

1. Principal businesses

The Company is an integrated producer of copper in the People's Republic of China (the "PRC"). Its operations consist of copper mining, milling, smelting and refining to produce copper cathode and other related products, including pyrite concentrates, sulphuric acid and electrolytic gold and silver. It also provides smelting and refining services pursuant to tolling arrangements for customers. Business details of subsidiaries are set out on Note 18 to Financial Statement.

2. Daily work of the Board

1. The Board meeting and resolutions

- (1) On 11 March 2004, the Company convened the 6th meeting of the third Board meeting which considered and approved the Company's PRC and overseas financial auditors' reports for the year of 2003, Annual Report and its summary for the year of 2003, Report of the Directors, Chairman's Statement and Management Discussions and Analysis; the profit distribution plan for the year of 2003, the remuneration and annual bonus of executive directors and the remuneration of supervisors for the year of 2003; the proposal for re-appointment of Deloitte Touche Tohmatsu Certified Public Accountants Ltd. and Deloitte Touche Tohmatsu as the Company's PRC and international auditors respectively at the Annual General Meeting for the year of 2003; the proposal for a general authorisation to the Board by shareholders at the Annual General Meeting; the production operation plan of the Company for the year of 2004; matters relating to the confirmation of the convening of the Annual General Meeting.
- (2) On 12 March 2004, the Company convened the 7th meeting of the third Board by way of written resolutions at which a proposal for additional issue of new H shares not exceeding 20% of the issued H shares was considered and approved.
- (3) On 13 April 2004, the Company convened the 8th meeting of the third Board meeting by way of written resolution, at which the 2004 first Quarterly Unaudited report prepared under the PRC GAAP was considered and approved.
- (4) On 25 May 2004, the Company convened the 9th meeting of the third Board by way of written resolutions which considered and approved the Copper Concentrate, Blister Copper and Scrap Copper Processing Agreement entered into between the Company and JCC; Copper Cathode Supply Agreement entered into between JCC and Jiangxi Copper Products Company Limited and the Company; Spare Parts Supply Agreement entered into between the Company and Jiangxi Copper Products Company Limited; Overhaul and Repair Agreement and Transportation Agreement entered into between Jiangxi Copper Products Company Limited and JCC.
- (5) On 16 August 2004, the Company convened the 10th meeting of the third Board by way of written resolutions which considered and approved the full text of 2004 Interim Report and its abstract; the 2004 Interim Financial Statements; the 2004 Interim Profit Distribution Plan; the Proposal for Authorisation to the Directors to Sign Legal Documents of Non-significant Business.
- (6) On 27 September 2004, the Company convened the 11th meeting of the third Board by way of written resolutions which considered and approved the Proposal for Issue of Convertible Bonds; the Proposal for Statement on the Use of Previous Proceeds; the Proposal for Feasibility Study on Projects to be Financed by the Proposed Convertible Bonds; the Proposal for Acquisition of Chengmenshan Copper Mine and the proposal for approving the announcement, appointment of independent director committee, convening of an extraordinary general meeting and the period of close of register; the proposal for authorisation to a panel consisting of any two executive directors of the Board to deal with at its sole discretion the establishment of JCC-Wengfu Sulphuric Acid Company Limited, the acquisition of Chengmenshan Copper Mine and the connected transactions thereunder; the proposal for convening of the 2004 Third Extraordinary General Meeting.

2. Daily work of the Board *(Continued)*

1. The Board meeting and resolutions *(Continued)*

- (7) On 25 October 2004, the Company convened the 12th meeting of the third Board by way of written resolutions which considered and approved the Unaudited 2004 Third Quarterly Report prepared under the PRC GAAP.
- (8) On 16 November 2004, the Company convened the 13th meeting of the third Board by way of written resolutions which considered and approved the renewal of Consolidated Supply Agreement, Consolidated Industrial Services Agreement and Consolidated Miscellaneous Service Agreement entered into between the Company and JCC with a term of three years.

2. Execution of the resolutions passed at the general meeting by the Board

During the year, the Board of the Company fully exercised the rights vested by the General Meeting and strictly implemented resolutions passed at the General Meeting in accordance with the terms of reference as vested by the Company's Articles of Associations and Company Law.

3. Results and profit distribution plan

Upon completion of the audit, the net profit of the Company calculated according to the PRC GAAP and IFRS for the year ended 31 December 2004 was RMB1,143,501,000 and RMB1,108,139,000 respectively.

In accordance with the Company Law and the Articles of Association of the Company, the Board proposed to contribute the profit after taxation calculated according to the PRC GAAP as follows: 10% to the statutory surplus reserve, 10% to the statutory public welfare funds; and 20% to the discretionary surplus reserve, totalling RMB462,139,000.

The Board proposed payment of a final dividend of RMB1.20 (tax inclusive) per ten shares totaling RMB319,684,584 to the shareholders based on the total issued share capital of 2,664,038,200 shares as at 31 December 2004. For this profit distribution, no conversion of surplus reserve into share capital increase will be made. The remaining undistributed profit of RMB705,165,470 under the PRC GAAP will be carried forward for distribution in the next years. For this dividend distribution, dividends for A Shares will be distributed and paid in Renminbi while dividends for H shares will be declared and distributed in Renminbi and paid in Hong Kong dollars (the exchange rate of Renminbi against Hong Kong dollars will be based on the mean of the average value of the exchange rate of Renminbi against Hong Kong dollars as announced by the People's Bank of China one calendar week prior to 20 May 2005).

Dividends for shareholders of H Shares will be distributed on Thursday, 9 June 2005 to shareholders whose names appear on the Company's register of holders of H Shares on Wednesday, 27 April 2005. Further announcement on the registration of holders of A Shares and the date of dividend payment will be made according to the relevant requirements after the application therefor has been accepted by the China Securities Clearing and Registration Company, Shanghai Branch.

The register of holders of H Shares will be closed from Wednesday, 20 April 2005 to Friday, 20 May 2005 (both days inclusive) during which period no transfer of shares will be registered.

This profit distribution plan will be subject to the consideration and approval by the Annual General Meeting to be held on Friday, 20 May 2005.

4. Capital Expenditure

During the reporting period, the Company's capital expenditure amounted to RMB562,050,000 representing a decrease of RMB58,990,000 or 9.50% from last year. This was mainly attributable to the settlement of the Company's project investment during the reporting period only comprised those projects completed in the previous year and without commencement of construction of other large scale new projects. The Company's capital expenditure for the reporting period was mostly financed by its working capital balance and commercial loans.

1. Guixi Smelter Phase III Expansion

The total investment of the Company's Guixi Smelter Phase III amounted to approximately RMB1,500,000,000, of which fixed capital investment accounts for approximately RMB1,167,500,000. As at the end of the reporting period, a total of RMB1,148,870,000 had been invested in the project, of which the investment during the reporting period amounted to RMB129,750,000. With the fundamental completion of the project, the Company's copper cathode achieved an effective output of 415,000 tonnes in 2004, and the project's target to meet production capacity with steady yield within the year commencing operation was realized.

2. Fujiawu Mine Development and Construction Project

With a total investment of approximately RMB871,540,000, the Fujiawu Mine development project was in faster construction paces during the reporting period. As at the end of reporting period, a total of RMB118,310,000 had been invested in the project, of which the investment during the reporting period amounted to RMB85,220,000. Being the connecting mine of Dexing Copper Mine, the project will further extend the steady production period of Dexing Copper Mine by 10 years as well as its open mining service period by 17 years over the existing level. At the same time, the annual additional copper concentrate with 22,265 tonnes of copper content contributed by the project will secure the self-supplying of copper raw materials for the Company.

3. Shanxi Diaoquan Silver and Copper Mining Company Limited

During the reporting period, the Company invested RMB35,000,000 in Shanxi Diaoquan Silver and Copper Mining Company Limited, and thereby acquired its 45.957% equity interest. In addition, the Company entered into an agreement with another investor which enabled the Company to own absolute controlling right over the company. Since the investment in June 2004, it has provided the Company with materials including 1,500 tonnes of copper contained copper concentrate and 12.7 tonnes of silver contained in copper concentrate.

4. The Project of the Mining Right of Fujiawu Mine

The Company's total consideration for the entire mining right of Fujiawu Copper Mine amounted to RMB181,000,000. As at the end of the reporting period, the aggregate amount of consideration for mining right is RMB131,780,000, of which the consideration paid for mining right during the reporting period amounted to RMB21,060,000. At present, the Company has obtained all mining certificates in relation to the mining right of Fujiawu Copper Mine from relevant authorities of Jiangxi Provincial Government in accordance with laws.

5. The Project of the Extension of Open-pitting Mining

The total investment of that project amounted to RMB109,400,000. As at the end of the reporting period, the aggregate investment amounted to RMB85,590,000. Of which, the investment during the reporting period amounted to RMB37,480,000. Upon completion, the copper reserves of Yongping Copper Mine will increase 13,080,000 tonnes and the existing limit of reserve selection processing service of 10,000 tonnes per day will be extended to six years.

6. The Project of Copper Recovering from Flash Furnace Slags

The total investment of that project amounted to RMB137,110,000. As of the end of the reporting period, the aggregate investment totalled RMB31,320,000, of which, the investment amount during the reporting period amounted to RMB31,320,000. That project is of the nature of consolidated utilization of resources and environmental protection and with the application of original innovative domestic technology. Upon completion, the Company can recover approximately 5,230 tonnes of copper from the waste annually.

5. Purchase and customers

	<i>RMB'000</i>
The purchases attributable to the five largest suppliers	2,519,346
Accounting for the total purchases (%)	31.5
The sales attributable to the five largest customers	4,229,206
Accounting for the total sales (%)	39.8

The Group's largest supplier accounted for 9.7% of total purchases during the year. Aggregate purchases attributable to the Group's five largest suppliers represented 31.5% of the total purchases of the year. JCC is one of the Group's five largest suppliers. JCC has beneficial interests in two of the Group's five largest suppliers.

The turnover attributable to the Company's largest customer represented 11.42% of the total turnover for the year. The five largest customers of the company accounted for 39.80% of the total turnover of the Company. As at 31 December 2004, JCC had beneficial interests in all of the Group's five largest customers.

Save for the above-mentioned, to the knowledge of the directors, none of directors who held 5% or more of shares in the Company or any of their associates and shareholders held any share in the five largest customers and suppliers.

6. Specific statement of the auditors in relation to the use of capital by major shareholders and guarantee provided to controlling shareholders and other connected parties

Specific statement in relation to the use of capital by major shareholders and guarantee provided to controlling shareholders and other connected parties of Jiangxi Copper Company Limited

De Shi Bao (Shen) Zi (05) No. 0017

To the board of director of Jiangxi Copper Company Limited:

We have been appointed to carry out the audit of the accompanying balance sheet of the Company and the Group as of 31 December 2004 and the related statements of income, profits appropriation and cash flows of the Company and the Group for the year of 2004 in accordance with independent Auditing Standards for Chinese Certified Public Accountants, and have issued the De Shi Bao (Shen) Zi (05) No. 0017 unqualified opinion audited report on 10 March 2005.

In accordance with the requirement of Zheng Jian Fa (2003) No. 56, the Notice in relation to issued of the regulation of cash flow between listed companies and connected parties and external guarantees of listed companies as issued by China Securities Regulatory Commission and State-owned Assets Supervision and Administration Commission of the State Council, we have cross examined the information set out in the summary table regarding the use of capital by major shareholders of the Company and the summary table regarding the irregular guarantee provided to controlling shareholders and other connected parties of the Company as of 31 December 2004 as well as those related contents of the accounting information as set out in the financial statement, minutes of board of directors and shareholders and guarantees documents prepared by the Company's management for the year of 2004 as reviewed by us. We found no inconsistencies therein in all material respects.

6. Specific statement of the auditors in relation to the use of capital by major shareholders and guarantee provided to controlling shareholders and other connected parties *(Continued)*

To truly prepared and disclosure the summary table regarding the use of capital by major shareholders of the Company and the summary table regarding the irregular guarantee provided to controlling shareholders and other connected parties of the Company as of 31 December 2004 and to ensure their truthfulness, legality and completeness are the responsibility of the Company. Save as the relevant auditing procedures conducted in relation to the connected parties transactions with respect to the auditing of accounting statement of 2004 for the Company and the aforesaid cross examination procedure, we have not undertaken any additional auditing procedures for the information set out in the summary table regarding the use of capital by major shareholders of the Company and the summary table regarding the irregular guarantee provided to controlling shareholders and other connected parties of the Company as of 31 December 2004.

This letter is solely for the purpose of presentation to China Securities Regulatory Commission by the Company regarding the use of capital by major shareholders and guarantee provided to controlling shareholders and other connected parties of the Company for the year of 2004. It shall not be used for other purposes or distributed to others without our written consent.

Deloitte Touche Tohmatsu CPA Ltd.

Shanghai, China
10 March 2005

7. Appropriated fund and the repayment by connected parties

Unit: RMBO'000

Appropriator	Relation with the Company	Balance as at 1 January 2004	Increase in the year	Decrease in the year	Balance as at 31 December 2004	Appropriation method	Appropriation reason	Payment method
JCC	Controlling shareholder	19	—	—	19	Other receivables	Reimbursed expenses	By labour service
JCC Import and Export Company	A subsidiary of the controlling shareholder	40	47	19	68	Other receivables	Reimbursed expenses	By labour service
Jiangtong Southern Company	A subsidiary of the controlling shareholder	—	1,973	—	1,973	Other receivables	Reimbursed expenses	By labour service
Detong Property Recycle Station	A subsidiary of the controlling shareholder	100	—	100	—	Prepayments	Reimbursed expenses	By labour service
JCC Power Milling Pharmaceutical Factory	A subsidiary of the controlling shareholder	27	—	27	—	Other receivables	Reimbursed expenses	By labour service
JCC	Controlling shareholder	1	1,987	1,905	83	Accounts receivable	Purchase and sale	By goods
JCC Guangxin Industrial Trade Company	A subsidiary of the controlling shareholder	495	4,394	4,881	8	Accounts receivable	Purchase and sale	By goods
Operation Department of Shanghai Tongdu Materials Trade Company	A subsidiary of the controlling shareholder	180	4,024	4,204	—	Accounts receivable	Purchase and sale	By goods
Jiangxi Copper Products Company Limited	A subsidiary of the controlling shareholder	414	5,347	5,535	226	Accounts receivable	Purchase and sale	By goods
Beijing Beijiang Copper Materials Business Centre	A subsidiary of the controlling shareholder	84	118	201	1	Accounts receivable	Purchase and sale	By goods
JCC Guixi Smelter Huaxin Metal Company Limited	A subsidiary of the controlling shareholder	—	29	—	29	Accounts receivable	Purchase and sale	By goods
JCC Xinjiang Copper Product Company Limited	A subsidiary of the controlling shareholder	139	2,410	2,501	48	Accounts receivable	Purchase and sale	By goods
JCC Yezi Copper Foil Company Limited	A subsidiary of the controlling shareholder	1	102	103	—	Accounts receivable	Purchase and sale	By goods
Jiangxi JCC Sai'er Industrial Company Limited	A subsidiary of the controlling shareholder	—	3,072	3,008	64	Accounts receivable	Purchase and sale	By goods
JCC	Controlling shareholder	114	2,708	2,776	46	Prepayments	Customs clearing fees Import tax	By import goods
JCC Import and Export Company	A subsidiary of the controlling shareholder	227	18,930	17,831	1,326	Prepayments	Prepayments	By goods
JCC Smelting New Technology Company Limited	A subsidiary of the controlling shareholder	222	—	222	—	Prepayments	Prepayments	By labour service
Construction and Installation Branch of JCC Guixi Smelter Company	A subsidiary of the controlling shareholder	829	1	759	71	Prepayments	Prepayments	By labour service
Jiangxi Dexing Yicun Industrial Company Limited	A subsidiary of the controlling shareholder	(0)	4	—	4	Prepayments	Prepayments	By labour service
Total		2,892	45,146	44,072	3,966			

8. Special statement and independent opinion of independent directors on the Company's external guarantee

Based on the Zheng Jian Fa (2003) No. 56 "Notice of Certain Issues in Capital Transactions between Listed Company and its Connected Parties and External Guaranties of Listed Company" issued by China Securities Regulatory Commission, we are practical, realistic and diligent in carrying out cautious examination on Jiangxi Copper Company Limited's external guarantee. Details of which are as follows:

As at 31 December 2004, the Company has not provided any external guarantee in any form to its controlling shareholder or any of its subsidiaries or to the Company's subsidiaries and any other connected parties with shareholdings below 50%, or any of non-corporate bodies or individuals.

We are of opinion that the Company, with healthy and prudent financial policies, has been in strict compliance with its internal control system and there is no breach or inappropriate guarantees, thus protecting the interests of minority shareholders.

9. Donations

During the year, the Company made donations amounting to approximately RMB3,085,000.

10. Taxation

Pursuant to Gan Wai Jing Mao Wai Zi Ning [2001] No.446 "The approval in relation to foreign investment in advanced technology enterprises granted to Jiangxi Copper Company Limited" 《關於確認江西銅業股份有限公司為外商投資先進技術企業的批復》 issued by Department of Foreign Trade and Economic Corporation of Jiangxi Province, and circular of Gan Guo Shui Han [2004] No. 349 "The approval in relation to the preferential policy of income tax for foreign enterprises granted by the State Tax Bureau of Jiangxi Province to Jiangxi Copper Company Limited" 《江西省國家稅務局關於江西銅業股份有限公司有關涉及外企業所得稅優惠政策的批復》 issued by the State Tax Bureau, the Company was appraised as a high-tech advanced foreign investment enterprise. With that appraised title, the Company can enjoy 15% income tax rate for three years from year 2002 to 2004. This year is the third year of tax relief period with effective tax rate of 15%.

Pursuant to Guo Shui Fa [1999] No.172 "Notice of the State Tax Bureau's implementation of the foreign investment enterprise built in Midwest region of the PRC can enjoy 15% income tax rate for three years" 《國家稅務總局關於實施對報在中西部地區的外商投資企業給予三年減按15%稅率徵收企業所得稅的優惠的通知》 and Gan Guo Shui Han [2004] No.349 "The approval in relation to the preferential policy of income tax for foreign enterprises granted by the State Tax Bureau of Jiangxi Province to Jiangxi Copper Company Limited" 《江西省國家稅務局關於江西銅業股份有限公司有關涉及外企業所得稅優惠政策的批復》 issued by the State Tax Bureau, the Company was recognized as a foreign investment enterprise build in Midwest region of PRC. As such, the Company can enjoy 15% income tax rate for three years starting from year 2005 to 2007.

Pursuant to a notice issued jointly by the Ministry of Finance and the State Tax Bureau regarding income tax exemption for foreign investment enterprises which purchase domestic machinery and equipment (Cai Shui Zi [2000] No.49), the Company is entitled to a tax benefit ("Tax Benefit"), which is calculated as 40% of the current year's purchase of PRC produced plant and equipment for production use. The Tax Benefit is, however, limited to the amount of increase in enterprise income tax for the current year in which the plant and equipment are acquired as compared with the tax amount of the proceeding year. The portion of the Tax Benefit that is not utilized in the current year can be carried forward for future application for a period of not more than five years.

11. Corporate Governance

The Company has complied throughout the year ended 31 December 2004 with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of the Hong Kong Stock Exchange.

In accordance with Rule 3.13 of the Listing Rules and based on the independence confirmation received by the Company from independent non-executive directors, the Company is of opinion that all independent non-executive directors were independent.

12. Sufficiency of public float

Based on information that is publicly available to the Company and within the knowledge of the directors of the Company, the Board confirms that the Company has maintained during the year the amount of public float as required under the Listing Rules.

13. Code for securities transactions by directors

The Company has not adopted a code for securities transactions on terms no less exacting than the required standard of the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules.

Following specific enquiry made with the Directors, the Company has confirmed that each of the Directors complied with the required standard set out in the Model Code regarding securities transactions by Directors.

14. Auditors

Messrs. Deloitte Touche Tohmatsu Certified Public Accountants Ltd. and Messrs. Deloitte Touche Tohmatsu have acted as the auditors of the Company for the PRC and international reporting purposes respectively. These auditors have been providing auditing services successively for the Company for nine years.

In accordance with the regulations of CSRC, as Ms. Zhang Ying, a certified accountant of Messrs. Deloitte Touche Tohmatsu Certified Public Accountants Ltd., has provided auditing services successively for the Company for five years, Messrs. Deloitte Touche Tohmatsu Certified Public Accountants Ltd. appointed another certified accountant Mr. Sheng Bai to provide auditing services for the Company.

During the reporting period, the remuneration payable by the Company to Messrs. Deloitte Touche Tohmatsu Certified Public Accountants Ltd. was HK\$1,465,000 and the remuneration payable to Messrs. Deloitte Touche Tohmatsu was HK\$1,965,000.

A resolution will be submitted to the Annual General Meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu Certified Public Accountants Ltd. and Messrs. Deloitte Touche Tohmatsu.

By order of the Board
He Changming
Chairman

10 March 2005