

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements of the Company and its subsidiary (collectively referred to as the "Group") for the year ended 31 December 2000.

PRINCIPAL ACTIVITIES

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. The Company's subsidiary is engaged in the trading of sulphuric acid.

RESULTS AND APPROPRIATIONS

Details of the results of the Group and appropriations of the Company for the year are set out in the consolidated income statement on page 38 and the accompanying notes to the financial statements.

The directors recommend the payment of a final dividend of RMB0.01 per share to the shareholders amounting to approximately RMB24,340,000.

FINANCIAL SUMMARY

A summary of the results of the Group for the four years ended 31 December 2000 and the pro forma results of the Group for the year ended 31 December 1996 are set out on pages 5 and 6. The assets and liabilities of the Group as at 31 December 2000, 1999, 1998 and 1997 and the pro forma assets and liabilities of the Group as at 31 December 1996 are also set out on pages 5 and 6.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group expended an aggregate of RMB720 million on property, plant and equipment, which mainly comprised the construction for the expansion of Guixi Phase II and the upgrade and increase of the mining capacity at the Dexing Mine. Details of these and other movements in the property, plant and equipment of the Group and the Company during the year are set out in note 14 to the financial statements.

SUBSIDIARY

Details of the Company's subsidiary as at 31 December 2000 are set out in note 16 to the financial statements.

SHARE CAPITAL

Details of registered and issued share capital of the Company are set out in note 21 to the financial statements.

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in note 22 to the financial statements.

BORROWINGS AND INTEREST CAPITALISED

Details of borrowings of the Group and the Company at the balance sheet date are set out in notes 20 and 23 to the financial statements. Interest capitalised by the Group during the year in respect of construction in progress amounted to approximately RMB38.4 million, details of which are set out in note 8 to the financial statements.

DIRECTORS AND SUPERVISORS

The directors and supervisors of the Company during the year and up to the date of this report were as follows:

Executive directors:

He Changming, Chairman

Qi Huaiying

Du Xinmin

Wang Chiwei

Gao Jianmin

Cui Guisheng (appointed on 8 June 2000)

Yuan Zeping (appointed on 19 January 2001)

Yuan Kelong (retired on 8 June 2000)

Zhang Shuijian (resigned on 19 January 2001)

Independent non-executive directors:

Long Tao
Wang Yunjie
Sun Chuanyao
Shi Zhongliang (appointed on 25 October 2000)
Zhang Zhuoqun (resigned on 25 October 2000)

Supervisors:

Wang Zhenkun
Zhu Jingyan
Yang Qimin
Liu Sigen
Yang Mingjie (appointed on 15 March 2001)
Cai Jihua (appointed on 12 October 2000 and
resigned on 15 March 2001)
Yuan Zeping (resigned on 12 October 2000)

All directors have entered into services contracts with the Company up to the date of the annual general meeting of the Company to be held in the year 2003.

In accordance with the provisions of the Company's Articles of Association, the term of office of the Chairman and other directors shall be three years commencing from the date of appointment or re-election and renewable upon re-appointment or re-election. In accordance with the provisions of the Companies Law in the PRC, the term of office of supervisors shall also be three years and renewable upon re-appointment or re-election.

None of the directors or supervisors has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

During the year, none of the directors, supervisors or chief executives held any interest in shares of the Company, or any of its associated corporations as defined in the Securities (Disclosure of Interests) Ordinance of Hong Kong ("SDI Ordinance"), and none of the directors, supervisors or chief executives, or their spouses or children under the age of 18, had any right to subscribe for shares of the Company, or had exercised any such right.

NUMBER OF SHAREHOLDERS AND SUBSTANTIAL SHAREHOLDERS

There were 4,494 shareholders recorded in the register of shareholders of the Company as at 31 December 2000.

According to the register of substantial shareholders, maintained under Section 16(1) of the SDI Ordinance, as at 31 December 2000, the following shareholders had an interest representing 10% or more of the Company's issued share capital:

Name	Number of shares	% of issued share capital held
Jiangxi Copper Company ("JCC")	1,275,556,200 Domestic Shares	52.405%
International Copper Industry (China) Investment Limited ("International Copper") (note)	500,000,000 H Shares	20.542%

Note: By virtue of their respective interests in International Copper, Silver Grant International Industries Limited, International Copper Industry Investment (BVI) Limited, China Nonferrous Metals Holdings (Hong Kong) Limited and China Nonferrous Metals (Cook Islands) Holdings Limited are deemed to be interested in the H Shares held by International Copper under the SDI Ordinance.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company or its holding company or its subsidiary, a party to any arrangements to enable the directors, supervisors or chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

No contract of significance to which the Company or its holding company or its subsidiary, was a party and in which a director or supervisor of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

CONNECTED TRANSACTIONS

The Group has certain agreements with JCC including a supply contract, a sale agreement, an industrial services agreement, real property leases and a miscellaneous services agreement. Under these agreements, the Group will, inter alia, purchase copper concentrates, scrap copper and auxiliary industrial products from, sell copper cathode, sulphuric acid, waste, filter residue and black cement copper to, obtain various industrial, social and support services from and lease property and land use rights from JCC and its affiliates. Details of the above transactions are set out in note 26 to the financial statements.

The Group also entered into certain transactions with 江西鑫新實業股份有限公司 (formerly Shangrao City Zhenda Copper Industrial Group) and 湖北三鑫金銅股份有限公司 (formerly Hubei Huangshi Gold & Copper Mine Limited Liability Company) (both of which are promoters of the Company) and affiliates of China Copper Lead Zinc Corporation (former ultimate holding company of the Company). Details of these transactions are also set out in note 26 to the financial statements.

The independent non-executive directors of the Company have reviewed the above transactions and confirmed that:

- (i) the transactions have been entered into in the usual and ordinary course of business of the Group;
- (ii) the transactions have been entered into either on normal commercial terms or on terms no less favourable than terms available to or from independent third parties; and
- (iii) the transactions have been entered into on terms that are fair and reasonable so far as the shareholders of the Company are concerned.

In addition, at 31 December 2000, the following agreements which were entered into by the Company with JCC in May 1997 as part of the reorganisation in preparation for the listing of the Company's H shares were still outstanding:

- (A) An option agreement that JCC has given to the Company options to purchase from JCC any mines, smelters or refineries operated by it now or in the future, and any exploration and mining rights and assets held by JCC now and in the future. No option has been exercised by the Company pursuant to this option agreement up to the date of this report.
- (B) A conditional sale and purchase agreement that the Company may acquire the Chengmen Shan Mine from JCC at a price to be based upon a valuation conducted by

an independent appraiser recognised under PRC laws and subsequently to be confirmed by the State Assets Administration Bureau. The agreement has not become unconditional up to the date of this report.

MAJOR SUPPLIERS AND CUSTOMERS

Aggregate purchases attributable to the Group's five largest suppliers were less than 30% of total purchases for the year.

Aggregate turnover attributable to the Group's five largest customers were less than 30% of total turnover for the year.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

There was no purchase, sale, redemption or cancellation of the Company's listed shares by the Company during the year.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association.

SIGNIFICANT SUBSEQUENT EVENTS

Details of the significant subsequent events are set out in note 33 to the financial statements.

CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31 December 2000 with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

AUDITORS

Messrs. Deloitte Touche Tohmatsu Shanghai CPA and Messrs. Deloitte Touche Tohmatsu have acted as the auditors of the Company for PRC and international reporting purposes respectively.

A resolution will be submitted to the annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu Shanghai CPA and Messrs. Deloitte Touche Tohmatsu.

On behalf of the Board

Qi Huaiying

DIRECTOR

16 March 2001