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**江西銅業股份有限公司**  
**JIANGXI COPPER COMPANY LIMITED**

*(a Sino-foreign joint venture joint stock limited company incorporated in the People's Republic of China)*

(Stock Code: 0358)

**ANNOUNCEMENT**  
**CONTINUING CONNECTED TRANSACTIONS**

Reference is made to the 2011 Announcement, 2012 Announcement, the 2011 Circular and the 2012 Circular in relation to, among other things, the continuing connected transactions of the Company contemplated under the 2011 & 2012 Agreements. The 2011 Consolidated Supply and Services Agreement I and 2011 Consolidated Supply and Services Agreement II and the respective annual caps for the term commencing from 1 January 2012 to 31 December 2014 were approved by the Independent Shareholders at the 2011 EGM while the Land Leasing Agreement and the annual caps for the term commencing from 1 January 2012 to 31 December 2014 were approved by the Independent Shareholders at the 2012 AGM.

As the maximum amount of the Proposed Caps of the continuing connected transactions contemplated under Agreement 2 exceed 5% under the Percentage Ratios, they will therefore be subject to reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The continuing connected transactions contemplated under Agreement 1 and the Land Leasing Agreement are also subject to Independent Shareholders' approval under the Shanghai's Listing Rules. Furthermore, as the JCC Group and the Group will continue to enter into the continuing connected transactions contemplated under the Agreements on a regular basis, the Directors wish to seek the Independent Shareholders' approval for the Continuing Connected Transactions Subject to Approval under the Agreements and the Proposed Caps.

As the A Shares of the Company are listed on the Shanghai Stock Exchange, the Company is also required to comply with the Shanghai Listing Rules. Under the Shanghai Listing Rules, the transactions contemplated under the Agreements are subject to approval by Independent Shareholders.

## I. INTRODUCTION

Reference is made to the 2011 Announcement, 2012 Announcement, the 2011 Circular and the 2012 Circular in relation to, among other things, the continuing connected transactions of the Company contemplated under the 2011 & 2012 Agreements. The 2011 Consolidated Supply and Services Agreement I and 2011 Consolidated Supply and Services Agreement II and the respective annual caps for the term commencing from 1 January 2012 to 31 December 2014 were approved by the Independent Shareholders at the 2011 EGM while the Land Leasing Agreement and the annual caps for the term commencing from 1 January 2012 to 31 December 2014 were approved by the Independent Shareholders at the 2012 AGM.

As the terms of the 2011 & 2012 Agreements and the respective annual caps of the continuing connection transactions contemplated thereunder will expire on 31 December 2014, the Company has entered into the Agreements. As the maximum amount of the Proposed Caps of the continuing connected transactions contemplated under Agreement 2 exceed 5% under the Percentage Ratios, they will therefore be subject to reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The continuing connected transactions contemplated under Agreement 1 and the Land Leasing Agreement are also subject to Independent Shareholders' approval under the Shanghai's Listing Rules. Furthermore, as the JCC Group and the Group will continue to enter into the continuing connected transactions contemplated under the Agreements on a regular basis, the Directors wish to seek the Independent Shareholders' approval for the Continuing Connected Transactions Subject to Approval under the Agreements and the Proposed Caps.

As the A Shares of the Company are listed on the Shanghai Stock Exchange, the Company is also required to comply with the Shanghai Listing Rules. Under the Shanghai Listing Rules, the transactions contemplated under the Agreements are subject to approval by Independent Shareholders.

The Group enters into the Agreements with JCC, which is basically similar to the continuing connected transaction agreements entered into by the Group before and thus, the act does not pose additional burden of the Group. Moreover, parties in the Agreements have advantages in reasonable allocation and adequate use of existing assets, realization of share of resources and mutual complement of advantages, enhancement of sustainable stability and development of production operation of the Group, avoidance of redundant investment, reduction of costs of the Group, and increase in comprehensive revenue of the Group.

## **II. THE AGREEMENT 1**

The Company entered into the Agreement 1 on 27 August 2014 with JCC in relation to, among others, the supply of various materials, provision of consolidated services by JCC Group to the Group.

### **Date**

27 August 2014

### **Parties**

1. the Company; and
2. JCC.

### **Particulars of the Agreement 1**

Pursuant to the Agreement 1, JCC agreed to supply various materials and provide consolidated services to the Group for a term commencing from 1 January 2015 up to 31 December 2017.

## **Supply of various materials by JCC Group**

Pursuant to the Agreement 1, JCC Group will provide to the Group certain materials required for the production and operation of the Group. These materials will mainly include the following:

- a. Copper Concentrate, Scrap Copper, Blister Copper and gold, silver and sulfur contents contained in Blister Copper;
- b. Ancillary materials such as rubber products, emulsifiers, pigments and sacks for production use and other auxiliary materials (such as loose stones, limestone, bamboo and scrap steel) which are required for the production of the Group's products; and
- c. spare parts and additional parts such as mining spare parts, high manganese steel casting, iron-casting, steel-casting, cold welding components, sand pumps, switchboxes and other spare parts and additional parts (non standard items) (including but not limited to roller, liner, etc.) which are required for the production of the Group's products.

## **Provision of consolidated services by JCC Group**

Pursuant to the Agreement 1, the following services will be provided by JCC Group to the Group for a term commencing from 1 January 2015 up to 31 December 2017;

- a. office lease services;
- b. processing services;
- c. machinery and electrical equipment repair and maintenance services;
- d. construction services;
- e. futures brokerage services;
- f. sharing of public facilities for living and production;
- g. provision of social services;

- h. environmental hygiene and greenery services;
- i. professional technical education services;
- j. labour services; and
- k. off-site communication services.

Pursuant to the Agreement 1, if applicable, terms provided by JCC in relation to the supply of various materials and the provision of services under the Agreement 1 will be no less favourable than terms from Independent Third Parties (as the case may be) in respect of similar materials and services. In addition, the Company will have the option to obtain such materials and services from Independent Third Parties if it is in the interest of the Company after comparing terms from Independent Third Parties.

Under the terms and conditions of the Agreement 1, the obligations of the Company and JCC shall be performed by members of the Group and the JCC Group respectively.

### **Supply of various materials by JCC Group**

#### *Supply of Copper Concentrate*

JCC agreed to supply the Group with Copper Concentrate at market prices which the Company offered to Independent Third Parties for the same quality of copper concentrate within mainland China. In addition, JCC agreed to grant the Group the right of first refusal to purchase the Copper Concentrate from the JCC Group at prices no less favourable than the prices that the Group can otherwise obtain in the market.

#### *Supply of gold, silver and sulfur contents contained in Copper Concentrate*

JCC agreed to supply the Group with gold, silver and sulfur contents contained in Copper Concentrate at market prices which the Company offered to Independent Third Parties for the same quality of copper concentrate within mainland China.

### *Supply of Scrap Copper*

JCC agreed to supply the Group with Scrap Copper at prices calculated based on the actual purchase prices of Scrap Copper per tonne paid by the JCC Group to its suppliers, who are Independent Third Parties, plus related sourcing expenses including, among others, transportation and miscellaneous costs and prepaid interests payable by the JCC Group per tonne for the Scrap Copper.

### *Supply of Blister Copper and gold and silver contents contained in Blister Copper*

JCC agreed to supply the Group with Blister Copper at prices calculated based on the actual purchase prices of Blister Copper per tonne paid by the JCC Group to its suppliers, who are Independent Third Parties, plus related sourcing expenses including, among others, transportation and miscellaneous costs and prepaid interests payable by the JCC Group per tonne for the Blister Copper.

JCC agreed to supply the Group with gold and silver contents contained in Blister Copper and the price payable by the Company will be based on the actual volume of gold and silver after extraction from such Blister Copper at prices equivalent to the actual purchase prices of such gold and silver payable by the JCC Group to its suppliers.

### *Supply of auxiliary materials which are required for the production of the Group's products*

JCC agreed to supply the Group with auxiliary materials such as rubber products, emulsifiers, pigments and sacks for production use and other auxiliary materials (such as loose stones, limestone, bamboo and scrap steel) which are required for the production of the Group's products at prices calculated based on the prices in local market to which such products are delivered. When there are no such prices, prices are charged no higher than the prices charged by the JCC Group on its members or cost plus applicable taxes.

The Group shall pay 80% of the total amount of purchase of the ancillary materials to the JCC Group within 7 days of receipt of such materials and the remaining 20% of the total amount of the materials to the JCC Group upon satisfactory inspection of such materials.

*Supply of spare parts and processing parts which are required for the production of the Group's products*

JCC agreed to supply the Group with spare parts and processing parts such as mining spare parts, high manganese steel casting, iron-casting, steel-casting, cold welding components, sand pumps, switchboxes and other spare parts and additional parts (non standard items) such as roller and liner. The price for spare parts is calculated based on the then local market prices of such products. The price for processing parts is calculated based on the market prices of such products, and when there are no such prices, prices are charged no more than the prices charged by the JCC Group on its members or cost plus applicable taxes payable to the PRC government.

The Group shall pay 80% of the total amount of purchase of the spare parts and processing parts to the JCC Group within 7 days of receipt of such materials and the remaining 20% of the total amount of such materials to the JCC Group upon satisfactory inspection of such materials.

**Provision of consolidated services**

*Office rental services*

JCC agreed to provide office rental services to the Company. The office lease services include but not limited to lease of office buildings and other office facilities or common facilities (including the public road, greenery area, stairs, elevators and car parks) adjoining to the premises of JCC or its subsidiaries.

The rental and miscellaneous fees are determined with reference to the market practice or standard in the place where the office premises are located. The rent and miscellaneous fees shall be payable by the Company to JCC within 5 days after each quarter and monthly, respectively.

During the subsistence of Agreement 1, the Company shall not sub-let the aforementioned office.

The Company shall give a 3-months prior written notice to JCC in the event of termination of the use of office of JCC.

### *Processing services*

JCC agreed to provide material processing services to the Company, mainly including (i) crushing processing of the waste refractory brick materials used by the Company in production and return the valuable materials containing magnesium, chromium and copper to the Company for external sales and (ii) dismantling of the Blister Copper wastes.

The fees for these services are determined with reference to the prices of similar industries in local market or market standards. When there are no such prices, prices will be calculated based on its costs plus relevant taxes and applicable profit margin.

### *Machinery and electrical equipment repair and maintenance services*

JCC agreed to provide machinery and electrical equipment repair and maintenance services to the Group. The fees for these services will be determined with reference to the PRC government prescribed prices and are payable by the Group on a monthly basis. When there are no such prices or such prices are not applicable, prices are charged with reference to, in the following descending order, (i) industry pricing at local market; (ii) prices no more than the prices charged by the JCC Group to its members; or (iii) costs plus applicable taxes. The Group shall pay the machinery and electrical equipment repair and maintenance services fees to JCC monthly.

### *Construction services*

JCC agreed to provide construction services such as construction of factories, office buildings and waste dumps to the Group. The fees for these services are determined with reference to the PRC government prescribed prices. When there are no such prices or such prices are not applicable, prices are charged with reference to, in the following descending order, (i) local market price; (ii) price no more than the prices charged by the JCC Group to its members; or (iii) costs plus applicable taxes.

### *Futures brokerage services*

JCC agreed to provide the brokerage services to the Group. The Company agreed to pay the JCC Group for such agency services at the lower of the current market rate and the rate charged by the JCC Group to its members after the completion of each futures transaction.



### *Sharing of public facilities for living and production*

JCC agreed to allow the Company to enjoy the public facilities in the residential community and the production facilities areas. Regarding the public facilities in the residential community areas, the Company and JCC agreed to share the costs in accordance with the actual usage and the proportion of the number of employees as at the end of the previous year. Regarding the public facilities in the production areas, it is agreed that the Group will be responsible for the actual cost of the facilities used by the Group for its production. In respect of those common facilities in production areas used by the Group and the JCC Group jointly, the Company and JCC agreed to share the actual costs on a pro rata basis with reference to their respective asset. The Company and JCC agreed to pay to the counterparty such costs once in every calendar month and to settle at the year end in accordance with the actual situation.

### *Provision of social services*

JCC agreed to provide social services to the employees of the Group such as employee medical services, pre-school education, nursery services, catering services during working hours and coal gas supplies services, and the Company shall reimburse JCC the actual amount incurred by JCC, provided that such amount shall be no more than 14% of the total annual remuneration of all employees of the Group. The Group shall prepay one-twelfth of the fees for the social services to the JCC Group on a monthly basis and settle the balance at the end of each year.

*The social services provided by the JCC Group to the Group are as follows:*

- (i) JCC will provide the Group's employees with pre-school education and nursery services and JCC will only charge the individual of the Group the child catering expenses while other expenses will be deducted from the welfares provided by the Group;
- (ii) JCC will provide water and electricity supply services to the Group's employee at the purchase price while the operation costs will be deducted from the welfares provided by the Group to JCC;
- (iii) JCC will provide catering services to the Group's employee at a favourable rate while the water and electricity expenses are included in the budget and will be deducted from the meal expenses provided by the Group to the canteen of JCC.

### *Environmental hygiene and greenery services*

JCC agreed to provide environmental hygiene and greenery services such as hygiene and greenery services at the highways of the residential community area, and residential buildings and other public facilities and the Company has agreed to reimburse the JCC Group on a monthly basis the actual cost for operating such environmental hygiene and greenery services on a pro rata headcount basis. The Company shall prepay one-twelfth of the service fee to JCC each month and settle the balance at the end of each year.

The Company shall give a 3-months prior written notice to JCC in the event of termination of the environment hygiene and greenery services.

### *Professional Technical Education services*

JCC agreed to provide the Group's employees the education services, such as staff education and technical training courses, provided by the JCC Group at a fee based on the following:

- a. for staff education expenses, the estimated annual budget for staff education and training expenses will be 2.5% of the total salary of the employees of the Company in the previous year. The Company shall pay the actual amount of training expenses to the JCC Group within such estimated budget; and
- b. for professional technical education expenses, the estimated annual budget for the following year will be based on the current year budget. The students will be charged the costs of living and studying materials while all other costs will be counted into the budgets for the technical training courses. The education expenses includes the actual expenses and cost of the items such as salaries of teaching staff, bonuses, welfares, training, labour insurance, depreciation of school's fixed assets, maintenance fees, office supplies, examination, academic exchanges, travelling expenses and student internship expenses.

### *Labour services*

JCC agreed to provide labour services, such as loading and moving services of goods, to the Company. The fees for these services are determined with reference to the local market labour prices of similar services and shall be payable by the Company on a monthly basis. When there are no such prices, prices are charged with reference to the local market labour prices plus actual costs of materials and applicable taxes.

### *Off-site communication services*

JCC agreed to provide to the Company off-site communication services, such as acting as the communication channel with the relevant regulatory authorities and reception of staff. The Company agreed to reimburse the JCC Group on a monthly basis the actual cost such as salaries, bonuses, welfare, trainings, labour insurance, depreciations and other administrative costs, for operating such services on a pro rata basis with reference to their respective asset values. The Company shall prepay one-twelfth of the service fee to JCC each month and settle the balance at the end of each year.

### **Annual Caps**

The amount of the relevant transactions under the 2011 Consolidated Supply and Services Agreement I for the two financial years ended 31 December 2013 and the six months ended 30 June 2014 were RMB660,003,000, RMB441,865,000 and RMB138,329,000 respectively (equivalent to approximately HK\$831,603,780, HK\$556,749,900 and HK\$174,294,540 respectively).

The Proposed Caps regarding the Agreement 1 for the each of the three financial years ending 31 December 2015, 31 December 2016 and 31 December 2017 will not exceed RMB621,990,000, RMB664,172,000, and RMB712,562,000 respectively (equivalent to approximately HK\$783,707,400, HK\$836,856,720 and HK\$897,828,120 respectively) and have been determined with reference to (i) the rapid business expansion of the Group in recent years and (ii) the increase in the provision of the auxiliary industrial goods construction, futures, maintenance and labour services by JCC Group to the Group in the next three years. The Proposed Caps of the Agreement 1 will be less than 5% under the Percentage Ratios. However, it is subject to Independent Shareholders' approval under Shanghai Listing Rules.

### **Reasons for and benefits of the entering into of the Agreement 1**

With the increase in production capacity of the Group, demand for raw materials increased accordingly. By taking advantage of the existing market resources of JCC, the Group can establish networks of sales and outsourcing raw materials of copper, and obtain stable supply channels of raw materials. The Company benefits from several supportive integrated services provided by JCC to the Group for normal operation, including repair services and construction services. The Company also maintains a better manpower arrangement of the Group so as to minimise costs for providing repair services and construction services.

The Directors have also confirmed that the terms of the Agreement 1 have been determined after arm's length negotiations between the parties thereto and will be no less favourable than the terms and conditions the Group can otherwise obtain in the market, if applicable. The Directors (excluding the independent non-executive Directors whose views will be based on the opinion of the independent financial adviser) are of the view that the terms of the Agreement 1 are fair and reasonable so far as the Independent Shareholders are concerned and that the Agreement 1 is on normal commercial terms and in the interest of the Company and its Shareholders as a whole.

### **III. THE AGREEMENT 2**

The Company entered into the Agreement 2 on 27 August 2014 with JCC in relation to, among others, the supply of various materials and provision of consolidated services by the Company to JCC Group.

#### **Date**

27 August 2014

#### **Parties**

1. the Company; and
2. JCC.

#### **Particulars of the Agreement 2**

Pursuant to the Agreement 2, the Company has agreed to supply various materials and consolidated services to the JCC Group for a term commencing from 1 January 2015 up to 31 December 2017.

#### **Supply of materials by the Company**

Pursuant to the Agreement 2, the Company will provide to the JCC Group certain materials, auxiliary materials and spare parts required for the production of the JCC Group and industrial processing services. These materials and auxiliary materials will mainly include the following:

- a. Copper Cathode and copper rod and wire;
- b. lead materials (lead concentrate, lead ingot and other materials containing lead)
- c. zinc materials (zinc concentrate, zinc ingot and other materials containing zinc);
- d. sulfuric acid and steel ball;
- e. materials such as scrap materials and slag generated from waste and the smelting and production process; and
- f. auxiliary materials such as non-ferrous materials, chemical materials, diesel, steel, cement, wires and cables.

## **Consolidated Services to be provided by the Company**

Pursuant to the Agreement 2, the following services will be provided by the Company to JCC Group for a term commencing from 1 January 2015 up to 31 December 2017:

- a. vehicle repair services;
- b. machinery and electrical equipment repair and maintenance services;
- c. water supply services;
- d. electricity transmission services;
- e. natural gas transmission services;
- f. office rental services;
- g. environmental hygiene and greenery services;
- h. processing on order service;
- i. research and development in technology; and
- j. agency services for sales of products and sourcing of raw materials.

Pursuant to the Agreement 2, if applicable, terms regarding the supply of raw materials, auxiliary materials and spare parts and the provision of consolidated services to the JCC Group will be no more favourable than terms to Independent Third Parties (as the case may be) in connection with similar materials and services.

Under the terms and conditions of the Agreement 2, the obligations of the Company and JCC shall be performed by members of the Group and the JCC Group respectively.

## Supply of materials by the Company

### *Supply of Copper Cathode and copper rod and wire*

The Company has agreed to supply the JCC Group with Copper Cathode and copper rod and wire at prices equivalent to the following:

1. for Copper Cathode, the price will be calculated as:  $= Q + R - S$

Where:

Q = monthly average closing price of copper as quoted on the Shanghai Futures Exchange for the month in which the orders were made;

R = premium per tonne above the standard rate for Copper Cathode, being the market rate of premium for grade A Copper Cathode as registered under the Shanghai Futures Exchange, of which the Copper Cathode produced by the Company is categorized; and

S = 50% of the transportation cost for the delivery of Copper Cathode from the Company's production plant to the warehouse of the Shanghai Futures Exchange.

2. for copper rod and wire, the price will be calculated as:  $= T+U$

Where:

T = monthly average closing price of copper as quoted on the Shanghai Futures Exchange for the month in which the orders were made; and

U = processing fee payable by Independent Third Parties to the Company.

3. for lead zinc materials and sulfuric acid and other products, their prices shall be determined with reference to the price charged by the Company on Independent Third Parties.

## *Waste materials generated from the production process of the Group and auxiliary materials*

The Company has agreed to supply waste materials generated from the Group's production and auxiliary materials at prices equivalent to the following:

1. for materials such as scrap materials and slag generated from the waste and smelting and production process, prices will be calculated with reference to the prices charged by the Company on Independent Third Party. When there are no such prices, prices will be calculated based on its costs plus applicable taxes payable to the PRC government and profit margin of the same or similar industry as quoted by the PRC government.
2. for auxiliary materials such as non-ferrous materials, chemical materials, diesel, steel, cement, wires and cables, the prices will be calculated with reference to the prices of the market in which the material is being delivered. When there are no such prices, the prices will be not more than the price charged by the Group on its members or cost plus applicable taxes.

In relation to the abovementioned supply of materials by the Group, JCC Group shall pay 80% of the total amount of purchase of the materials to the Company within 7 days of receipt of such materials, and the remaining 20% of the total amount of the materials to the Company upon satisfactory inspection of such materials.

## **Consolidated Services to be provided by the Company**

### *Vehicle repair services*

The Company has agreed to provide repair services for different kinds of transportation facilities to the JCC Group. The fees for these services are determined with reference to the PRC government prescribed prices and shall be payable by the JCC Group on a monthly basis. When there are no such prices or such prices are not applicable, prices are charged with reference to, in the following descending order, (i) local industrial pricing; (ii) the prices not lower than the prices charged by the Company to its members; or (iii) costs plus applicable taxes.



### *Machinery and electrical equipment repair and maintenance services*

The Company agreed to provide machinery and electrical equipment repair and maintenance services to the JCC Group. The fees for these services will be determined with reference to the PRC government prescribed prices and shall be payable by the JCC Group on a monthly basis. When there are no such prices or such prices are not applicable, prices are charged with reference to, in the following descending order, (i) local industrial pricing; (ii) the prices not lower than the prices charged by the Company to its members; or (iii) costs plus applicable taxes.

### *Water supply service*

The Company agreed to supply the JCC Group with water for industrial use at a fee payable on a monthly basis calculated based on the actual costs plus applicable taxes.

### *Electricity transmission services*

The Company agreed to provide electricity transmission service to the JCC Group at a fee based on the actual costs plus applicable taxes.

The actual costs include the costs of acquisition and transmission of electricity such as consumption of materials, salary, surcharges, depreciation, maintenance fees and amortization of wires.

### *Natural gas transmission services*

The Company agreed to provide natural gas transmission service to the JCC Group at a fee based on the actual costs plus applicable taxes. The actual costs include the costs of acquisition and transmission of natural gas such as consumption of materials, salary, surcharges, depreciation, maintenance fees and amortization of pipe.

### *Environmental hygiene and greenery services*

The Company agreed to provide environmental and hygiene services, including sweeping, cleaning and maintenance and construction of greenery areas, to the JCC Group at a fee based on the actual costs (including the salary payable to cleaning workers according to the labour market level and the relevant materials fees) and other unforeseeable expenses (including the labour cost raise due to rise in price index, etc.).

### *Processing on order services*

The Company agreed to provide processing on order services to JCC, under which the Company will process the copper materials provided by JCC into copper rod and wire products in accordance with the requests of JCC at a fee determined with reference to the price charged by the Company on the Independent Third Party and shall be payable by JCC to the Company upon delivery of products.

### *Agency services for sales of products and sourcing of raw materials*

The Company agreed to provide agency services for sales of products and sourcing of raw materials, including but not limited to sales of sulfuric acid, lead and zinc products and sourcing of raw materials such as lead and zinc.

The fees for these services will be determined with reference to prices or agency rates with similar services at local market. When there are no such prices, the prices will be based on the actual costs incurred in providing such services plus appropriate profits plus applicable taxes. JCC should also pay to the Company such agency services fee regularly pursuant to the Agreement 2.

JCC should serve to the Company a 3-month notice in writing prior to the termination of these services.

### *Office rental services*

The Company agreed to provide office rental services to JCC Group in its office premises including its headquarter and office premises of its subsidiaries and subsidiaries incorporated from time to time located in Beijing, Shanghai, Shenzhen and Chengdu, together with other office facilities and common facilities.(including the public road, greenery area, stairs, elevators and car parks) conjoining to the premises. During the subsistence of the Agreement 2, JCC Group shall not sub-let such office premises.

The rental and miscellaneous fees will be determined with reference to the market practice or the standard price in the place where the premises is located. The JCC Group shall pay the rent to the Company quarterly and the miscellaneous fees monthly.

JCC should serve to the Company a 3-month notice in writing prior to the termination of the rental.

## Research and development in technology

The Company agreed to provide research and development services in technology to JCC and the fees for these services will be determined with reference to market practice.

## Annual Caps

The amount of the relevant transactions under the 2011 Consolidated Supply and Services Agreement II for the two financial years ended 31 December 2013 and the six months ended 30 June 2014 were RMB1,389,666,000, RMB1,758,201,000 and RMB869,175,000 respectively (equivalent to approximately HK\$1,750,979,160, HK\$2,215,333,260 and HK\$1,095,160,500 respectively).

The Proposed Caps regarding the Agreement 2 for the each of the three financial years ending 31 December 2015, 31 December 2016 and 31 December 2017 will not exceed RMB2,682,804,000, RMB2,750,076,000, and RMB2,902,329,000 respectively (equivalent to approximately HK\$3,380,333,040, HK\$3,465,095,760 and HK\$3,656,934,540 respectively) and have been determined with reference to (i) current business growth of both the Group and JCC Group; (ii) the relatively low level of current copper price over last few years and the likelihood to rebound in the next three years; (iii) indication of a relatively large demand for copper as a result of the production capacity of Copper Plates and Strips Company under the JCC Group reaching 30,000 tonnes of copper plates and strips per annum while Shenzhen Southern Company (深圳南方公司) reaching 40,000 tonnes per annum; (iv) as a result of the expansion in production capacity the possible increase in the sales volume of lead material, a by product of the Group, to the JCC Group which has two lead and zinc smelting plants; (v) the expected growth in the volume of transportation services provided by the Group as a result of the expansion in various businesses of JCC Group including lead, zinc, copper plate and strip and cable. The Proposed Caps of the Agreement 2 will exceed 5% under the Percentage Ratios and therefore is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **Reasons for and benefits of the entering into of Agreement 2**

Supply of certain products from the Group to JCC can enhance the utilization ratio of waste products produced during manufacturing process, increases the revenue of the Group, and reduces the costs of handling the waste products, which complies with the national environmental policy. Moreover, there are no adverse impact on the Group's operation when providing services and supplying certain products and waste products to JCC. Instead, the Group's scale and efficiency are improved.

The Directors have also confirmed that the terms of the Agreement 2 have been determined after arm's length negotiations between the parties thereto and will be no less favourable than the terms and conditions the Group can otherwise obtain in the market, if applicable. The Directors (excluding the independent non-executive Directors whose views will be based on the opinion of the independent financial adviser) are of the view that the terms of the Agreement 2 are fair and reasonable so far as the Independent Shareholders are concerned and that the Agreement 2 is on normal commercial terms and in the interest of the Company and its Shareholders as a whole.

## **IV. THE LAND LEASING AGREEMENT**

The Company entered into the Land Leasing Agreement on 27 August 2014 with JCC in relation to the leasing of the land use right of the Lands.

### **Date**

27 August 2014

### **Parties**

1. the Company; and
2. JCC.

### **Particulars of the Land Leasing Agreement**

Pursuant to the Land Leasing Agreement, JCC agreed to let the land use right of the Lands covering an area of approximately 51,636,341.87 square meters to the Company for a term commencing from 1 January 2015 up to 31 December 2017 at a rate of RMB166,685,643.98 for year 2015 (equivalent to approximately HK\$210,023,911). The actual rate will be calculated in accordance with the actual area used by the Group and may be adjusted once annually. The actual adjustment to the rate shall be determined by JCC and the Company with reference to the market price each year, subject to a maximum annual increment of 10% of the rate of previous year. Such rate was arrived after arm's length negotiations between the Company and JCC with reference to (i) the rent under the 2012 Land Leasing Agreement; (ii) the guidance price of land leasing of local government in Jiangxi Province; and (iii) the recent fair trading price. The Group shall pay the rent to JCC within 15 days after end of each quarter.

The Company has a preferential right to renew the Land Leasing Agreement by giving JCC a written notice within 6 months before the expiration of the Land Leasing Agreement.

## **Annual Caps**

The amount of the rent under the 2012 Land Leasing Agreement for each of the two financial years ended 31 December 2013 and the six months ended 30 June 2014 were RMB166,686,000, RMB166,686,000 and RMB80,677,000 respectively (equivalent to approximately HK\$210,024,360, HK\$210,024,360 and HK\$101,653,020 respectively).

As described in the Land Leasing Agreement, after negotiation between the Group and JCC Group, the rent per unit area may be subject to annual adjustment based on the fluctuations in the land market price, subject to a maximum annual increment of 10% of the rent per unit area of the previous year. Therefore, the Annual Caps was determined based on the growth rate of 10% per annum. However, there may not be any increase in the rent in the actual practice.

The proposed Caps regarding the Land Leasing Agreement for each of the three financial years ending 31 December 2015, 31 December 2016 and 31 December 2017 will not exceed RMB166,686,000, RMB183,355,000 and RMB210,690,000, respectively (equivalent to approximately HK\$210,024,360, HK\$231,027,300 and HK\$254,129,000 respectively). The Proposed Caps of the Land Leasing Agreement will be less than 5% under the Percentage Ratios. However, it is subject to Independent Shareholders' approval under the Shanghai Listing Rules.

## **Conditions**

The transactions contemplated under the Land Leasing Agreement will be subject to the fulfillment of the following conditions:

- (i) the relevant authority of JCC approving the execution of the Land Leasing Agreement;
- (ii) the directors or shareholders of the Company approving the execution of the Land Leasing Agreement in accordance with its articles and relevant regulations; and
- (iii) the relevant land administration authority approving or consenting to the leasing of the land use right under the Land Leasing Agreement or the relevant legal prerequisites for the leasing of the land use right having been satisfied.

## **Reasons for and benefits of the entering into of the Land Leasing Agreement**

Due to historic factors, some of the office buildings and factories of the Group are built on land which owned by JCC Group. The land leasing approach adopted by the Group to JCC Group can help reduce the investment of the Group.

The Directors have also confirmed that the terms of the Land Leasing Agreement have been determined after arm's length negotiation between the parties thereto and will be no less favourable than the terms and conditions the Group can otherwise obtain in the market, if applicable. The Directors (excluding the independent non-executive Directors whose views will be based on the opinion of the independent financial adviser) are of the view that the terms of the Land Leasing Agreement are fair and reasonable so far as the Independent Shareholders are concerned and that the Land Leasing Agreement is on normal commercial terms and in the interest of the Company and its Shareholders as a whole.

## **V. CONTINUING CONNECTED TRANSACTIONS**

JCC is a substantial shareholder holding approximately 40.41% of the total issued share capital of the Company and therefore JCC is a connected person of the Company under the Listing Rules.

The entering into of the Continuing Connected Transactions Subject to Approval contemplated under the Agreements shall constitute continuing connected transactions of the Company and will therefore be subject to the requirements under Chapter 14A of the Listing Rules. The Directors (excluding the independent non-executive Directors whose views will be based on the opinion of the independent financial adviser) are of the view that the continuing connected transactions contemplated under the Agreements are entered into in the ordinary and usual course of business of the Company and on normal commercial terms and are fair and reasonable so far as the Shareholders are concerned.

As the maximum amount of the continuing connected transactions contemplated under the Agreement 2 will exceed 5% under any of the Percentage Ratios, therefore they are subject to the reporting, announcement and Independent Shareholders' approval requirement pursuant to Chapter 14A of the Listing Rules. The continuing connected transactions contemplated under Agreement 1 and Land Leasing Agreement are also subject to Independent Shareholders' approval under the Shanghai Listing Rules. If during the period ending 31 December 2017, the aggregate annual value of the Continuing Connected Transactions Subject to Approval contemplated under the Agreements exceed the Proposed Caps or there is material change to the Agreements, the Company will take necessary steps to ensure compliance with all applicable rules under Chapter 14A of the Listing Rules.

The transactions contemplated under the Agreement 1, Agreement 2 and Land Leasing Agreement will be subject to obtaining of approvals from the Independent Shareholders at the EGM to approve, inter alia, the Agreements and the transactions contemplated thereunder and the Proposed Caps for the Agreements (as set out below), in which JCC and its associates will abstain from voting.

If all the conditions for the Agreements set out above are not fulfilled by 31 December 2014, the Agreements will lapse and all the obligations and liabilities of the parties to the Agreements will cease and terminate except any antecedent breach.

As disclosed above, the Company proposed to set the Proposed Caps for the transactions under the Agreements as follows:

<b>Agreement</b>	<b>Proposed Caps for the year ending 31 December</b>		
	<b>2015</b> <i>RMB'000</i>	<b>2016</b> <i>RMB'000</i>	<b>2017</b> <i>RMB'000</i>
Agreement 1	621,990	664,172	712,562
Agreement 2	2,682,804	2,750,076	2,902,329
Land Leasing Agreement	166,686	183,355	201,690

The amount of the transactions to be received or payable by the relevant parties under each of the Agreements will not be netting off.



Before the EGM is being held, the relevant parties will continue to enter into the transactions under the 2011 & 2012 Agreements under the previous caps granted by the Independent Shareholders.

## **VI. EGM**

The EGM will be convened at which ordinary resolutions will be proposed to approve, among others, the Agreements and the transactions contemplated thereunder and the Proposed Caps. A circular containing, among others, details of the Agreements, a letter from the Independent Board Committee and a letter of advice from the independent financial adviser together with the notice of EGM will be despatched to the Shareholders within 15 business days after the date of this announcement. JCC and its associates will abstain from the voting in relation to the ordinary resolutions to be put forward at the EGM for the purpose of approving the Continuing Connected Transactions Subject to Approval contemplated under the Agreements.

Quam Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Continuing Connected Transactions Subject to Approval.

## **VII. GENERAL INFORMATION**

The Company is a Sino-foreign joint venture joint stock limited company incorporated in the PRC on 24 January 1997. The Company's main scope of operations include: non-ferrous metal, rare metals and non-metallic ores; smelting, rolling processing and further processing of non-ferrous metal and related by-products; after sale services for self-manufactured products; overseas futures and hedging business and related enquiry services and business.

JCC is a state-owned enterprise and the holding company of the Company. The principal business of JCC covers non-ferrous mines, non-metal mines and non-ferrous smelting and rolling processed products. JCC undertakes the construction of overseas non-ferrous industry and domestic international tendering construction, the necessary equipment for the abovementioned overseas construction, export of materials and the necessary labour sent to overseas for the implementation of the abovementioned overseas construction.

## VIII. DEFINITIONS

“2011 & 2012 Agreements”	the 2011 Consolidated Supply and Services Agreement I, 2011 Consolidated Supply and Services Agreement II and the 2012 Land Leasing Agreement
“2011 Announcement”	announcement of the Company dated 30 September 2011
“2011 Circular”	circular of the Company dated 21 October 2011
“2011 Consolidated Supply and Services Agreement I”	the consolidated supply and services agreement I dated 30 September 2011 entered into between JCC and the Company for, among others, the supply of various materials, provision of industrial services and miscellaneous services by JCC Group to the Group
“2011 Consolidated Supply and Services Agreement II”	the consolidated supply and services agreement II dated 30 September 2011 entered into between JCC and the Company for, among others, the supply of various materials and provision of industrial services by the Company to JCC Group
“2011 EGM”	the extraordinary general meeting of the Company held on 6 December 2011 whereby the Company obtained the Independent Shareholders’ approval for, among other things, its entering into of the 2011 Consolidated Supply and Services Agreement I and 2011 Consolidated Supply and Services Agreement II and the transactions and the relevant annual caps contemplated thereunder for each of the three years ending December 2014

“2012 AGM”	the annual general meeting of the Company held on 19 June 2012 whereby the Company obtained the Independent Shareholders’ approval for, among other things, its entering into of the 2012 Land Leasing Agreement and the transactions and the relevant annual caps contemplated thereunder for each of the three years ending December 2014
“2012 Announcement”	announcement of the Company dated 27 March 2012
“2012 Circular”	circular of the Company dated 4 May 2012
“2012 Land Leasing Agreement”	the leasing agreement dated 27 March 2012 entered into between the Company and JCC in respect of leasing of the land use right of the Land
“A Shares”	Renminbi-denominated domestic shares in the ordinary share capital of the Company, with a nominal value of RMB1.00 each, which are listed on the Shanghai Stock Exchange
“Agreement 1”	the consolidated supply and services agreement dated 27 August 2014 entered into between JCC and the Company for, among others, the supply of various materials, provision of industrial services and miscellaneous services by JCC Group to the Group
“Agreement 2”	the consolidated supply and services agreement dated 27 August 2014 entered into between JCC and the Company for, among others, the supply of various materials and provision of industrial services by the Company to JCC Group

“Agreements”	Agreement 1, Agreement 2 and Land Leasing Agreement
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Blister Copper”	copper which has been cast after passing through a converter. Blister copper is approximately 98.5% copper and take its name from “blisters” that form on the surface
“Board”	the board of Directors
“Company”	Jiangxi Copper Company Limited, a Sino-foreign joint venture joint stock limited company incorporated in the PRC
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Continuing Connected Transactions Subject to Approval”	those continuing connected transactions Contemplated under the Agreement 1, the Agreement 2 and the Land Leasing Agreement being continuing connected transactions that require Independent Shareholders’ approval
“Copper Cathode”	copper sheet which contains 99.9% and above copper produced by either an electrolytic refining process or by electrowinning
“Copper Concentrate”	a product of the concentrator usually containing 20% to 30% copper. It is a raw material for smelting
“Directors”	director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be held to consider the ordinary resolutions to be proposed to approve the Agreements and the Proposed Caps

“Group”	the Company and its subsidiaries from time to time
“Independent Board Committee”	an independent committee of the Board established for the purpose of reviewing the Continuing Connected Transactions Subject to Approval contemplated under the Agreements
“Independent Shareholders”	Shareholders other than JCC and its associates
“Independent Third Party(ies)”	party(ies) who and whose ultimate beneficial owners are third parties independent of the Group and connected persons (as defined under the Listing Rules) of the Group
“JCC”	Jiangxi Copper Corporation, a substantial shareholder of the Company holding approximately 40.41% of the total issued share capital of the Company
“JCC Group”	JCC and its subsidiaries (other than the Group) from time to time
“Land”	lands covering an area of approximately 51,636,341.87 square meters
“Land Leasing Agreement”	the leasing agreement dated 27 August 2014 entered into between the Company and JCC in respect of leasing of the land use right of the Land
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Percentage Ratios”	the percentage ratios under Rule 14.07 of the Listing Rules, other than the equity capital ratio and profits ratio
“PRC”	the People’s Republic of China

“Proposed Cap(s)”	the proposed maximum annual aggregate value(s) for each type of the Continuing Connected Transactions Subject to Approval
“Quam Capital”	Quam Capital Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Agreements and the transactions contemplated thereunder
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Scrap Copper”	the waste produced in the copper industry and/or industrial waste abandoned after being used with copper content
“Shanghai Listing Rules”	the rules governing the listing of securities on the Shanghai Stock Exchange
“Share(s)”	ordinary share(s) of RMB1.00 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“HK\$” Hong Kong dollars, the lawful currency of Hong Kong

“RMB” Renminbi, the lawful currency of the PRC

By Order of the Board  
**JIANGXI COPPER COMPANY LIMITED**  
**Li Baomin**  
*Chairman*

Jiangxi, the PRC, 27 August 2014

*Translation of Renminbi into Hong Kong dollars is based on the exchange of RMB1 = HK\$1.26*

*As at the date of this announcement, the executive Directors are Mr. Li Baomin, Mr. Long Ziping, Mr. Gao Jianmin, Mr. Liang Qing, Mr. Gan Chengjiu, Mr. Liu Fangyun and Mr. Shi Jialiang; the independent non-executive Directors are Mr. Qiu Guanzhou, Mr. Gao Dezhu, Mr. Zhang Weidong, and Mr. Deng Hui.*