

## 1. Material litigations and arbitrations

The Company had no material litigations and arbitrations during the year.

## 2. Acquisition and disposal of assets and mergers during the reporting period

The Company had no acquisition or disposal of assets or mergers.

## 3. Material connected transactions

### 1. Agreements Governing Connected Transactions

#### 1. Connected transactions between the Company and JCC

On 16 May 1997 and the subsequent period, the Company and JCC entered into or amended a series of ongoing connected transactions agreements for the purpose of the purchase of commodities and services. These agreements include: Consolidated Supply Agreement; Consolidated Industrial Services Agreement; Consolidated Miscellaneous Services Agreement; Waste, Filter Residue and Black Cement Copper Sales Agreement; An agency Agreement for the Development and Sales of Oxygen, Nitrogen and Argon; a Raw Copper Sulphate Agreement; a Gold and Silver-bearing Materials Agreement; a Land Use Right Leasing Agreement, a Property Leasing Agreement, Mining Right Transfer Agreement, Agreement for the Processing and Arranging Sales and Distribution of Imported Copper Concentrate; Agreement for the Purchase and Sales of Blister Copper, Blister Copper and Scrap Copper Processing Agreement.

Under these agreements, the Company will purchase copper concentrates, scrap copper, blister copper, gold and silver-bearing materials and auxiliary industrial products from JCC, sell copper cathode, sulphuric acid and auxiliary industrial products to JCC, 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, provide water and electricity to JCC, agency development and arranging sales of gas and obtain various industrial, social and support services from JCC and its affiliates and lease properties from/to and lease land use rights from JCC.

During the reporting period, the Company and JCC entered into the conditional Chengmenshan Acquisition Agreement, pursuant to which the Company will acquire Chengmenshan Copper Mine at an initial consideration of RMB378,190,000 (subject to adjustment based on the book value of its net assets as of the day preceding the date of acquisition. The adjusted consideration shall not exceed 110% of the initial consideration) upon satisfaction of all prerequisites. Currently, the prerequisites have not been fulfilled and therefore the agreement is not executed.

## 3. Material connected transactions *(Continued)*

### 1. Agreements Governing Connected Transactions *(Continued)*

#### 1. Connected transactions between the Company and JCC *(Continued)*

In addition, for the purpose of reorganization for the listing of H shares, the Company and JCC entered into certain agreements in May 1997 which subsisted effective as at 31 December 2004, details of which were as follows:

- (a) Pursuant to a purchase option agreement, JCC granted to the Company options to purchase from JCC any mines, smelters or refineries operated by JCC currently or in the future, and any exploration and mining rights and assets held by JCC currently and in the future.
- (b) Pursuant to an agreement, JCC agreed to transfer mining rights in Dexing Copper Mine and Yongping Mine to the Company, which came into effect from 27 January 1997, being the date of new licenses, as confirmed by the Assets Management Bureau on 31 July 1997. The total consideration amounted to RMB56,191,00, which shall be paid within a term of 30 years with a payment of RMB1,870,000 per annum. From 1 January 1998, the interests accrued on annual payables were paid by the Company at the end of year based on the 1-year bank loan interest rate (subject to a maximum of 15%) as prescribed by the PRC. The interests for the year ended 31 December 2004 amounted to RMB99,000.

#### 2. Connected transaction between the Company's subsidiaries and JCC

Jiangxi Copper Products Company Limited, a subsidiary of the Company, entered into the Consolidated Supply and Services Agreement, Transportation Agreement, Equipment Maintenance and Machinery Processing Agreement and Copper Cathode Supply Agreement with JCC. Pursuant to the above agreements, Jiangxi Copper Products Company Limited will sell low oxygen copper wire rods to JCC and process copper cathode into low oxygen copper wire rods for JCC, and provide business administration service (except financial accounting and management services) to JCC, and accept services such as power supply and transportation and equipment maintenance and machinery processing from JCC. Jiangxi Copper Products Company Limited will also purchase copper cathode processed by the Company from JCC.

## 3. Material connected transactions (Continued)

### 2. Amount of Connected Transactions

- During the reporting period, material connected transactions relating to purchase goods and receiving of services between the Company and its subsidiaries as one party and JCC and its subsidiaries as the other party are as follows:

Content of connected transactions	Pricing principle for connected transactions	Amount of connected transactions	As a percentage in similar transactions (%)	Settlement methods
Purchase of copper concentrates	Market price	179,549	10.31	Cash settlement
Purchase of scrap copper	Purchase cost + purchase expenses	1,012,751	39.63	Cash settlement
Purchase of gold and silver materials	Market price	45,241	3.76	Cash settlement
Purchase of blister copper	Market price	26,631	1.04	Cash settlement
Purchase of auxiliary industrial products	Market price	306,928	26.2	Cash settlement
Leasing fee on railway transportation	Cost + tax	7,170	100	Cash settlement
Railway transportation services	Cost + tax	11,911	32.4	Cash settlement
Rental for land use rights	Evaluation price	15,000	100	Cash settlement
Rentals for office premises	Contract price	3,521	100	Cash settlement
Rentals for common facilities	Cost + tax	13,988	100	Cash settlement
Repair and maintenance	Industry price	122,798	76.35	Cash settlement
Engineering construction	Jiangxi Provincial Rates for construction and installation	127,699	87.3	Cash settlement
Vehicle transportation	Cost + tax	72,782	61.9	Cash settlement
Water for industrial use	Cost + tax	18,880	79.3	Cash settlement
Futures agencies	Market price	7,953	91.83	Cash settlement
Environmental greenery	Cost price	6,279	100	Cash settlement
Medical and staff welfare	based on 18% of staff salaries	52,689	100	Cash settlement
Primary and secondary education	shared on the cost basis according to the percentage of assets	10,237	100	Cash settlement
Technical education	shared on the cost basis according to the percentage of assets	4,465	100	Cash settlement
Internal telecommunications	shared on the cost basis according to the percentage of assets	3,394	100	Cash settlement
Representative offices	shared on the cost basis according to the percentage of assets	3,304	100	Cash settlement
Unified planning of retirement benefits	based on 20% of staff salaries	58,543	100	Cash settlement
Transportation in factories	Agreed fixed price of RMB12 per tonne	1,653	100	Cash settlement
Power for industrial use	Cost + tax	7,647	100	Cash settlement
Highway transportation	Market price	2,147	25.57	Cash settlement
Equipment maintenance and machinery processing	Industry price	738	0.46	Cash settlement
Purchase of copper cathode	Market price	271,322	45.69	Cash settlement

## 3. Material connected transactions (Continued)

### 2. Amount of Connected Transactions (Continued)

2. During the reporting period, material connected transactions relating to sale of goods and provision of services between the Company and its subsidiaries as one party and JCC and its subsidiaries as the other party were as follows:

Content of connected transactions	Pricing principle for connected transactions	Amount of connected transactions	As a percentage in similar transactions (%)	Settlement methods
Sale of copper cathode and sulphuric acid	Market price	650,536	8.1	Cash settlement
Sale of byproducts	Market price	7,086	45.3	Cash settlement
Sale of auxiliary industrial products	Market price	109,156	97.7	Cash settlement
Sale of raw copper sulphate	Agreed price	54,026	100	Cash settlement
Providing customer-supplied materials processing	Market price	123,945	62.3	Cash settlement
Providing blister copper processing	Market price	4,451	2.2	Cash settlement
Water and power supply	Cost + tax	53,876	70.2	Cash settlement
Providing gas sale service	Cost + tax	3,038	96.9	Cash settlement
Rentals for office premises	Contract price	56	100	Cash settlement
Sale and processing of copper wire rods	Contract price	108,532	3.2	Cash settlement
Public administration	Cost price	2,912	100	Cash settlement

### 3. Connected transaction between the Company and its subsidiaries

The Company and its subsidiary entered into a Consolidated Supply Agreement, pursuant to which the Company will sell copper cathode, fuel, gas, materials and products to JCC Copper Products Company Limited. Details of transactions during the reporting period were as follows:

	<b>2004</b> <b>RMB'000</b>
(i) copper cathode sold by the Company to Copper Product Company	2,577,796
(ii) fuel and gas sold by the Company to Copper Product Company	21,032
(iii) materials and products sold by the Company to Copper Product Company	17,985

## 3. Material connected transactions *(Continued)*

### 2. Amount of Connected Transactions *(Continued)*

#### 4. Connected transactions between the Company and another two promoters

During the reporting period, the Company conducted certain transactions with Jiangxi Xinxin Company Limited ("Jiangxi Xinxin") and Hubei Sanxin Gold & Copper Company Limited (being two promoters of the Company). Details of such transactions were as follows:

	<b>2004</b>	2003
	<b>RMB'000</b>	RMB'000
copper cathode sold to Jiangxi Xinxin	<b>396,836</b>	235,353
low oxygen copper wire rods sold to Jiangxi Xinxin	<b>6,809</b>	1,801
Processing services provided by Hubei Sanxin	<b>11,607</b>	12,605
Purchase of copper concentrates from Hubei Sanxin	<b>27,477</b>	30,864

In addition, the Group had made prepayment to Hubei Sanxin in respect of the purchase of copper concentrates amounting to RMB10,000,000 (2003: RMB10,000,000). Interest charged by the Group during the year in respect of the prepayment amounted to approximately RMB572,750 (2003: RMB905,000). Interest was determined with reference to the terms of the relevant agreement (including amendments thereto).

During the reporting period, the actual amount of the connected transactions incurred did not exceed the amount of connected transactions as approved by independent shareholders and the cap related to the waiver granted by the Stock Exchange of Hong Kong Limited (if applicable) to the Company.

### 3. Review and Confirmation of Independent Directors on the Connected Transactions during the Reporting Period

Independent non-executive directors of the Company confirmed that all transaction contracts were entered into in the ordinary and usual course of the Company, and were made on normal commercial terms or on terms no less favourable than terms available to or from independent third parties. They are fair and reasonable to shareholders of the Company.

In accordance with relevant rules, all the transactions were fair and reasonable and in the interest of shareholders.

## 4. Material contracts and their performance

### (1) Custody

There Company did not have custody during the year.

### (2) Contracts

The Company did not have assets-management contracts during the year.

### (3) Leases

The Company did not have leases during the year.

### (4) Guarantees

The Company did not have guarantees during the year.

### (5) Custody assets

The Company did not have managing on custody of assets during the year.

### (6) Deposit 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.

## 5. Performance of undertakings by shareholders with 5% or more of the Company's shares

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 associated companies (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 devote utmost efforts to ensure the independency of the Company's Board of Directors and will not impose any control thereto in accordance with the requirements of the Hong Kong Stock Exchange and the London Stock Exchange.

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

## 6. Punishment on the Company and the Board and its directors

During the reporting period, none of the Company and the Board and its directors was a subject of any investigation, administrative punishment or criticism by CSRC or any condemnation by any securities exchange.