

Disclosure of Significant Events

1. During the year, the Company was not involved in significant legal proceedings or arbitration.
2. Asset acquisition or sale and merger or consolidation during the year

The other party and the assets acquired	Acquisition date	Consideration	Contribution to net profit of the Company from the acquisition date to the end of the year	Whether a connected transaction	Pricing principle
JCC: the operating assets and the mining right of Wushan Copper Mine	1 Jan. 2002	RMB193.81 million	RMB9.33 million	Yes	Valuation

Note: The acquisition of the mining right of Wushan Copper Mine and all the operating assets thereof will further increase the Company's resources reserve and its control capacity over supply of raw materials, which in turn will reduce the risks in respect of raw materials' supply from the domestic and overseas markets. All these are favourable for securing an ongoing and stable development of the Company's principal business. This acquisition proposal does not have any adverse impact on the stability of the management of the Company.

3. Connected transactions

I. Sale and purchase of goods, charges for provision of labour services and other ongoing connected transactions

(1) Agreements, contents and amounts of the transactions

The Company has entered into certain agreements with JCC including a consolidated supply agreement, a consolidated industrial services agreement, a number of real property leases, a consolidated miscellaneous services agreement. The Company has also entered into a processing agreement, a sale agreement and agreements of other connected transactions.

Under these agreements, the Company will purchase copper concentrates, scrap copper and auxiliary industrial products from JCC and its affiliates, sell copper cathode, sulphuric acid and auxiliary industrial products to JCC and its affiliates, process copper concentrates, blister copper and scrap copper imported by JCC into copper cathode and arrange for sales and distribution of such copper cathode for JCC, sell waste, filter residue and black cement copper to JCC and its affiliates, provide water and electricity to JCC and its affiliates, obtain various industrial, social and support services from JCC and its affiliates and lease properties from/to and lease land use rights from JCC and its affiliates.

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Details of the transactions entered into between the Company and its affiliates are as follows:

	Pricing principle	Transaction amount RMB'000	Percentage of same type of transaction %
Consolidated miscellaneous supply agreement			
Sale of copper cathode	Market price	150,384	8.2
Sale of auxiliary industrial products	Market price	59,688	15.2
Purchase of pyrite concentrates	Market price	87,487	70.5
Purchase of scrap copper	With reference to actual costs	55,175	11.5
Purchase of auxiliary industrial products	Market price	144,772	10.6
Processing agreement			
Tolling fee and sale fee	Contract price	206,783	81.9
Sale agreement			
Sale of waste, filter residue and black cement copper	Market price	12,230	68.9
Consolidated industrial services agreement			
Payment for repair and maintenance services	As set by the industry	96,158	94.3
Payment for construction services	Standard set by Jiangxi Provincial Government	67,788	47.4
Payment for vehicle transportation service	Actual costs + tax	49,848	91
Payment for license fee on railway transportation service	Actual costs + tax	7,174	100
Payment for railway transportation service	Actual costs + tax	10,709	42.3
Payment for industrial water supplied	Actual costs + tax	18,545	100
Payment for supply of water and transmission of electricity	Actual costs + tax	31,653	75
Real property leases			
Payment for rental for land use rights	Contract price	15,000	100
Payment for rentals for office premises	Contract price	3,325	100
Consolidated miscellaneous services agreement			
Payment for welfare and medical services	On the basis on 18% of staff wages	43,339	100
Payment for primary and secondary education service	Allocation of actual costs based on assets ratio	10,418	100
Payment for technical education service	Allocation of actual costs based on assets ratio	4,801	100
Payment for internal telecommunications services	Allocation of actual costs based on assets ratio	1,221	100
Payment for use of representative offices	Allocation of actual costs based on assets ratio	2,649	100
Payment for retirement benefits contributions	On the basis on 20% of staff wages	56,474	100
Payment for use of common facilities	Allocation of actual costs based on assets ratio	9,870	100
Payment for environmental conservation and sanitary services	Allocation of actual costs based on assets ratio	6,208	100
Others			
Payment for Brokerage agency services	Brokerage fee as stipulated by the State	2,198	100
Charging for rentals for office premises	Contract price	56	100
Receiving proceeds on disposal of fixed assets	Net book value	2,766	100

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(2) The independent non-executive directors of the Company have reviewed the above transactions and confirmed that:

- (i) the transactions have been entered into in the usual and ordinary course of business of the Group;
- (ii) the transactions have been entered into either on normal commercial terms or on terms no less favourable than terms available to or from independent third parties; and
- (iii) the transactions have been entered into on terms that are fair and reasonable so far as the shareholders of the Company are concerned.

(3) Basic pricing policy:

The pricing policy of the connected transactions mentioned above is determined basically according to the market price or, if there is no such market price, based on the following in the order of priority set out below:

- (i) the State price if there is such "State price" as stipulated by the Pricing Administration Department of the State;
- (ii) industry price if there is no "State price" as stipulated by the Pricing Administration Department of the State but there is such "industry price" as stipulated by the relevant department administering the industry;
- (iii) actual cost together with tax if there is no State price nor industry price.

(4) Explanations on the ongoing nature and necessity

- (i) Purchase of raw materials and auxiliary industrial products

Acute shortage of domestic copper resources led to shortage of raw materials such as pyrite concentrates and scrap copper and blister copper. JCC currently owns three copper mines with an annual output of approximately 8,000 tonnes of copper contained in copper concentrates. By sourcing such copper resources from JCC at market prices and taking the advantages of the sales network of JCC and its subsidiaries to widely rearrange the handling of scrap and blister copper, the Company could be able to open up sources of material supply which will in turn ease the Company's pressure of shortage of copper materials. Furthermore, the Company sources the necessary auxiliary industrial products from JCC, it will save much transportation fees when comparing to sourcing the same from overseas.

- (ii) Sale of copper cathode and other waste materials

Since JCC and its subsidiaries possess plants for processing of copper, which need copper cathode as raw materials. By selling copper cathode to JCC and its subsidiaries at market prices, the Company is not only able to secure steady clients but also save transportation fees. In addition, JCC and its subsidiaries possess the necessary facilities and know-how for collection and recycling of the related waste materials. By selling waste materials to JCC and its subsidiaries, the Company is able to save capital investment for establishment of such facilities, generate profits for the Company and comply with the requirements of environmental protection.

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(iii) Processing Agreement

As a major and key State-owned enterprise in the PRC, JCC is entitled to the policy of refund of value-added tax (the term was in force until the end of 2002) from importation of copper raw materials for processing into copper cathode for sale in the PRC upon approval of the relevant Chinese authorities. The Company provided copper cathode processing service for the imported raw copper materials of JCC, thereby increasing the supply of high quality raw materials and stabilizing the gross profit of the Company accordingly.

Should the relevant government authorities extend the term of the above policy, the Company will accordingly extend the agreement for the processing of copper entered into with JCC for one year, save and except for any changes made to the provisions of the policy.

(iv) Consolidated industrial services

In view of the advantages of cooperation and division of labour among different specialized tasks, the Company considers it necessary to make use of the specialized auxiliary production facilities and complementary services possessed by JCC. Properly handle the long-term cooperation relationship with JCC mentioned above is favourable to the Company for focusing itself on developing its core mining business.

(v) Consolidated miscellaneous services

Before the social services offered by enterprises and the social protection systems thereof are properly dealt with by the State and the local government, the continuity of these connected transaction is inevitable.

- II. On 30 November 2000, the Company entered into an agreement with JCC to acquire operating assets and related liabilities of the Wushuan Copper Mine and the mining right (excluding mining rights to resources beneath the minus-400-metre level) thereof from JCC. Details of the acquisitions and the connected transactions are set out in the circular of the Company dated 20 December 2000 and approved by the shareholders at an extraordinary general meeting held on 19 January 2001. The acquisition was completed on 1 January 2002 for an aggregate consideration of RMB193,806,974 (as adjusted), in cash.
- III. On 11 March 2002, the Company entered into a joint venture agreement (“JV Agreement”) with JCC to establish a Sino-foreign equity joint venture, JCPC, to engage in the manufacturing and processing of oxygen-free copper rods and wires. The Company and JCC invested a sum of RMB90 million and RMB60 million respectively in cash during the year as capital contribution to JCPC according to the JV Agreement. JCPC is owned as to 60% by the Company and 40% by JCC.
- IV. On 16 May 1997, the Company entered into the Asset Injection Agreement with JCC which is still effective as at 31 December 2002:
- JCC has given to the Company options to purchase from JCC any mines, smelters or refineries owned and/or operated by it now or in the future, and any exploration and mining rights and assets held by JCC now and in the future.
 - The Company may acquire the Chengmen Shan Mine from JCC at a price to be based upon a valuation conducted by an independent appraiser recognised under PRC laws and subsequently to be confirmed by the State Assets Administration Bureau.

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(5) Connected debts and liabilities (Prepared under PRC GAAP and regulations)

Connected parties JCC and its controlling subsidiaries	Amount provided to connected parties		Amount provided by connected parties to the Company	
	Amount incurred RMB0,000	Balance RMB0,000	Amount incurred RMB0,000	Balance RMB0,000
Bills receivable	11,956	18		
Accounts receivable	18,562	616		
Other receivables	7,266	5,971		
Prepayments	27,798	1,367		
	65,582	7,972		
Bills payable			8,648	3,123
Accounts payable			19,282	2,611
Receipts in advance			107	14
Other payables			5,167	6,693
Long term payable due within one year			187	187
Long term payable due after one year			4,304	4,304
			37,695	16,932

4. Significant contracts and their execution

Save and except for those announced in the past, the Company had no significant events of managing on custody, contracting or leasing assets of other companies, or having other companies managing on custody, contracting or leasing assets of the Company during the year.

During the year, the Company had no significant guarantee events.

During the year, the Company had no significant events concerning financial management on trust.

During the year, the Company did not have any trust deposits placed with any banking financial institutions or non-banking financial institutions in the PRC and did not encounter any difficulties in making withdrawals of the Company's fixed deposits.

5. Undertakings of shareholders holding 5% or more interests

On 22 May 1997, JCC undertook to the Company as follows:

- So far as JCC holds 30% or over of the voting rights of the Company, JCC and its subsidiaries and associates (except for those controlled through the Company) shall not engage in any business or activities which may directly or indirectly compete with the Company's business.
- During the period when its holds 30% or over of the voting rights of the Company, JCC will in accordance with the requirements of the Hong Kong Stock Exchange and the London Stock Exchange, devote utmost efforts to ensure the independency of the Company's Board of Directors and will not impose any control.

The Company's Board of Directors considers that JCC has complied with the above undertakings when it holds 30% or over of the voting rights of the Company.