

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

(1) Attendance of independent directors at the Board meetings

Name of independent directors	Required attendance to Board meetings during the year (times)	Attendance in person (times)	Attendance by proxy (times)	Absence (times)
Shi Zhongliang	8	8	0	0
Kang Yi	8	8	0	0
Liu Xixi	8	8	0	0
Yin Hongshan	8	8	0	0

With responsibilities for all shareholders, the four independent directors attended all Board meeting convened during the year and rightly performed their rights as independent directors and their obligations in an honest and diligent manner in accordance with the domestic and Hong Kong listing rules and the relevant laws and regulations, thereby securing the interests of the Company as a whole and its minority shareholders.

The independent directors have reviewed the Company's connected transactions, external guarantees and the fund appropriated by the substantial shareholders in 2004 and confirmed that the connected transactions were conducted in compliance with the requirements of the securities exchanges where the Company's shares are listed on a fair and reasonable basis without damage to the interests of the Company and its minority shareholders. The independent directors also confirmed that the Company did not provide any external guarantee or have any abnormal appropriation of the Company's fund by the substantial shareholders during the year, and the Company carried out strict and proper management and control on financial risks.

(2) 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. The independent audit committee considers that the connected transactions of the Company complied with the listing rules of the exchange 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.

2. Performance of duties of independent directors *(Continued)*

(3) Objections from independent executive directors to the Company's relevant matters

During the reporting period, no objections were made by the Company's independent directors to proposals put forward at the Board meetings or other meetings.

3. Independence of the Company from its controlling shareholder in terms of business, personnel, assets, organization and finance

- 1) Business: The Company is able to operate mining, milling and smelting businesses independently with independent operation systems of supply and purchase, sale, financial management and auditing.
- 2) Personnel: Except that the Chairman of the Company assumed by the legal representative and general manager of its holding company, other senior management members did not hold any position in any members of the controlling shareholder and the directors, supervisions and senior management of the Company were paid by the Company. The personnel and remuneration management of the Company are fully independent.
- 3) Assets: 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, milling to smelting, which enable the Company to operate mining, milling and smelting independently. The Company has an independent and complete production process. The assets of the Company are completely independent.
- 4) Organization: The Company has an independent and well-built organization structure and a corporate governance structure.
- 5) Finance: 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.

4. Assessment and encourage 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 officers is determined by the Board of Directors.