

## 1. Governance structure of the Company

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 relevant requirements of the places where the shares of the Company are listed.

The Company set up the system of independent director in January 1997 and established an Independent Audit Committee comprising independent directors in August 1998. The convening of Company's general meetings, meetings of Board of Directors and Supervisory Committee and their daily work are in accordance with provisions of the Company's Articles of Association.

## 2. Performance of duties of independent directors

The Company's Board of Directors has a total of four independent directors, namely Messrs. Kang Yi, Shi Zhongliang, Liu Xinxi and Yin Hongshan. During the year, the independent directors, with an attitude to account for all shareholders, discharged their obligations in an honest and diligent manner in accordance with the requirements of the rules of the securities exchanges and the relevant laws and regulations of the two places and safeguarded the interests of the Company and the minority shareholders as a whole. The four independent directors have also reviewed the connected transactions conducted by the Company and external guarantees in 2003 and confirmed that such connected transactions complied with the requirements of the securities exchanges where the Company's shares are listed and that they are fair and reasonable and not detrimental to the interests of minority shareholders of the Company. The directors also confirmed that the Company did not have any external guarantees for the year and imposed strict standards on the management of financial risks.

## 3. Independent audit committee

During the year, the independent audit committee, which comprises four independent directors, had reviewed the financial statements contained in the Annual Report, the connected transactions and the internal control systems of the Company in accordance with the provisions of Rule 14 of Appendix 14 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules"). The independent audit committee considers that the connected transactions of the Company complied with the Listing Rules of the three places where the Company's shares are listed and the internal control system is stringent and the financial report reflected the financial position and profitability of the Company objectively and fairly.

#### **4. Separation of the Company from holding shareholder in terms of personnel, asset, finance, organization and business**

##### **Independence of business and asset**

The Company owns principal assets of Dexing Copper Mine, Yongping Copper Mine, Wushan Copper Mine and Guixi Smelter, including a complete production line from mining, to smelting, which enable the Company to operate mining, milling and smelting independently. The Company has an independent and complete production process, with an independent and complete system of supplies, purchase and sales. The assets of the Company is completely independent.

##### **Independence of personnel and structure**

General Manager, Deputy General Manager, Financial Controller, Chief Engineer and Secretary of Board of Directors all work in the Company on full-time basis and receive remuneration from the Company. They did not hold any position at JCC, the shareholder of the Company. Other than some middle-level management personnel and individual institutions, the personnel and organization of the Company is independent.

##### **Financial independence**

The Company has its own independent financial institute and accounting system. A series of accounting regulations and financial management regulations was set up. The Company maintained independent account at the bank and paid tax independently. The Company made independent financial decisions in accordance with Articles of Associations of the Company and relevant regulations. JCC did not intervene in the Company's use of funds.

#### **5. Assessment, encouragement and restriction system of senior management**

The Company adopts the policy of linking annual remuneration of the Company's senior management to their performance. Remuneration for directors is determined by the Company's general meeting. Remuneration for senior management is determined by the Board of Directors.