Company seeking their approval of such new share option scheme, containing details of Options granted, exercised and outstanding prior to the termination of the Share Option Scheme and if applicable, the Options that have become void or non-exercisable as a result of the termination of the Share Option Scheme under clause 16.1.

17. Miscellaneous

17.1 The Share Option Scheme will not form part of any contract of employment (if any) between the Company or any of its Subsidiary and any Eligible Participant and the rights and obligations of any Eligible Participant under the terms of his/her office or employment will not be affected by his/her participation in the Share Option Scheme or any right which he/she may have to participate in it, and the Share Option Scheme will afford such an Eligible Participant no additional rights to compensation or damages in consequence of the termination of such office or employment for any reason.

17.2 The Share Option Scheme will not confer on any person any legal or equitable rights (other than those constituting the Options themselves) against the Company directly or indirectly or give rise to any additional cause of action at law or in equity against the Company.

17.3 The Company will bear the cost of establishing and administering the Share Option Scheme, including any cost of the Auditors or independent financial advisers in relation to the preparation of any certificate by them or the provision of any other service in relation to the Share Option Scheme.

17.4 A Grantee will be entitled to receive copies of all notices and other documents sent by the Company to holders of H Shares. The Company will send copies to a Grantee concurrently with, or within a reasonable time of, any such notices or documents being sent to holders of H Shares.

17.5 Any notice or other communication between the Company and a Grantee will be given by sending the same by prepaid post or by personal delivery to, in the case of the Company, its principal place of business in Hong Kong and, in the case of the Grantee, his/her address in Hong Kong as notified to the Company from time to time or, if none or incorrect or out of date, his/her last place of employment with the Company or the principal place of business of the Company from time to time.

17.6 Any notice or other communication if sent by the Grantee will be irrevocable and will not be effective until actual receipt by the Company.

17.7 Any notice or other communication if sent to the Grantee by the Company will be deemed to be given or made in the following circumstances:

- (a) one (1) day after the date of posting, if sent by mail; and
- (b) when delivered, if delivered by hand.

17.8 A Grantee will, before accepting an Offer or exercising his Option, obtain all necessary consents that may be required to enable him to accept the Offer or to exercise the Option and enable the Company to issue H Shares to a Grantee upon the exercise of his/her Option. By accepting an Offer or exercising his/her Option, the Grantee thereof will be deemed to have represented to the Company that he/she has obtained all such consents. Compliance with this clause will be a condition precedent to an acceptance of an Offer by a Grantee and an exercise by a Grantee of his/her Options.

17.9 A Grantee will pay all taxes and discharge all other liabilities to which he/she may become subject as a result of his/her participation in the Share Option Scheme or the exercise of any Option.

17.10 By accepting an Offer an Eligible Participant will be deemed irrevocably to have waived any entitlement to any sum or other benefit to compensate him for loss of any rights under the Share Option Scheme.

17.11 The Share Option Scheme and all Options granted hereunder will be governed by, and construed in accordance with, the laws of Hong Kong.

18. Cancellation of options granted

Any cancellation of Options granted, but not exercised, will be approved by the Board. Where the Company cancels Options and issues new Options to the same Option holder, the issue of such new Options may only be made if there are available unissued Options (excluding the cancelled Options) within the limit approved by shareholders as mentioned in clause 10.

Present status of the Share Option Scheme

The Share Option Scheme is conditional (among other things) on the following conditions:

- recognition and approval under the related PRC laws and regulations. Under PRC laws and regulations, CSRC and other relevant governmental authorities will not grant a general approval for any future grant of Options under the Share Option Scheme, issue of new H Shares pursuant to the exercise of the Options that may be granted and the listing of such shares. Accordingly, the Company will have to seek separate approvals from CSRC and other relevant governmental authorities for:
 - any future grant of Options under the Share Option Scheme;

- the issue of new H Shares pursuant to the exercise of the Option that may be granted; and
- the listing of such new H Shares;
- the Listing Committee of the Stock Exchange granting the listing of and permission to deal in any H Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme; and
- the obligations of the Underwriters under the Underwriting Agreement becoming unconditional and not being terminated.

As at the date of this prospectus, no options have been granted or agreed to be granted under the Share Option Scheme; and no application for the approval of the CSRC for:

- any future grant of Options under the Share Option Scheme;
- the issue of new H Shares pursuant to the exercise of the Option that may be granted; and
- the listing of such new H Shares

has been made.

6. OTHER INFORMATION

● Estate Duty and Tax Indemnity

The Directors have been advised that no material liability for estate duty is likely to fall on the Company and any of its subsidiaries in the PRC.

The Promoters entered into a Deed of Indemnity dated 11th December, 2003 in favour of the Company, to indemnify and keep the Company (on its own behalf and as trustee for the Group) indemnified against any Hong Kong estate duty which is or becomes payable by the Group in certain circumstances. The Promoters will also indemnify and keep indemnified the Group against any loss or liability suffered by the Group as a result of, or in connection with, any claim falling on the Group in respect of income, profits or gains earned, accrued or received in certain circumstances.

The Deed of Indemnity is conditional on the conditions set out in the paragraph headed “Conditions of the Share Offer” in the section headed “Structure of the Share Offer” being fulfilled.

● Litigation

So far as the Directors are aware as at the Latest Practicable Date, no litigation, arbitration, proceedings or claims of material importance are pending, in process or could possibly occur against any member of the Group.

There are no claims in relation to exploration rights made or notified either by third parties against the Company and any member of the Group or vice versa.

- **Sponsor**

China Everbright as the Sponsor of the relevant Share Offer, has made an application on behalf of the Company to the Main Board Listing Committee for the listing of, and permission to deal in, any H Shares to be issued under the Share Offer and which may fall to be allotted and issued upon the exercise of the Over-allotment Option and pursuant to the exercise of any options which may be granted under the Share Option Scheme. All necessary arrangements have been made for the H Shares to be admitted into CCASS.

- **Preliminary expenses**

The Company has not incurred any preliminary expenses.

- **Promoters**

The Promoters of the Company are Xinghang Investment, Xinhua Industrial, Jinshan Trading, Xinhua Engineering, Xiamen Hengxing, Xinhua Department Store, Fujian Gold Group and Minxi Geologist. Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given or is proposed to be paid, allotted or given to the promoters in connection with the Share Offer or the related transactions described in this prospectus.

- **No material adverse change**

Save as disclosed in this prospectus, the Directors believe that there has been no material adverse change in the financial or trading position or prospect of the Company since 30th June, 2003.

- **Binding effect**

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

- **Taxation of H Share holders**

Dealing in H Shares is subject to Hong Kong stamp duties.

- **Miscellaneous**

Save as disclosed in this prospectus:

- within the two years preceding the date of this prospectus, no share or loan capital of the Company or any of its subsidiaries have been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;

- no share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
- within the two years preceding the date of this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any shares or loan capital of the Company or any of its subsidiaries;
- within the two years preceding the date of this prospectus, no commission has been paid or payable to any person for subscribing or agreeing to subscribe, procuring subscription or agreeing to procure subscription of any shares in the Company or any of its subsidiaries;
- neither the Company nor any of its subsidiaries has any promoter shares, management shares or deferred shares;
- none of the persons named in paragraph “Qualification of Experts” in this Appendix is the senior staff or serviceman or its partner or employee of the senior staff or serviceman of the Company or any of its subsidiaries; and
- no share capital or debt securities of the Company is listed or dealt on any other stock exchange, and the Company has no intention to seek for the listing and dealing on any other stock exchange.

7. QUALIFICATION OF EXPERTS

Name	Qualification
China Everbright	a deemed licensed corporation to carry out regulated activities of advising on securities and corporate finance under the SFO
Ernst & Young	Certified Public Accountant
DTZ Debenham Tie Leung Limited	International property valuation firm
Fuzhou Zenith Law Firm	PRC legal adviser
SRK	Independent technical consultant

8. CONSENTS OF EXPERTS

China Everbright, Ernst & Young, DTZ Debenham Tie Leung Ltd., SRK and Fuzhou Zenith Law Firm have given and have not withdrawn their respective written consents to the issue of this prospectus with the inclusion of their respective reports and/or letters and/or valuation certificates and/or references to its name in the form and context in which they respectively included.

Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, none of the aforementioned experts is directly or indirectly interested in the promotion of the Company or in any assets which have acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group.

9. PARTICULARS OF THE VENDORS

The names, addresses and description of Xinghang Investment, Fujian Gold Group, and Minxi Geologist (being vendors of H Shares converted from their Domestic Shares for Placing under the Share Offer) are as follows:

Name	Description	Address	Shares offered for sale ^{*(1)(2)(3)}
Xinghang Investment	Wholly state-owned company	No. 110 Zhenxing Road, Linjiang town, Shanghang county Fujian province the PRC	30,356,413
Fujian Gold Group	Wholly state-owned company	No. 36 Liuhe Road Gulou district, Fuzhou city Fujian province the PRC	1,086,507
Minxi Geologist	Under Fujian Geologic Mineral Exploration Development Bureau, Geologic Mineral Department	No. 50 Fuxing Road, Shanming city, Fujian province the PRC	220,716

* Notes:

- (1) The total shares offered by the Vendors represent 10% of the H Shares (not including the H Shares to be converted from the Domestic Shares under the Share Offer).
- (2) If the Over-allotment Option is exercised in full, Xinghang Investment, Fujian Gold Group and Minxi Geologist will increase their reduction of State-owned Shares proportionately to their shareholdings, by 34,909,875 Shares, 1,249,482 Shares and 253,824 Shares respectively.
- (3) None of the Directors of the Company has any beneficial interest in the Shares so offered for sale by the Vendors.