

To shareholders,

Thanks for your trust and support towards the Company. I am pleased to report that during the financial year ended 31 December 2002:

- Under IFRS, turnover of the Company grew by 11.1% from the previous year to RMB3,327.07 million; net profit for the year amounted to RMB169.50 million. Notwithstanding decline in copper prices led to decrease in net profit, net cash inflow from operating activities rose by 19.7% from previous year to RMB765.84 million and net cash inflow per share increased by RMB0.29.
- The technological renovation project of Guixi Smelter Phase III achieved substantial progress and the smelting system was essentially completed. Currently, the refining system has come to an end. The annual production capacity of 300,000 tonnes will be attained at the end of the year.
- The 90,000-tonne capacity project of Dexing Mine was completed, and its average daily processing capacity surpassed the estimated target of 90,000 tonnes for the first time during the year. Wushan Copper Mine, which was acquired by using the proceeds, had achieved its production target for the first time and enhanced the output volume of self-produced copper.
- Achievements in optimizing sales structure of products in operation management improved the financial liabilities structure.
- Significant progress in opening up new sources for long-term materials supply in a proactive manner ensured production.

Review of Operations

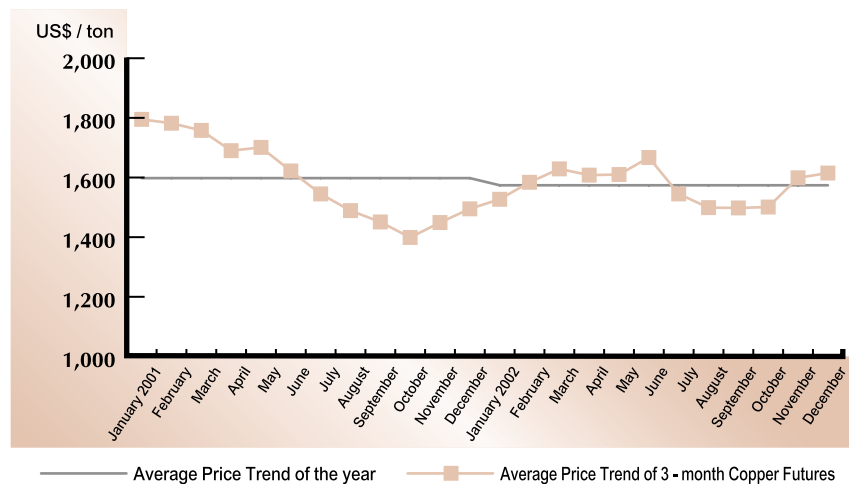
Market Overview

During the year, the slow growth of the global economy hindered the growth of global copper consumption. A large volume of inventories as a result of oversupply in the past was not digested during the year. The inventories held by the London Metals Exchange ("LME") at the end of the year still amounted to 856,000 tonnes, representing an increase of 56,000 tonnes from 800,000 tonnes at the beginning of the year. As a result, the global copper prices remained low for most of the time in the year (see chart below). The annual average price of three-month futures copper on the LME dropped by approximately 2% against previous year to US\$1,574/tonne.

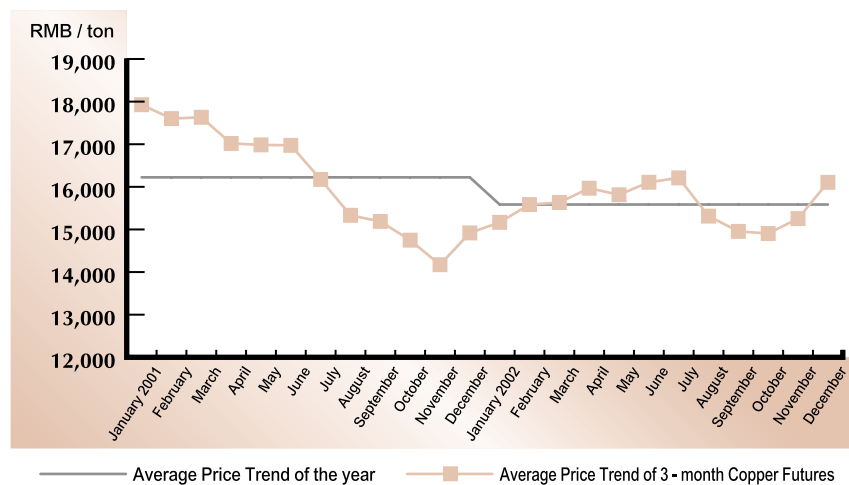
China's economic growth increased the domestic supply and demand of copper, enabling China to have maintained a strong growth rate in the global copper market over the past two years. The domestic production of refined copper was 1,560,000 tonnes in 2002, representing an increase of 9% from the previous year. The annual copper consumption was estimated to be more than 2,500,000 tonnes which is the highest in the world. The gap between the domestic supply and demand of copper was widening as the national economy grew. Refined copper imported from overseas amounted to approximately 1,330,000 tonnes in 2002, representing an increase of approximately 39% from the previous year.

In spite of this, the decline in international copper prices pushed down domestic copper prices. The annual average price (inclusive of tax) of three-month futures copper on the Shanghai Metals Exchange ("SHFE") was RMB15,585/tonne, representing a decrease of approximately 4% from the previous year (see chart below).

Average Price Trend of Three-month Copper Futures in the LME for 2001 - 2002



Average Price Trend of Three-month Copper Futures in the SHFE for 2001 - 2002



During the year, the average price (inclusive of tax) of copper cathode sold by the Company was RMB15,554/tonne, representing a decrease of RMB1,038/tonne (or decrease: 6%) from the previous year; the copper cathode processing cost (inclusive of tax) received was RMB3,205/tonne, a decrease of RMB242/tonne, a decrease of RMB242/tonne (or decrease: 7%) from the previous year.

Business Review

1. Production set historical record as substantial progress made by tapping potential and carrying out reform

During the period of 60 days of suspended production for carrying out technological renovation and regular maintenance to the Guixi Smelter Phase III, the renovation and connection of the principal construction project for Phase III were completed and the production of main products exceeded the actual level of last year. Of these products, the production of copper cathode (inclusive of processing) was 231,613 tonnes, representing an increase of 2.4% from the previous year; the production of gold, silver and pyrite concentrates was 8,079 kg, 120,980 kg and 883,000 tonnes respectively, representing increases of 20.1%, 5.2% and 21.2% from the previous year respectively.

In addition, by further tapping potential, carrying out renovation and strengthening the management of site operation in the Dexing Copper Mine, the average daily processing capacity of Dexing Copper Mine exceeded 90,000 tonnes for the first time during the year. The daily integrated processing capacity of the newly-acquired Wushan Copper Mine finally achieved the planned level of 3,000 tonnes during the year, with an annual copper output of more than 9,000 tonnes. The enhancement of the capacity of the mines increased the supply of the Company's self-produced raw materials. During the year, 143,338 tonnes of copper contained in copper concentrates were produced, representing an increase of 12.3% from the previous year; 5,118 kg of gold contained in copper concentrates were produced, representing an increase of 8.8% from the previous year; and 47,933 kg of silver contained in copper concentrates were produced, representing an increase of 46.8%.

2. More room provided for lowering cost by means of scientific and technological advancement

By research and application of the electrolyte purification technique of the Guixi Smelter's electrolysis system, not only a cost of approximately RMB5,000,000 spent annually for electrolyte was saved for the production of copper cathode, but also an investment of approximately RMB30,000,000 was saved for the electrolyte facility of the Guixi Smelter Phase III technological renovation project.

By research and exchange of the dump leaching technique, Dexing Copper Mine produced approximately 1,050 tonnes of copper cathode during the year by means of the hydro-processing technique. By means of CPT flotation column technology, the cost of milling was also reduced while the recovery of copper and grade of copper concentrate were increased.

3. Optimizing product structure and minimizing business risk

By adjusting strategies for product structure, in particular by increasing the portion of gold and silver production, the impact on the Company by the decline in copper prices was reduced.

During the year, the production and sale of gold and silver were 8,000 kg and 120 tonnes respectively, representing increases of 19.0% and 2.7% respectively from the previous year. The percentage of revenue from the sale of copper cathode (including processing copper) dropped from previous year's 72% to this year's 63%.

4. Strengthening capital management and increasing efficiency of working capital

- In the light of the domestic financial status, the Company takes full advantage of its reputation and new financial products to reduce the cost of financing.
- To clear inventories on a continuous basis and mobilize assets in stock to reduce expenses on procurement.

5. Achievements made from capital expenditure and production capacity upgraded

- 52.2% of the project investment in the Guixi Smelter Phase III technological renovation project was completed at the end of the year. At present, its principal construction has already been completed and an annual production capacity of 300,000 tonnes of copper has been achieved. The other parts of the Phase III project will be completed in the first half of 2003.
- The 90,000-tonne capacity project of Dexing Copper Mine was completed essentially. Dexing Copper Mine's daily processing capacity now exceeds 90,000 tonnes during the year, surpassing the estimated target. The average daily capacity will be further upgraded to 100,000 tonnes.
- The average daily integrated processing capacity of Wushan Copper Mine acquired on 1 January 2002 reached 3,000 tonnes in the year. More than 9,000 tonnes of copper contained in copper concentrates were produced, increase of 10.0% from the output of the mine before the acquisition.

6. Strive to develop new resources to ensure sustained and stable development of the Company

Prospect

Operating environment

Copper prices may rebound in a fluctuant way in 2003 due to a number of factors that the global economy is expected to recover; there will be a short supply of global refined copper in 2003 from the 2002's balance in supply and demand; and there will be a strong demand for the consumption of copper in China as its economy continues to maintain a sustained and steady growth, in addition to copper prices having stood at a historical low for a long period of time. Uncertain factors affecting global economic growth such as the US-Iraq war and fluctuations in oil prices will definitely produce an impact on copper price trends. Fluctuant rise in copper prices will benefit growth in the results of enterprises like the Company which has a high percentage of self-supplied raw materials.

The rapid growth in China's consumption of copper will help increase the domestic smelting capacity. However, domestic copper producers have to meet challenges from the shortage of raw materials around the world, acute shortage of domestic copper resources and lowering processing fees for smelting around the world. Given the availability of the capacity for own supply of approximately 150,000 tonnes of raw materials by the Company itself, and the raw materials supply contracts already entered into by the Company, the imbalance in the supply and demand of copper resources both in China and overseas will not create a substantial impact on the Company.

As at 31 December 2002, the continuation of the policy for refund of value-added tax for the processing of imported raw materials into copper cathode for sale in the PRC upon expiry of such policy was still under consideration by the relevant authorities in the PRC. If relevant document in respect of the extension of such policy is received in 2003, the agreement for the processing of copper will be extended for one year. If the policy is revised, the agreement will be revised accordingly in accordance with relevant procedures. Any change in the policy is expected to have an impact on the Company's business and production.

Operating strategy

1. Complete the technological renovation project of Guixi Smelter Phase III and its performance test and assessment; strive to arrange for production and trial production on the basis of the planned capacity of Phase III in the second half of the year; and establish an output capacity of 400,000 tonnes of copper at the end of the year.
2. Since the Company had obtained the approval for conducting price hedging in overseas futures exchanges, the Company will make good use of this policy, the Company will step up analysis and research for the international copper metals market in order to provide a good opportunity and pricing for hedging against the Company's imported raw materials and products.
3. Further increase the existing output capacity of Dexing and Wushan Copper Mines; increase the production of copper concentrate; minimize the risk of supply from raw materials market; also maximize the capacity of existing equipment; raise the operation efficiency of equipment; increase production and minimize consumption so that the Company's profitability will be increased.
4. While stabilizing and pushing for cooperative exploitation of resources between the Company and domestic medium-sized and small-sized mines, maintain a perspective by seeking more sources of supply of raw materials from overseas in a number of ways to ensure the provision of raw materials required when Guixi Smelter Phase III comes into production upon completion of its technological renovation project.
5. For the benefit of the long-term development strategies, the Company will, through financing by various means, develop new investment areas which include exploitation of copper resources and development of new projects, so as to develop new profit centres.

By order of the Board
He Changming
Chairman

Jiangxi, the PRC
8 April 2003