

GOVERNANCE AND STRUCTURE OF THE COMPANY

Specific provision regarding shareholders and General Meetings, directors and Board of Directors, supervisors and Supervisory Committee, senior management, connected transaction, information disclosure was provided in the Company's Articles of Association, which is in compliance with relevant provisions of the listing place.

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 convene 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.

In accordance with "Governing Principles of Listing Companies" by relevant PRC's authority, the Company needs to formulate ruling procedure for General Meetings and information disclosure system.

PERFORMANCE OF DUTIES OF INDEPENDENT DIRECTORS

The Company's Board of Directors has 11 members, 6 of which are external directors, of which 4 are independent non-executive directors, who come from areas of mining industry, economics, law and accounting. They have many years of experience in each specialized field.

In accordance with Listing Rules of Hong Kong Stock Exchange, four independent non-executive directors formulated independent audit committee under the Board of Directors. This committee will review the Company's material connected transaction, continuous transaction and financial statement, examine the Company's internal control system and avoid financial risks. Such work improved the objectiveness of the Board resolutions and safeguard interests of the minority shareholders.

SEPARATION OF THE COMPANY FROM HOLDING SHAREHOLDER IN TERMS OF PERSONNEL, ASSET, FINANCE, ORGANIZATION AND BUSINESS

Independence of the Company's business and asset

The Company owns principal assets of Dexing Copper Mine, Yongping Copper Mine and Guixi Smelter, including a complete production line from mining, milling and smelting. The Company has independent and complete system of supplies purchases and sales with its assets 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 Jiangxi Copper Company, the holding shareholder of the Company, from which 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 opened independent account at the bank and paid tax independently. The Company made independent financial decisions in accordance with Articles of Associations and relevant regulations. Jiangxi Copper Company did not intervene in the Company's use of funds.

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 General Meeting. Remuneration for senior management is determined by the Board of Directors. The Company is actively exploring to improve the system of assessment, encouragement and restriction and controlling of senior management.

Annual remuneration

In accordance with the Articles of Associations, ruling procedure regarding remuneration of the Company's directors and supervisors is subject to the approval by General Meeting and that of senior management is subject to the approval by Board of Directors. The remuneration of director, supervisor and senior manager are determined on basis of resolutions to be passed at General Meeting and/or Board of Directors, service contract of directors and record of growth of the Company's annual operating results.

During 2001, the remuneration of directors, supervisors and senior managers totaled Rmb2.19 million, of which five people were between Rmb230,000 to 260,000; 6 people's between Rmb90,000 to 120,000 and 4 people's between Rmb30,000 to 50,000.

Total amount of annual allowance for four independent non-executive directors was Rmb40,000, of which Mr. Long Tao, Mr. Sun Chuanrao, Mr. Shi Zhongliang and Mr. Liu Xinxi each received Rmb10,000.

The remuneration for the three highest paid directors totaled Rmb780,000. The remuneration for the three highest paid senior managers totaled Rmb620,000.

Mr. Wang Zhenkun, Chairman of Supervisory Committee and Mr. Liu Sigen, Mr. Yang Qimin and Mr. Zhu Jinyan, supervisors, received remuneration from Jiangxi Copper Company, the Company's holding shareholder.

Appointment of senior manager during the year

Mr. Li Yihuang was appointed as the Company's General Manager On 16 May 2001 and approved by written resolution of the Board of Directors, and Mr. Liu Yuewei was appointed as the Deputy General Manager, who was nominated by General Manager. Mr. Liu Jianghao was appointed as the Company's Chief Engineer on 21 November 2001 by written resolution of the Board of Directors.

Resignation of Director, Supervisors and Senior management of the Company during the year

During the year, Mr. Zhang Shuijian resigned from the position of executive director of the Company due to change of job and Mr. Yuan Zeping was appointed as a new executive director of the Company; Mr. Wang Yunjie resigned from the position of independent non-executive director of the Company due to change of job and Mr. Liu Xinxi was appointed as a new independent non-executive director of the Company; Mr. Cai Jihua resigned from his position of supervisor of the Company due to change of job and Ms. Yang Mingjie was appointed as a new supervisor of the Company; Mr. He Changming resigned from the position of general manager of the Company due to change adjusting legal person structuring.