

(1) CORPORATE GOVERNANCE

Specific provisions regarding shareholders and general meetings, directors and Board of Directors, supervisors and Supervisory Committee, senior management, connected transaction, information disclosure were provided in the Company's Articles of Association, which are in compliance with the relevant requirements of the Stock Exchange in which the shares of the Company are listed. The convening of the Company's general meetings, meetings of Board of Directors and Supervisory Committee and their daily work are in accordance with the provisions of the Company's Articles of Association.

The Company set up the system of independent director in January in 1997. The Company's Board comprising 11 members, of which 4 are independent directors and 2 are external executive directors. The Company also established an independent audit committee comprising independent directors in August 1998.

(2) INTERIM DIVIDEND

The Board resolved not to declare the interim dividend for the six months ended 30 June 2003. No interim dividends were distributed for the corresponding period in last year.

(3) IMPLEMENTATION OF PROFIT APPROPRIATION PLAN DURING THE REPORTING PERIOD

At the annual general meeting of the Company held on 11 June 2003, a resolution on "non-capitalisation of reserves" and cash dividend of RMB0.03 (inclusive of tax for A shares) per share to be distributed to all shareholders based on the total share capital of 2,664,038,200 shares as at the end of 2002 was passed. The announcement relating to such resolution was published on China Securities Daily, Hong Kong Economic Times and The Standard on 12 June 2003. The dividends were distributed to all shareholders of the Company on 4 July 2003 in accordance with the contents and requirements of the announcement.

(4) AS AT THE END OF THE REPORTING PERIOD, THE COMPANY WAS NOT INVOLVED IN ANY MATERIAL LITIGATION OR ARBITRATION.

(5) CONNECTED TRANSACTIONS

The Company has entered into certain agreements with JCC including a consolidated supply agreement, a consolidated industrial service agreement, a consolidated miscellaneous services agreement, an agency agreement for the development and sales of oxygen, argon and nitrogen, a raw copper sulphate agreement and a gold and silver-bearing materials agreement, copper concentrates, raw copper and scrap copper processing agreement and a land use rights leasing agreement and a property leasing agreement.

Under these agreements, the Company will purchase copper concentrates, scrap copper, gold and silver-bearing materials and auxiliary industrial products from JCC and its subsidiaries, sell copper cathode, sulphuric acid, raw copper sulphate, oxygen, argon, nitrogen and auxiliary industrial products to JCC and its subsidiaries; 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, black cement copper and raw copper sulphate to JCC and provide water and electricity to JCC and obtain various industrial, social and support services from JCC and lease properties from/to, and lease land use rights from JCC.

SIGNIFICANT EVENTS

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	34,652	2.1
Sale of auxiliary industrial products	Market price	29,897	6.5
Purchase of pyrite concentrates	Market price	55,717	30.0
Purchase of scrap copper	With reference to actual costs	193,854	80.9
Purchase of auxiliary industrial products	Market price	120,714	16.6
Purchase of gold and silver-bearing materials	State price	287	0.1
Processing agreement			
Tolling fee and sale fee	Market price	96,276	76.5
Sale agreement			
Sale of waste, filter residue and black cement copper	Market price	1,858	100.0
Sales of raw copper sulphate	Market price	4,665	100.0
Sales of argon, nitrogen and oxygen	Market price	483	14.7
Consolidated industrial services agreement			
Payment for repair and maintenance services	As set by the industry		
Payment for construction services	Standard set by Jiangxi Provincial Government	39,830	60.6
Payment for vehicle transportation service	Actual costs + tax	15,357	91.0
Payment for license fee on railway transportation service	Actual costs + tax	29,051	97.5
Payment for railway transportation service	Actual costs + tax	9,986	57.1
Payment for industrial water supplied	Actual costs + tax	9,843	100.0
Payment for supply of water and transmission of electricity	Actual costs + tax	19,866	84.8
Real property leases			
Payment for rental for land use rights	Contract price	7,500	100.0
Payment for rentals for office premises	Contract price	1,456	100.0
Consolidated miscellaneous services agreement			
Payment for welfare and medical services	On the basis on 18% of staff wages	15,042	100.0
Payment for primary and secondary education service	Allocation of actual costs based on assets ratio	4,259	100.0
Payment for technical education service	Allocation of actual costs based on assets ratio	240	100.0
Payment for internal telecommunications services	Allocation of actual costs based on assets ratio	1,511	100.0
Payment for use of representative offices	Allocation of actual costs based on assets ratio	1,047	100.0
Payment for retirement benefits contributions	On the basis on 20% of staff wages	18,932	100.0
Payment for use of common facilities	Allocation of actual costs based on assets ratio	3,026	100.0
Payment for environmental conservation and sanitary services	Allocation of actual costs based on assets ratio	3,052	100.0
Others			
Payment for agency fee for development and sales of oxygen, argon and nitrogen	Contract price	819	100.0
Charging for rentals for office premises	Contract price	28	100.0

(6) CONNECTED DEBTS AND LIABILITIES

Connected parties	Amount provided to connected parties		Amount provided by connected parties to the Company	
	Amount incurred	Balance	Amount incurred	Balance
	RMB0,000	RMB0,000	RMB0,000	RMB0,000
JCC and its controlling subsidiaries:				
Bills receivable	124,249	—		
Accounts receivable	10,506	2,568		
Other receivables	31,683	10,944		
Prepayments	52,716	7,955		
	<u>219,154</u>	<u>21,467</u>		
Bills payable			18,940	15,560
Accounts payable			128,142	38,321
Receipts in advance			182,582	1,914
Other payables			179,970	25,812
Long term payable due within one year				1,870
Long term payable			—	42,106
			<u>509,634</u>	<u>125,583</u>

(7) MATERIAL CONTRACTS AND THEIR PERFORMANCE

- As at the end of the reporting period, save and except for those which have been mentioned in previous announcements, 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.
- As at the end of the reporting period, the Company had no external guarantee contracts.
- As at the end of the reporting period, the Company had no significant contracts concerning financial management on trust.
- As at the end of the reporting period, the Company did not have deposit on trust at financial institutions or non-financial institutions, and also did not have circumstances of failure to recover time deposits due.

SIGNIFICANT EVENTS

(8) UNIFIED INCOME TAX AND LOCAL TAX PREFERENTIAL POLICY

According to the notice issued by Jiangxi Tax Bureau on 16 April 2001, the Company (situated at mid-western region of the PRC) was entitled to a reduction of unified income tax at a rate of 15% for three years from 2002 to 2004.

According to the document Cai Shui Zi [2000] No. 49, the Company had been approved by the Jiangxi Provincial Tax Bureau that the unutilised tax benefit in respect of investment for acquiring the PRC produced plant and machinery during the period from January to June 2003 and the year ended 31 December 2002 were RMB25,211,000 and RMB47,634,000 respectively, which can be applied to set off against income tax in the respective year and the subsequent years. As the Company's income tax payable for the period from January to June 2003 is more than the amount of income tax for 2002 but less than the amount of income tax for 2001, the approved amount of RMB47,634,000 available for deduction against income tax for 2002 cannot be used to set off against the income tax for the reporting period at this stage. However, the amount of RMB25,211,000 for the period from January to June 2003 available for deduction against income tax exceeds the income tax payable for 2002 by RMB3,616,000, such excess amount can be used to set off against the income tax for the reporting period.

(9) INDEPENDENT AUDIT COMMITTEE

The independent audit committee of the Company held a meeting on 13 August 2003 during which the financial statements and interim report of the Company for the six months ended 30 June 2003 were reviewed and approved.

(10) CODE OF BEST PRACTICE

None of the directors of the Company is aware of any information which would reasonably indicate that the Company is not, or was not at any time during the period in compliance with the Code of Best Practice as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

(11) PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

The Company had not redeemed any of its shares during the six months end 30 June, 2003. Neither the Company nor any of its subsidiaries had purchased or sold any of the shares of the Company during the six months ended 30 June, 2003.

(12) COMMITMENTS OF SHAREHOLDERS HOLDING OVER 5% SHARES OF THE COMPANY DURING THE END OF THE PERIOD

Details of commitments of shareholders holding over 5% shares of the Company are set out in the same section as in 2002 annual report.