

CHAIRMAN'S STATEMENT



Chairman : Mr. He Changming

To shareholders,

Thanks for your trust and Support towards Jiangxi Copper Company Limited (the “Company”). I am pleased to report that during the year, the production capacity of the Company including processed copper increased by 16.5% over the previous year. The sales of self-produced copper had declined, the volume of processed copper increased together with a drop in the prices of copper resulting in a decrease in main operating turnover RMB528,720,000 (or 15.0%) from the previous year to RMB2,995,790,000, the Company still realised a gross profit of RMB655,350,000, representing an increase of RMB135,830,000 (or 26.1%) over the previous year under the relevant accounting principles and regulations applicable to PRC enterprises (“PRC GAAP”). Compiled according to PRC GAAP the net profit was RMB301,430,000, completing 99.8% of profit forecast disclosed at the A Shares prospectus in the current year, representing an increase of RMB192,770,000 (or 177.4%) over the previous year. Compiled according to International Accounting Standards (“IAS”), the net profit was RMB312,373,000, representing an increase of RMB203,712,000 (or 187.5%) over the previous year. Earnings per share (diluted) calculated under the PRC GAAP were RMB0.11 and basic earnings per share calculated under IAS were RMB0.128. The directors were satisfied with the significant growth in results.

REVIEW

Copper Market

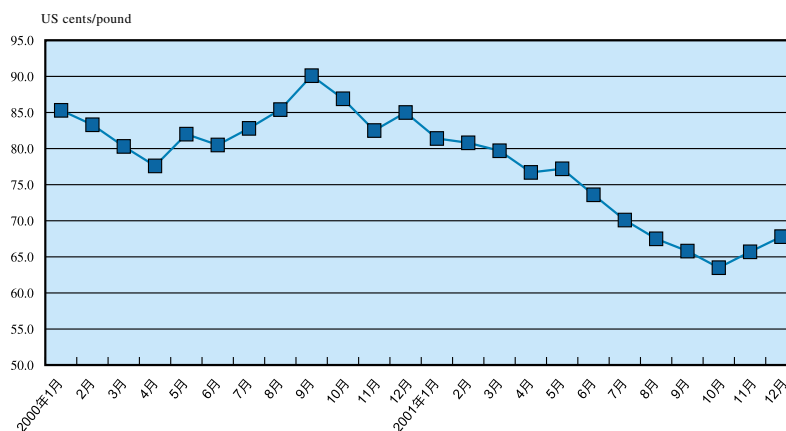
The world economic growth had slow down in 2001. The U.S. economy experienced the first recession in ten years after the Sept. 11 Terror Attacks. This led to the first decline of worldwide copper consumption in 15 years. According to preliminary estimation by the International Copper Study Group, the global refined copper consumption in the year was about 14,725,000 tons, a drop of 3.5% from the previous year; the output was about 15,478,000 tons, an increase of 4.7% from the previous year. The London Metal Exchange (“LME”) copper inventory at the end of the year hit 0.799 million tons.

Since September last year, the global copper price continued to decline, and hit a low since 1986 of 1,336 US dollars/ton on 3 November 2001. Later, it rallied when main copper producers in the world announced production cut. The average price of LME three-month copper was 72.5 US cents/pound for the whole year, a drop of about 13.2% from the previous year.

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The following chart illustrates simply the copper price trend on LME in the year, based on the average monthly closing price of LME three-month copper.

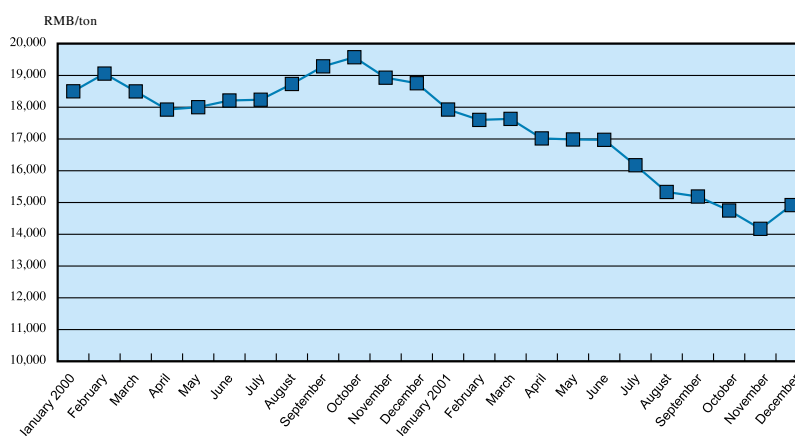
2000-2001 Average Price Trend of Three-month Copper Futures in the LME



Despite global economic recession, the economy of China attained a growth of 7.3%, which in turn triggered domestic consumption of copper. During the year, the domestic refined copper output stood at about 1.425 million tons, an increase of about 7.0%; the copper consumption is estimated to increase by approximately 13.0%, making the domestic market a bright spot in the dim world copper consumption market. Anyway, the domestic copper price declined all the way in pace with the trend of international copper price. The average annual tax-included price for three-month copper futures on the Shanghai Futures Exchange (“SHFE”) was RMB16,223/ton, or some 76 US cents/pound, a decrease of 13.0% from the previous year.

The following chart illustrates simply the copper price trend on SHFE in the year, based on the average monthly closing price of SHFE three-month copper.

2000-2001 Average Price Trend of Three-month Copper Futures in the SHFE



During the year, the average price (inclusive of tax) of copper cathode sold by the Company was RMB16,592/ton, a decrease of 8.5% from the previous year; the copper cathode processing cost (inclusive of tax) was RMB3,447/ton, a decrease of 14.2% from the previous year.

OPERATING STRATEGY

Successful issuance of 230 million A Shares to expand financing sources and to boost the Company's development

Through diligent work and continuous effort on issuance of A Shares on 21 December 2001, with the approval of the China Securities Regulatory Commission (CSRC Document No. 61 [2001]), the Company made a domestic IPO in respect of 230 million A Shares at an issue price of RMB2.27 per share. On 11 January 2002, the A Shares of the Company were officially listed on the Shanghai Stock Exchange. The Company raised a total of RMB522.10 million from the A Shares issue, and the net proceeds of such Shares issue was RMB494.85 million after deduction of share issue expenses. The funds was received and deposited in the Company's account in full amount on 28 December 2001 and interest earned thereon amounted to RMB10,940,000.



The listing of A Shares of Jiangxi Copper in the Shanghai Securities Exchange

Expanding production, increasing mining capacity

The expansion of the Guixi Smelter Phase II has operated smoothly since it was put into production in the second half of 2000, achieving the expected production capacity. For the whole year, the copper cathode output including the processing volume stood at 226,363 tons, representing an increase of 16.5% over the previous year; the output of gold was 6,723 kg, that of silver was 115,043 kg, that of sulphuric acid was 0.823 million tons and that of pyrite concentrate was 0.728 million tons, representing an increase of 25.4%, 69.1%, 8.2% and 8.0% respectively over the previous year.

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After years of efforts Dexing Copper Mine, one of the principal mines owned by the Company, realised the goal of milling 90,000 tons of ores per day in the year, thus raising the mining capacity of the Company. For the whole year, the Company produced copper concentrates containing 127,674 tons of copper and 4,705 kg of gold, an increase of 7.3% and 6.3% respectively over the previous year. As the cash cost for production of copper cathode using self-produced ore was lower than that using purchased ore, and the increase of smelted products comparatively lowered the fixed expenses in the unit production cost, the profitability of the Company in the year rose accordingly.



Currently the largest Open pit Copper Mine in the PRC

Product sales structure adjusted, gross profitability rose

During the year, the Company strengthened the adjustment of product sales, with the sales volume of gold and silver respectively increasing 27.0% and 85.1%. In the meantime, the proportion of copper processing on supplied materials rose, relatively reducing the proportion of copper cathode production using purchased ore. Therefore, though the operating turnover decreased by 15.0%, the profit from principal operations calculated under PRC GAAP for the year rose 7.2 percentage points over the previous year as the contribution of gold and silver to gross profit was high and the gross profitability in copper processing was relatively stable.

Raising metal recovery, strictly controlling cost and realizing cost reduction target

During the year, the copper milling recovery of the Dexing Copper Mine rose by 1.124 percentage points over the previous year, which added in copper contents in copper concentrates by about 1,450 tons, and its silver milling recovery rose by 2.6 percentage points over the previous year, which added the silver in contents in copper concentrates by about 740 kg with the efficiency enhanced, as well as stringent cost control system of the Company, the unit sales cost of copper cathode declined by about 8.0%, and the cash cost for production of copper using self-produced concentrate was 14.0%, reaching US\$0.39/pound.

Innovating management system, saving overhaul time, saving maintenance cost

In 2001, the Company implemented a management system innovation plan, borrowed and absorbed internationally advanced flash smelting technology, and replaced annual blow-off overhaul in the past with two blow-off overhauls in every three years. The Guixi Smelter of the Company did not make blow-off overhaul in 2001 since the overhaul in 2000. The next overhaul will be done in 2002.

Expanding markets, turnaround in sales of chemical products

During the year, the sulphuric acid sale price which had declined for four consecutive years had a turnaround, rebounding by 25.3%. The price of pyrite concentrates declined at a slower pace. The sales volume of sulphuric acid and pyrite concentrate increased by 4.0% and 20.3% respectively.

Smooth progress of investment projects

- Construction of the technical transformation project of the Guixi Smelter Phase III proceeded smoothly as planned, and the investment completed in the year amounted to about RMB157.48 million, representing about 10% of the budget investment. The total budget investment for the project of the Guixi Smelter Phase III was about RMB1.5 billion, and the investment funds will come mainly from the proceeds raised from the issue of A Shares, state discount interest loans and self-raised funds.
- During the year, the investment in the Dexing Copper Mine with a daily processing capacity of 90,000 tons reached RMB225.7 million, or approximately 79% of the total budget investment. By the end of the year, the daily handling capacity of the Dexing Copper Mine had basically reached 90,000 tons per day.
- On 20 August 2001 and 30 December 2001, the Company respectively paid RMB50 million and RMB15 million for acquisition of copper ore mining right from the Jiangxi Fujiawu Copper Co., Ltd. and such related valid assets as mining and milling facilities. The remaining proceeds for the acquisition of RMB45 million will be paid in 2002.

PROSPECT

Operating environment

In 2002, the expected economic recovery of the United States, the world's largest copper consumer, and a sustained 7% national economic growth of China, the world's second largest copper consumer, will stimulate a recovery of the global copper consumption market. Besides, the announcement of production cut plan by global copper producers in November 2001 will help ease the copper demand and supply differences, and the copper price will rebound substantially under this favorable news. However, the high global copper inventory left over from the end of 2001 will to some extents restrain the copper price rebound. Therefore, it is predicted that the yearly average price in 2002 will be cautiously optimistic, slightly higher than the 72.5 cents/pound in 2001.

In the first quarter of 2002, though the LME copper price was US\$0.716/pound, rebounded by 9.1% over that in the fourth quarter of 2001, it was still 11.1% lower than that in the first quarter of 2001. The aggregate average copper price for January and February on the SHFE was RMB15,652/ton (inclusive of tax), rebounded by 7.1% from the fourth quarter of last year, but down by 11.9% from the same period of the previous year.

The copper price in the first quarter of 2002 will have some pressures on the production and operation and profit of the Company in the first half of the year.

Operating plan

Based on the experience and the absorption of the international advanced flash smelting technology, the Company has introduced new way of management and maintenance system in respect of smelting equipment in 2001. As a result, the suspension of operation for overhaul with respect to the furnaces has been changed from once a year to twice every three years. In accordance with the new maintenance system, suspension of operation of the furnaces will take place in 2002 (the preceding maintenance was undertaken in 2000). In the meantime, the principal project of the Guixi Smelter Phase III will enter the stage of installation and butt joint this year. In order to reduce the frequency and the time for suspension of the furnaces, the annual maintenance and butt joint project will be jointly undertaken for 60 days commencing from 1 April 2002 during which the furnaces will suspend operation. Accordingly, the annual production, maintenance expenses, turnover and profit level of the Company will be affected to a certain extent.

In 2002, the Company estimates to produce 206,800 tons of copper cathode (including tolling copper), 6,000kg of gold, 102 tons of silver, 680,000 tons of sulphuric acid and 910,000 tons of pyrite concentrates.

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The Company will also speed up the technological reform construction of Guixi Phase III project in 2002 and try to complete the major construction items by the end of the year so as to meet the Company's yearly strategic target of producing 350,000-400,000 tons of integrated copper in 2003.



The beautiful scenery in Guixi Smelter — the Phase III extension is underway

In 2002, the Company will also enhanced the production capacity of Dexing Mine so as to attain the production target of 100,000 tons per day.

To expand and extend the operation scope of the Company and to develop new businesses. The Company signed a joint venture agreement with Jiangxi Copper Company (“JCC”) on 11 March 2002 and jointly established 江西銅業銅材有限責任公司 (Jiangxi Copper Products Company Limited) with an annual production capacity of 150,000 tons of oxygen-free copper rods and wires. The Company invested a sum of RMB90,000,000 in cash and Jiangxi Copper Company invested RMB60,000,000 in cash in the joint venture which is owned as to 60% by the Company and 40% by JCC.

Operating strategy

- Reinforcing management in production, maintenance and technological renovation in an effort to minimise the time required for the blow-off overhaul as well as the expenses therefor.
- The Company will increase the volume of self-produced copper concentrates by about 7% in 2002 after acquiring the Wushan Mine. In addition, the raw material reserves increased in the previous year will be able to withstand the supply and price risks on the international copper raw materials market caused by the production cut.
- Taking advantage of technological advancement and technological breakthroughs to raise the copper recovery from concentrates and the grade of self produced concentrates, raise the electrolytic current density and increase the output of copper cathode. This led to reduction in unit cost of production for copper.
- According to the Copper Processing Agreement entered into between the Company and JCC on 3 September 2001, the Company will continue to improve the transition work on operation of processed copper and self-produced copper.
- Actively looking for raw material resources, signing intention agreements on long-term copper concentrates supply to secure the need of growth in smelting capacity expansion; cooperation with copper producers and dealers in the PRC for establishing 中銅聯合銅業有限責任公司 (Zhangtong United Copper Company Limited) in order to jointly explore and develop domestic and overseas copper resources.

By Order of the Board
He Changming
Chairman

Jiangxi, the PRC
11 April 2002