

## MANAGEMENT DISCUSSION AND ANALYSIS

The following is the discussion and analysis of JCCL's 2000 annual results. The investors are advised to read this discussion and analysis in conjunction with JCCL's audited financial statements for 2000 and the financial statements for 1999 and their notes. These financial statements were prepared in accordance with International Accounting Standards.

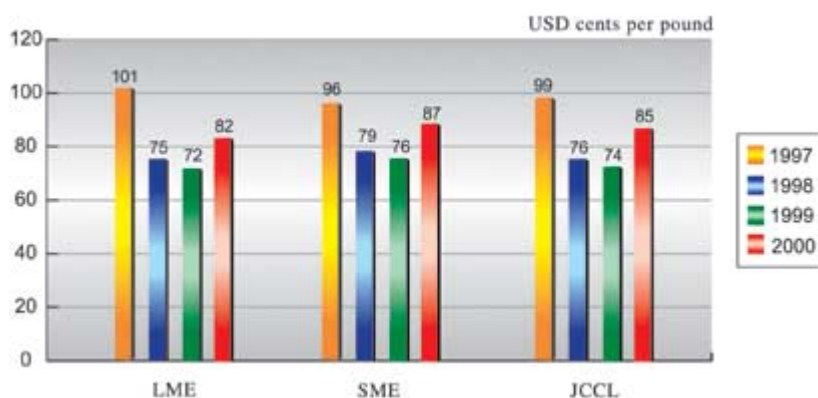
### OVERVIEW

During 2000, the world consumption of refined copper was approximately 15,230,000 tonnes, representing an increase of approximately 7.5%. The world production of refined copper amounted to 14,900,000 tonnes, representing an increase of 3.1%. There was a supply shortage of about 330,000 tonnes in the year. In the PRC, the production of refined copper for 2000 was 1,330,000 tonnes, representing an increase of 14%; the consumption was approximately 1,700,000 tonnes, representing an increase of 21%. The shortage in supply of refined copper in China was 370,000 tonnes.

As a result, the price for refined copper during 2000 started to rise gradually resulting in the downward movement in price in the past few years ceased to exist. The highest price of three-month copper future in London Metal Exchange (the "LME") reached USD0.92 per pound during the year from the record low of USD0.62 per pound in 1999. The average price for the year was USD0.82 per pound, representing an increase of 14% over the previous year. The average price of three-month copper futures in the Shanghai Metal Exchange ("SME") was USD0.87 per pound, increased by 15% over the previous year.

JCCL was benefited from the increase in copper price during the year. The aggregate average sale price was USD0.85 per pound, representing an increase of 14% over the previous year.

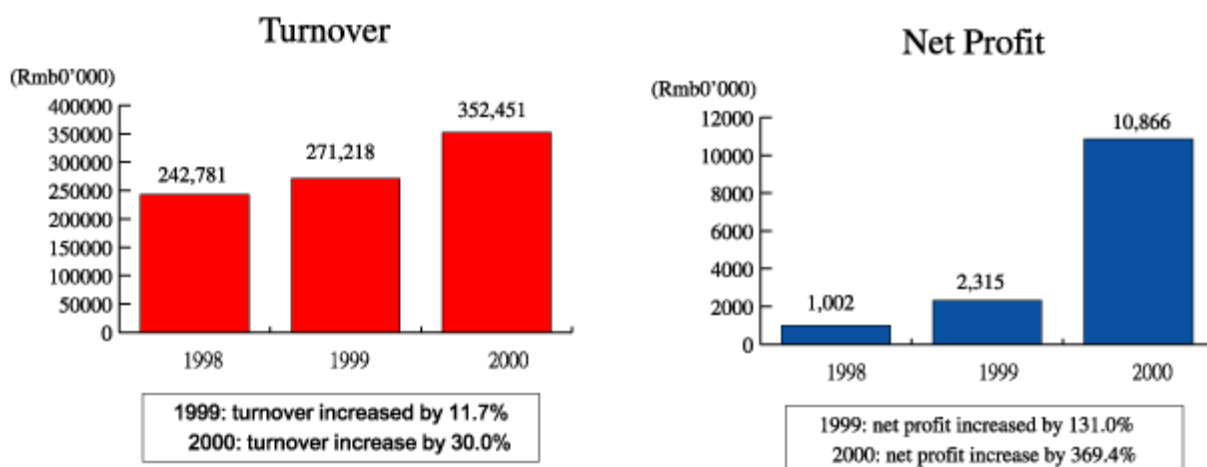
The following chart demonstrates the comparison between the average price of three-month copper futures in the LME and the SME and the average sale price of copper cathode of JCCL from 1997 to 2000:



## RESULTS

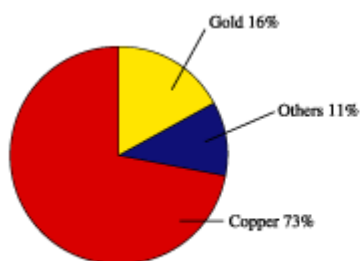
JCCL has always endeavored to expand production, improve efficiency, introduce and absorb advanced technology in mining and metallurgy. JCCL has also continued to perfect its management system. As a result, JCCL has made significant growth in results during 2000.

The following charts reflect the growth in turnover and net profit of JCCL from 1998 to 2000:

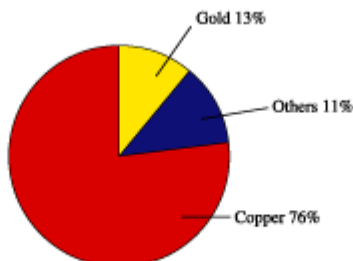


In 2000, JCCL recorded a turnover of Rmb3,524,510,000, increased by Rmb812,330,000 (or increased by 30%) over the previous year. The increase in turnover was mainly attributable to (1) the increase in sales volume, which made the turnover increased by 22%; (2) the increase in price of copper cathode causing the turnover increased by 8% after offsetting the fall in the price of other products.

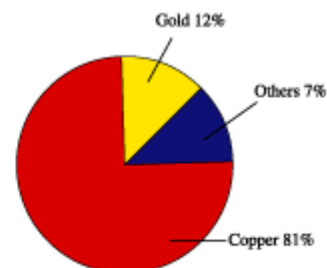
The following charts reflect the percentage of JCCL's turnover from principal business:



Turnover in 1998: Rmb2,427.81 million



Turnover in 1999: Rmb2,712.18 million

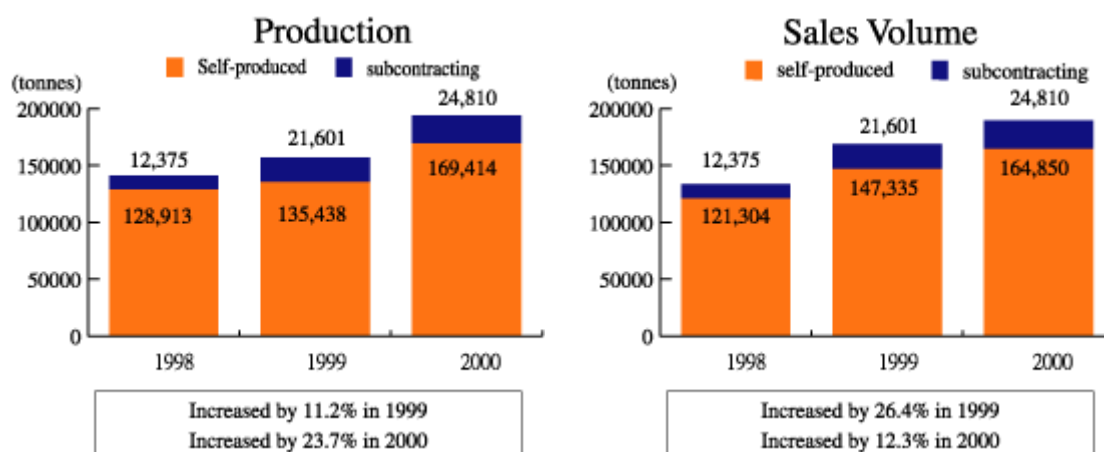


Turnover in 2000: Rmb3,524.51 million

In 2000, JCCL recorded a profit of approximately Rmb108,660,000, increased by Rmb85,510,000 (or increased by 369%). However, the profit increased was set-off due to the following factors: (1) the fall in price of other products; (2) the increase of raw material purchased for the production of copper and increase in fuel price; (3) the 1999 sale and service costs included the provision for reduce in price of inventories in 1998 amounting to Rmb64,040,000 (2000: nil); (4) the increase in provision for bad debt; (5) the completion of Guixi Phase II resulted in the termination of interest capitalisation and increase in interest expenses.

## BUSINESS

The following charts reflect the growth in JCCL's main product - copper cathode from 1998 to 2000:



In 2000, JCCL produced 194,224 tonnes of copper cathode (including subcontracting copper), representing an increase of approximately 23.7% over the previous year and approximately 14.6% of the total output of copper cathode of the PRC.

In 2000, JCCL produced 119,030 tonnes of copper in concentrate for its own use, representing an increase of approximately 4% over the previous year and approximately 21% of the total output of copper concentrate in the PRC.

JCCL's production of copper cathode and copper concentrate were both the most in the PRC.

In 2000, JCCL sold 189,660 tonnes of copper cathode (including subcontracting copper), representing an increase of 12.3% over the previous year. Due to a relatively large shortage in supply of the PRC copper market, the prestige of JCCL's copper cathode brand, its endeavours in market development and flexible marketing strategy, there is a lot of room for further development of the markets.

## **FINANCIAL STATUS**

At the end of the year, JCCL's total assets amounted to Rmb7,753 million, representing an increase of Rmb557 million (or an increase by 8%) over the previous year; total liabilities (including minority interests) amounted to Rmb3,830 million, representing an increase of Rmb449 million (or an increase by 13%) over the previous year; shareholders' equity amounted to Rmb3,923 million, representing an increase of 109 million (or an increase by 3%); assets to liabilities ratio was 49%; total liabilities (including minority interests) to shareholders' funds ratio was 98%. Shareholders' equity per share was RMB1.61, representing an increase of RMB0.04 over the previous year.

During the year, net cash inflow from operations amounted to Rmb687 million, representing an increase of Rmb300 million (or an increase of 78%) over the previous year. Sufficient cash inflow from operations supports long-term development of JCCL.

## **CURRENT CAPITAL AND SOURCES OF CAPITAL**

During the year, JCCL has employed the strategies of prudent financial management and flexible financing. The financial structure had improved. The net value of JCCL's current assets as at 31 December 2000 amounted to Rmb403 million, of which the bank balance and cash deposits amounted to Rmb369 million.

During the year, JCCL's bank borrowings amounted to approximately Rmb3,077 million, of which the borrowings repayable within one year amounted to approximately Rmb1,091 million; the borrowings repayable between one to two years amounted to approximately Rmb600 million; between two to five years amounted to approximately Rmb799 million; and over five years amounted to approximately Rmb587 million. All the bank interest for such borrowings ranged from 5.6% to 8.5%.

JCCL's future capital expenditure will be mainly used for the construction of Guixi Phase III

amounting to Rmb1,200 million, the acquisition of Wushan Copper Mine from the holding company amounting to Rmb190 million and the exploitation of Fujiawu Copper Mine, the initial cost for the project amounted to approximately Rmb400 million.

It is expected that the capital expenses required to finance these projects will be mainly from the proceeds of the issue of new A shares, the loan granted by the State (interest thereof will be payable by the State) and the cash flow from JCCL's business operation.

## **TRUST DEPOSIT**

As at the end of the year, JCCL had no trust deposits with any financial or non-financial institutions and had no unrecovered fixed deposit which had passed their maturity dates.

## **CONTINGENT LIABILITY**

During the year, JCCL did not enter into any material guarantees.

## **TAX PREFERENTIAL POLICY**

In 2000, Pursuant to the Income Tax Law of the PRC for Enterprises with Foreign Investment and Foreign Enterprises and confirmed by the Jiangxi Provincial Tax Bureau, JCCL is in its second year entitled to a 50% relief on the income tax. Therefore, the income tax applicable to JCCL for the year was 16.5%. Pursuant to the provisions of "Tentative Regulations regarding Income Tax Benefit for Investment in the PRC made Equipment used in Technical reform" jointly issued by the Ministry of Finance and the State Tax Bureau and implemented on 1 July 1999, JCCL has received a total tax benefit of Rmb73.49 million, of which the use of approximately Rmb55.63 million will be deferred to 2001 or the subsequent years to offset against the newly increased income tax payable by JCCL.

## **STAFF QUARTERS**

According to a miscellaneous service agreement entered into between JCCL and the Parent Company on 16 May 1997, JCCL shall pay rent to the Parent Company in respect of the provision of housing for the employees of JCCL. The rent was determined with reference to the actual costs incurred and shall be borne between JCCL and the Parent Company on a pro rata basis according to their respective number of employees. JCCL did not own any staff quarter during the year.

According to the (94) "Cai Zong Zi No. 126 document" issued by the Ministry of Finance, JCCL issued a notice of corporate housing reserves system. From 1999, JCCL has provided

its staff with a housing reserve contribution scheme in which 5% of the salary of the staff is contributed. For the year ended 31 December 2000, the contribution for the housing reserves of JCCL amounting to approximately Rmb1.53 million (1999: Rmb1.61 million) together with salary was paid to the staff. Save as aforesaid, JCCL has no other payment obligations and has not committed to or made other ways of allowance for purchase or lease of houses for the staff.

The State Ministry of Finance issued "Cai Qi (2000) No. 295 document" on 6 September 2000 and it is related to the financial arrangement in corporate housing system reform and is affective from the date of issue. The board of directors of JCCL considered the policy and is of the opinion that there is no such financial arrangement existed in the corporate housing system reform of JCCL. Therefore, the policy will not have material impact on JCCL.

### **NUMBER OF STAFF**

As at 31 December 2000, JCCL had approximately 11,400 employees (1999: 12,200 employees).