

REVIEW OF RESULTS

Notwithstanding a slowdown in the growth of the global economy during the first half of the year, the growth in GDP of the PRC reached 7.9%. Although there was a slowdown in growth in the world copper consumption during the first six months of the year, the copper market of the PRC was still able to achieve excellent improvement, and became a focus among the copper consumption markets in the world. But as affected by the slowdown in growth of global consumption of copper and the increase in the level of copper stock, the downward trends in copper prices persisted.

During the first half of the year, the average price of three-month copper futures in London Metal Exchange was approximately USD0.77 per pound, representing a decrease of approximately 4% when compared with the same period last year. The average price of three-month copper futures in Shanghai Metal Exchange was approximately RMB17,257 per tonne (inclusive of tax), representing a decrease of approximately 6% when compared with the same period of the previous year. The average selling price of copper cathode of the Company was approximately RMB17,189 per tonne (inclusive of tax), representing a decrease of approximately 2% from the same period last year.

Notwithstanding the persistence of the downward trends in the prices of copper in and outside the PRC, the Company endeavoured to achieve a substantial increase in productivity by means of adopting measures to increase production, sales and reduce production costs with an aim to materialize the objective of maximizing the benefit of the shareholders. The decrease in production costs was greater than the decrease in the prices of copper and as a consequence, gross profit of sales increased by 2.7 percentage points as compared with the same period of the previous year. Subsequent to the significant increase in the results for the two consecutive years of 1999 and 2000, the increase in operating results for the period was one of the most substantial of the Company.

1. COMPLETION OF THE INVESTMENT PROJECTS FINANCED BY THE PROCEEDS OF H SHARES CONTRIBUTED TO THE GROWTH IN THE RESULTS

During the first half of the year, the Company placed emphasis on the operation safety, the reaching of production targets and making full use of the new facilities of the Guixi Phase II project since it has commenced operation after completion of its expansion, resulting in a prominent increase in productivity. The actual output of copper cathode was more than the planned production capacity. The Company produced 111,500 tonnes of copper cathode (including subcontracting copper), 408,800 tonnes of sulphuric acid, representing an increase of 38.6% and 3.8% respectively when compared with the same period of the previous year. The Company produced 3,408kg of gold and 57,496kg of silver, representing an increase of 51.2% and 94.6% respectively when compared with the same period of the previous year. In addition, the Company has further strengthened the work on attaining the production target of 90,000 tonnes per day by Dexing Mine, and as a consequence, its productivity reached 88,900 tonnes per day during the first half of the year, representing an increase of 5,200 tonnes per day when compared with the same period last year. The actual production of copper concentrate containing copper was 66,225 tonnes, representing an increase of 8.3% when compared with the same period last year whereas the actual

production of copper concentrate containing gold was 2,671kg, representing an increase of 24.6% when compared with the same period of the previous year.

2. FURTHER INCREASE IN SALES OF PRODUCTS, RATIONALISATION OF PRODUCT MIX AND ENDEAVOURED TO INCREASE SALES OF PRODUCTS WITH HIGH GROSS PROFIT MARGIN

During the first half of the year, the Company sold 104,600 tonnes of copper cathode (including tolling copper), representing an increase of 34.3% as compared with the same period of the previous year. The sales of by-products with high gross profit margin such as gold and silver were 3,408kg and 61,864kg respectively, increased by 51.2% and 109.4% respectively as compared with the same period of the previous year.

Furthermore, the markets for chemical raw materials were improved during the first half of the year. The Company timely seized this opportunity to develop such markets. The sales volume of pyrite concentrate amounted to 371,600 tonnes, representing an increase of 23.9% as compared with the same period of the previous year whereas the sales volume of sulphuric acid amounted to 389,000 tonnes. Although the sales volume of sulphuric acid decreased by 8.2% as compared with the same period of the previous year, the sale price of sulphuric acid increased by 17.0% over the same period of the previous year.

3. STRENGTHENING THE RECOVERING OF MINERAL RESOURCES

During the first half of the year, the Company produced a total of 30kg of palladium and platinum as a result of strengthening the recovering of mineral resources as well as other resources and contributed to the rise in the profitability of the Company.

4. ENDEAVOURED TO REDUCE PRODUCTION COSTS AND CONTROL OVER EXPENSES

The Company has always endeavoured to set up and improve its system in respect of costs and expenses control so as to materialise the ability of the Company in resisting the risk of fluctuations in copper prices. During the first half of the year, the price of copper cathode of the Company dropped by RMB306 per tonne or 2.0% as compared with the same period last year. The sales cost dropped by 3.0% as compared with the same period last year. The rate of decrease in distribution costs was higher than that of the copper cathode price.

5. THE COMPANY ACTIVELY ENGAGED IN GUIXI PHASE III PROJECT AND COMPLETED THE VALUATIONS, VERIFICATION AND FEASIBILITY STUDY AFTER SUBMISSION OF THE PROJECT PROPOSAL OF THE GUIXI PHASE III PROJECT WHICH HAS BEEN APPROVED BY THE STATE.

6. THE COMPANY HAS FORMULATED THE PROPOSAL IN RESPECT OF THE ACQUISITIONS OF THE RELEVANT ASSETS AND THE MINING RIGHTS OF THE COPPER MINE AT FUJIAWU DISTRICT HELD BY JIANGXI FUJIAWU COPPER COMPANY LIMITED IN ACCORDANCE WITH THE RELEVANT LAWS AND COMMERCIAL PRINCIPLES. IN

THE MEANTIME, THE COMPANY HAS PROCEEDED WITH THE PRELIMINARY PREPARATORY WORK RELATING TO THE DEVELOPMENT OF THE WHOLE FUJIAWU DISTRICT.

7. THE COMPANY VIGOROUSLY PROCEEDED WITH THE ISSUE OF A SHARES WHICH WAS PROGRESSING SMOOTHLY.

8. The corporate administration structure of the Company was further improved and the situation of the Company's controlling shareholder serving as a senior management of the Company was avoided, and the management structure of the controlling shareholder and the Company was separated. Such separation not only allowed the Company to operate independently but was also beneficial to the Company in reducing its fixed costs.