NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2000

1. GENERAL

The Company is a Sino-foreign joint venture joint stock limited company established in the People's Republic of China (the "PRC") on 24 January 1997. Jiangxi Copper Company ("JCC"), International Copper Industry (China) Investment Limited ("International Copper"), Shenzhen Baoheng (Group) Company Limited, 江西鑫新實業股份有限公司 (formerly Shangrao City Zhenda Copper Industrial Group) ("江西鑫新") and 湖北三鑫金銅業股份有限公司 (formerly Hubei Huangshi Gold & Copper Mine Limited Liability Company) ("湖北三鑫") acted as joint promoters upon establishment of the Company.

In January 1997, the Company underwent a reorganisation (the "Reorganisation") to rationalise its structure in preparation for the listing of the Company's H Shares on The Stock Exchange of Hong Kong Limited ("SEHK") and the London Stock Exchange Limited ("LSE"). Pursuant to the Reorganisation, (i) JCC transferred the business operations and the relevant assets and liabilities relating to copper mining, milling, smelting and refining processes at the Dexing Mine, the Yongping Mine and the Guixi Smelter to the Company in consideration for a total of 1,275,556,200 Domestic Shares at a nominal value of RMB1 per share issued to JCC and (ii) the other four promoters in aggregate contributed RMB502,000,000 as cash consideration to the Company in consideration for 500,000,000 Foreign Shares (which were subsequently converted into H Shares) and 2,000,000 Domestic Shares at a nominal value of RMB1 per share.

The Company's H Shares were listed on the SEHK and LSE from 12 June 1997.

The Company's immediate holding company is JCC. At the beginning of 1999, State Nonferrous Metals Industry Administration ("SNMIA") held State equity interest in JCC. Subsequent to 31 December 1999, the Company received formal notification dated 24 January 2000 through JCC that China Copper Lead Zinc Corporation ("CCLZC"), a State-owned enterprise under the supervision of the State Councils, replaced SNMIA to control JCC with retrospective effect from 6 August 1999. In the opinion of the directors, CCLZC was the Company's ultimate holding company as at 31 December 1999.

During the year, the Company was advised by JCC that JCC has received notification from the Jiangxi Provincial Government that JCC would be under direct supervision and management of the Jiangxi Provincial Government in replacement of CCLZC since July 2000 in accordance with the decision of the State Council. Accordingly, JCC has become the Company's ultimate holding company since then.

The Company is an integrated producer of copper in 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.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention and in accordance with International Accounting Standards ("IAS"). In the current year, the Group has adopted the following new/revised IASS for the first time:

IAS 10 (Revised 1999)	Events after the balance sheet date
IAS 36	Impairment of assets
IAS 37	Provisions, contingent liabilities and contingent assets
IAS 38	Intangible assets

Adoption of these standards has resulted in some changes in the detailed application of the Group's accounting policies and some modifications to the financial statements presentation. However, none of these amendments has affected the results for the current or prior periods.

The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiary made up to 31 December each year.

On acquisition, the assets and liabilities of the relevant subsidiaries are measured at their fair values at the date of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those use by the Group.

All significant intercompany transactions and balances between group enterprises are eliminated on consolidation.

Investments in subsidiaries

A subsidiary is an enterprise in which the Company, directly or indirectly, holds more than half of the issued share capital or controls more than half of the voting power, or where the Company controls the composition of its board of directors or equivalent governing body.

Investments in subsidiaries are included in the Company's balance sheet at cost less any impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition. Goodwill is recognised as an asset and amortised on a systematic basis following an assessment of the foreseeable life of the asset, subject to a maximum period of 20 years.

Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

Negative goodwill, which represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities acquired over the cost of acquisition, is eliminated proportionately against the fair values of the non-monetary assets acquired. Any amount in excess of the fair values of the non-monetary assets acquired is treated as deferred income and recognised as income on a straight-line basis over a period generally not exceeding 5 years.

On disposal of a subsidiary, the attributable amount of unamortised goodwill or negative goodwill is included in the determination of the profit or loss on disposal.

Revenue recognition

Sales of goods are recognised when goods are delivered and title has been passed.

Service income is recognised when services are provided.

Interest income is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable.

Property, plant and equipment

Construction in progress represents assets in the course of construction for production, rental or administrative purposes, or for purposes not yet determined. They are carried at cost, less any impairment loss where the recoverable amount of the asset is estimated to be lower than its carrying value. Cost includes all construction expenditure and other direct costs, including borrowing costs, attributable to such projects. Costs on completed construction works are transferred to other appropriate category of property, plant and equipment.

No depreciation is provided in respect of construction in progress until it is completed and put into commercial operation.

Property, plant and equipment other than construction in progress are stated at cost less accumulated depreciation.

Depreciation is charged to write off the cost of property, plant and equipment other than construction in progress over their estimated useful lives, after taking into account their estimated residual value, using the straight-line method. The estimated useful lives of property, plant and equipment are as follows:

Buildings	12 to 40 years
Plant, machinery and equipment	10 to 21 years
Motor vehicles	9 to 11 years

Used assets acquired as part of the Reorganisation are depreciated over their estimated remaining useful lives as determined by the directors by reference to estimations made by an independent valuer. The estimated remaining useful lives of the used assets are limited up to the original useful lives of relevant assets.

Where the recoverable amount of an asset has declined below its carrying amount, the carrying amount is reduced to reflect the decline in value. In determining the recoverable amount of assets, expected future cash flows are not discounted to their present values.

The gain or loss arising from disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

Trademark

Trademark is stated at cost less accumulated amortisation and impairment loss, if any. The cost incurred in the acquisition of trademark is capitalised and amortised on a straight-line basis over the term of the related mining rights of 30 years.

Mining rights

Mining rights are stated at cost less accumulated amortisation and impairment loss, if any. The cost of mining rights is amortised on a straight-line basis over their estimated useful lives of 13 to 30 years.

Inventories

Inventories of concentrates, work in progress and metal are physically measured or estimated and valued at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, costs of conversion and other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

To the extent to which more than one finished product is obtained from the mineral resource ("joint products"), all joint production costs are apportioned between the resulting finished products by reference to their estimated net realisable values at the point where those joint products become physically separated.

All secondary products obtained during the course of production ("by-products") are stated at the lower of the processing costs of the by-products subsequent to the split-off point and net realisable value.

Inventories of auxiliary materials, consumable supplies and spare parts expected to be used in production are stated at weighted average cost less provision for obsolescence.

Financial assets

The Group's principal financial assets are bank balances and cash and trade receivables.

Trade receivables are stated at their nominal values as reduced by appropriate allowances for estimated irrecoverable amounts.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

The Group's principal liabilities include interest bearing bank loans and trade and other payables.

Interest bearing bank loans are recorded at the proceeds received. Finance charges are accounted for on an accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Trade and other payables are stated at their nominal value.

Equity instruments are recorded at the proceeds received, net of direct issue costs.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event which it is probable will result in an outflow of economic benefits that can be reasonably estimated.

Taxation

The charge for current tax is based on the results for the year as adjusted for items which are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction which affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. Deferred tax is charged or credited to the income statement, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Forward contracts

Gains and losses arising from forward sales contracts which hedge sales revenue from future production, are deferred and included in sales revenue when the hedged production is delivered. Gains or losses arising from forward sales contracts settled before the maturity date are credited or charged to other revenue or other operating expense of the income statement respectively.

Gains and losses arising from forward buy contracts which hedge imported materials purchase cost for the Group's production are deferred and included as part of purchase cost when the hedged purchase is delivered. Gains or losses arising from forward buy contracts settled before the maturity date are credited or charged to other revenue or other operating expense of the income statement respectively.

Research and development

Expenditure on research and development is charged to the income statement as incurred except where a major project is undertaken and it is reasonably anticipated that development costs will be recovered through future commercial activity. Such development costs are deferred and written off over the life of the project from the date of commencement of commercial operation.

Restoration, rehabilitation and environmental expenditure

Where conditions of title, or other rights to use properties including rights to mine require that restoration, rehabilitation or environmental protection activities be carried out during the course of the use of the properties, costs of such activities are recognised as expenses at the time the costs are incurred. Where, due to current or previous activities, an obligation exists to carry out restoration, rehabilitation or environmental protection works in the future, an estimate of the cost of such rehabilitation is recognised as an expense over the remaining useful life of the properties.

Exploration and development expenditure

Expenditure during the initial exploration stage is written off as incurred. When it can be reasonably ascertained that a mining property is capable of commercial production, exploration and development expenditure incurred is capitalised and written off over the life of the mining property. If any project is abandoned during the development stage, the total expenditure thereon will be written off.

Retirement benefits scheme

The Group participates in a retirement plan administered by the provincial government pursuant to which the Group pays a fixed percentage of the salaries and wages of its qualifying staff and employees as a contribution to the plan through JCC. The contribution payable in respect of the year to the retirement plan is charged to the income statement.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, that is assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the costs of those assets.

All other borrowing costs are expensed in the period in which they are incurred.

Operating leases

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease.

Foreign currency translation

The Group maintains its books and records in Renminbi.

Foreign currency transactions are translated into Renminbi at the applicable rates of exchange quoted by The People's Bank of China ruling at the dates of transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated into Renminbi at the applicable rates of exchange quoted by The People's Bank of China ruling on the balance sheet date. Gains and losses arising on exchange are dealt with in the income statement.

3. TURNOVER

Turnover represents net amount received and receivable for goods sold and services rendered during the year. An analysis of the Group's turnover is as follows:

	2000	1999
	RMB'000	*RMB'000*
Sales of goods	3,439,348	2,612,918
Tolling services	85,164	99,265
	3,524,512	2,712,183

The Group's turnover and net profit for the year are almost entirely derived from the production and sale of copper cathode and other related products. Since these activities are very much inter-related and form an integral part of the Group's principal activities, the directors consider any apportionment of the operating results and assets employed between, or presentation of segment information on, the various activities or products would not be objective or meaningful.

All of the production facilities of the Group are located in the PRC.

An analysis of the Group's turnover for the year by geographical market is as follows:

	RMB'000
PRC	3,010,191
South Korea	341,289
Others	173,032

	3,524,512

In 1999, more than 90% of the amount of sales and provision of services of the Group are made in the PRC.

Contribution to profit by geographical market has not been presented as the contribution to profit from each market is substantially in line with the overall Group ratio of profit to turnover.

4. COST OF SALES AND SERVICES

The cost of sales and services in 1999 included an amount of approximately RMB8,550,000 (2000: nil) relating to a provision made to write down pyrite concentrate and sulphuric acid inventories at 31 December 1999 to their estimated net realisable values.

5. OTHER OPERATING INCOME

The other operating income includes an amount of approximately RMB2,936,000 (1999: nil) relating to gain on settlement of future contracts before their maturity dates.

6. OTHER OPERATING EXPENSES

The other operating expenses in 1999 included an amount of approximately RMB14,157,000 (2000: nil) relating to loss on settlement of future contracts before their maturity dates.

7. PROFIT FROM OPERATIONS

	2000	1999
	RMB'000	*RMB'000*
Profit from operations has been arrived at after charging:		
Amortisation of mining rights and trademark	3,590	3,590
Auditors' remuneration	1,500	2,350
Depreciation of property, plant and equipment	369,017	322,537
License fee on railway transportation	7,174	7,174
Operating lease rental in respect of:		
- land use rights	15,000	15,000
- machinery and vehicles	5,031	3,840

- office premises	3,612	2,915
- staff quarters and use of common facilities (note a)	10,954	16,063
Provision for bad and doubtful debts	23,957	23,408
Research and development expenses	6,259	3,173
Restoration, rehabilitation and environmental expenses	26,750	29,675
Staff costs, including directors' and supervisors' remuneration (note b)	260,342	221,571
and after crediting:		
Interest income	4,450	2,036

Notes:

(a) The amount was also included in staff costs above.

(b) There were approximately 11,400 employees (1999: 12,200 employees) as at 31 December 2000.

8. FINANCE COSTS

	2000 *RMB'000*	1999 *RMB'000*
Interest on borrowings wholly repayable within five years	148,616	142,350
Interest on borrowings not wholly repayable within five years	32,030	25,881
Total borrowing costs	180,646	168,231
Less: Amount included in the cost of qualifying assets	(38,406)	(65,242)
	142,240	102,989

The capitalisation rate for general borrowings during the year was 6.1% (1999: 6.1%).

9. DIRECTORS' AND SUPERVISORS' REMUNERATION

	2000 *RMB'000*	1999 *RMB'000*
Directors		

	2000	1999
Fees:		
Executive	-	-
Independent non-executive	40	20
	40	20
Other emoluments (executive directors):		
Salaries and other benefits	805	774
Performance related bonus	220	220
Retirement benefits scheme contributions	184	27
	1,209	1,021
	1,249	1,041

	2000	1999
	RMB'000	*RMB'000*
Supervisors:		
Fees	-	-
Other emoluments:		
Salaries and other benefits	368	327
Retirement benefits scheme contributions	92	18
	460	345
	460	345

The five highest paid individuals of the Company were all executive directors. Emoluments of each of the directors and supervisors are less than RMB1,000,000 for the years ended 31 December 2000 and 1999.

10. TAXATION

	2000	1999
	RMB'000	*RMB'000*
Domestic income tax	98	7

Pursuant to the Provisional Regulation of the PRC on enterprise income tax promulgated by the State Council on 26 November 1993, with effect from 1 January 1994, all PRC domestic enterprises are subject to a unified income tax rate of 33% on their taxable profits.

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, the Company, being a Sino-foreign joint venture joint stock limited company involved in manufacturing, is exempted from PRC income tax for a period of two years from its first profitable year, and thereafter will be entitled to a 50% relief on the income tax calculated at the unified income tax rate of 33% for a period of three years. The Company is into its second year of the three-year tax relief period and a reduced income tax rate of 16.5% therefore applies.

Pursuant to a notice dated 14 January 2000 issued jointly by the Ministry of Finance and the State Tax Bureau, which is also subsequently confirmed by the Company with the Jiangxi Provincial Tax Bureau, the Company, being a Sino-foreign joint venture joint stock limited company, is entitled to a tax benefit ("Tax Benefit"), which is calculated as 40% of the current year's additions of PRC produced plant and equipment for production use. The Tax Benefit is, however, limited to the amount of increase in enterprise income tax for the current year in which the plant and equipment are acquired as compared with the tax amount of the preceding year. The portion of the Tax Benefit that is not utilised in the current year can be carried forward for future application for a period of not more than five years. The Tax Benefit not utilised as at 31 December 2000 amounted to approximately RMB55.6 million.

Domestic income tax in the PRC for 2000 is calculated at the rate of 33% (1999: 33%) on the estimated assessable profit of the subsidiary for the year. No provision for PRC income tax has been made by the Company in 1999 as the Company had a tax loss for that year.

The taxation charge can be reconciled to the profit before tax per the consolidated income statement as follows:

	2000 *RMB'000*	1999 *RMB'000*
Profit before tax	108,865	23,164
Tax at the domestic rates of 16.5% and 33% for the Company and subsidiary respectively	18,027	3,826
Tax effect of expenses that are not deductible in determining		

current year taxable profit	1,655	146
Tax effect of the provision for doubtful debts that are not deductible in determining current year taxable profit	1,656	3,644
Tax effect of the provision made to write down inventories to net realisable values that are not recognised as deferred tax asset		
- (reversal of provision) provision in current year	(150)	1,411
- adjustment for 1998 provision allowed as tax deduction in 1999	-	(12,252)
(Reversal of tax effect) tax effect of tax losses not recognised as deferred tax asset in 1999	(3,232)	3,232
Reduction of income tax in respect of the Tax Benefit	(17,858)	-
Taxation	98	7

At 31 December 2000, the Group has deferred tax assets in respect of unused tax losses and other deductible temporary differences of nil (1999: RMB3,232,000) and approximately RMB1,261,000 (1999: RMB1,411,000) respectively available for offset against future profits. No deferred tax assets have been recognised in the financial statements due to the unpredictability of future profit streams.

At 31 December 2000, the deductibility of the provision for doubtful debts for taxation purpose has not been agreed with the local tax bureau. In the opinion of the directors, it is not reasonably certain that the whole or part of the amount of accumulated provision for doubtful debts of approximately RMB117 million (1999: RMB95 million) could be deducted in determining taxable profits in the future. Accordingly, the potential deferred tax asset of approximately RMB39 million (1999: RMB31 million) has not been recognised in the financial statements.

11. NET PROFIT FOR THE YEAR

Of the Group's net profit for the year of RMB108,661,000 (1999: RMB23,151,000), a profit of RMB108,792,000 (1999: RMB22,661,000) has been dealt with in the financial statements of the Company.

12. TRANSFER TO RESERVES

	2000	1999

	RMB'000	*RMB'000*
The amount represents transfer to:		
Statutory surplus reserve	10,878	2,315
Statutory public welfare fund	10,872	2,315
Discretionary surplus reserve	16,339	3,473
	38,089	8,103

The amounts transferred to statutory surplus reserve and statutory public welfare fund for the year by the Company are each based on 10% (1999: 10%) of the Company's net profit for the year, prepared in accordance with the PRC accounting standards. The amount transferred to discretionary surplus reserve for the year by the Company is based on 15% (1999: 15%) of the Company's net profit for the year, prepared in accordance with the PRC accounting standards.

The amounts transferred to statutory surplus reserve and statutory public welfare fund for the year by the subsidiary are based on 10% and 5% respectively of the subsidiary's net profit for the year, prepared in accordance with the PRC accounting standards. No appropriation has been made by the subsidiary to discretionary surplus reserve during the year.

Pursuant to regulations in the PRC relating to the mining industry, the Company is required to transfer an amount to the capital reserve account, and such amount is entitled as additional deduction from operating income for PRC tax and accounting purposes. The amount is calculated as the shortfall of the amount of depreciation on property, plant and equipment in respect of mines and the amount calculated is based on the volume of copper ores extracted each year and at the applicable rate per tonne of copper ores. The utilisation of the amount in the capital reserve account will be subject to the rules in the PRC Companies Law and is not available for distribution to shareholders. With the approval from the Ministry of Finance, the Company has been exempted from making this appropriation to the capital reserve account.

13. BASIC EARNINGS PER SHARE

The calculation of basic earnings per share for the year is based on the net profit for the year of RMB108,661,000 (1999: RMB23,151,000) and on the 2,434,038,200 shares (1999: 2,434,038,200 shares) outstanding during the year.

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant, machinery and equipment	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
THE GROUP COST					
At 1 January 2000	2,168,596	4,881,510	961,031	1,055,043	9,066,180
Additions	-	17,314	-	702,689	720,003
Reclassifications	633,240	609,640	35,750	(1,278,630)	-
Disposals	(1,022)	(25,719)	(4,226)	-	(30,967)
At 31 December 2000	2,800,814	5,482,745	992,555	479,102	9,755,216
DEPRECIATION					
At 1 January 2000	599,975	2,797,121	554,416	-	3,951,512
Provided for the year	95,506	225,170	48,341	-	369,017
Eliminated on disposals	(276)	(20,973)	(3,611)	-	(24,860)
At 31 December 2000	695,205	3,001,318	599,146	-	4,295,669
NET BOOK VALUES					
At 31 December 2000	2,105,609	2,481,427	393,409	479,102	5,459,547
At 31 December 1999	1,568,621	2,084,389	406,615	1,055,043	5,114,668

	Buildings	Plant, machinery and equipment	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
THE COMPANY COST					
At 1 January 2000	2,168,596	4,881,454	961,031	1,055,043	9,066,124
Additions	-	17,280	-	702,689	719,969
Reclassifications	633,240	609,640	35,750	(1,278,630)	-
Disposals	(1,022)	(25,719)	(4,226)	-	(30,967)

At 31 December 2000	2,800,814	5,482,655	992,555	479,102	9,755,126
DEPRECIATION					
At 1 January 2000	599,975	2,797,073	554,416	-	3,951,464
Provided for the year	95,506	225,164	48,341	-	369,011
Eliminated on disposals	(276)	(20,973)	(3,611)	-	(24,860)
At 31 December 2000	695,205	3,001,264	599,146	-	4,295,615
NET BOOK VALUES					
At 31 December 2000	2,105,609	2,481,391	393,409	479,102	5,459,511
At 31 December 1999	1,568,621	2,084,381	406,615	1,055,043	5,114,660

The land in the PRC on which the buildings are situated is State-owned and JCC has obtained the rights to use the land. Pursuant to a lease agreement dated 30 April 1997, the Company leases from JCC the rights to use the land, on which its buildings are situated, for a fixed term of 30 years, subject to the right of the Company to renew for a further term of 5 years, at an annual rental of approximately RMB15,000,000.

15. OTHER ASSETS

	Mining rights	**Trademark**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
THE GROUP AND THE COMPANY			
COST			
At 1 January 2000 and at 31 December 2000	56,191	51,684	107,875
AMORTISATION			
At 1 January 2000	5,670	5,160	10,830
Provided for the year	1,870	1,720	3,590
At 31 December 2000	7,540	6,880	14,420
NET BOOK VALUES			

At 31 December 2000	48,651	44,804	93,455
At 31 December 1999	50,521	46,524	97,045

The Company acquired the mining rights in respect of the Dexing and Yongping Mines from JCC in 1997. According to the mining right certificates, the Company has the right to mine in the Dexing and Yongping Mines for a period of 30 and 13 years respectively.

The Company acquired the "Guiye" copper trademark from JCC as part of the Reorganisation effected in January 1997.

16. INVESTMENT IN SUBSIDIARY

	THE COMPANY
	2000 & 1999
	RMB'000
Unlisted investment, at cost	600

The Company holds a 60% interest in the registered capital of 蕭山銅達化工有限公司 ("Xiaoshan Tongda"), a limited liability company established in the PRC which is engaged in the trading of sulphuric acid.

17. INVENTORIES

	THE GROUP		**THE COMPANY**	
	2000	1999	**2000**	1999
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Auxiliary materials and consumable supplies	123,695	101,729	123,695	101,729
Spare parts	393,759	357,097	393,759	357,079
Work in progress	746,873	783,666	746,873	783,666
Finished goods	153,868	93,622	153,394	92,894
	1,418,195	1,336,114	1,417,721	1,335,368

The balance of inventories of the Group and the Company at 31 December 2000 includes finished goods of approximately RMB50,347,000 (1999: RMB53,768,000) which are carried at net realisable value.

18. TRADE AND OTHER RECEIVABLES

	THE GROUP		THE COMPANY	
	2000	1999	**2000**	1999
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables - third parties	201,068	196,114	197,402	192,482
Other receivables - third parties	155,820	157,132	155,641	157,498
Amounts due from JCC and its affiliates - trade (note a)	50,975	54,962	50,975	54,962
Amounts due from affiliates of CCLZC (notes a and b)	-	8,469	-	8,469
Amount due from a minority shareholder of subsidiary (note a)	269	366	-	-
Amount due from subsidiary (note a)	-	-	3,463	3,409
	408,132	417,043	407,481	416,820

The aging analyses of trade receivables and amounts due from JCC and its affiliates are as follows:

	THE GROUP		THE COMPANY	
	2000	1999	**2000**	1999
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables				
Within one year	173,299	162,936	170,340	160,038
Between one to two years	23,014	30,544	22,948	30,454
Between two to three years	4,349	2,502	3,708	1,858
Over three years	406	132	406	132
	201,068	196,114	197,402	192,482

	THE GROUP AND THE COMPANY	
	2000	1999
	RMB'000	*RMB'000*

Amounts due from JCC and its affiliaites		
Within one year	50,074	54,061
Between one to two years	-	-
Between two to three years	-	901
Over three years	901	-
	50,975	54,962

Sales of copper cathode, electrolytic gold and silver are settled on delivery. The average credit period taken on sales of other products is one year, while longer credit period will be given for major customers. Down payments or cash on delivery are normally required for new customers.

Notes:

(a) The amounts are unsecured, non-interest bearing and repayable on demand.

(b) During the year, CCLZC ceased to be ultimate holding company of the Company. Accordingly, the amounts due from affiliates of CCLZC as at 31 December 2000 are included in trade receivables - third parties. Amounts due from affiliates of CCLZC as at 31 December 1999 aged within one year.

19. TRADE AND OTHER PAYABLES

	THE GROUP		THE COMPANY	
	2000	1999	**2000**	1999
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables - third parties	232,640	207,033	232,640	207,033
Other payables - third parties	341,674	260,924	341,617	260,838
Amounts due to JCC and its affiliates - trade (note a)	128,929	91,315	128,929	91,315
Amounts due to affiliates of CCLZC (notes a and b)	-	6,028	-	6,028
Amount due to JCC - other (note 23)	1,870	1,870	1,870	1,870
	705,113	567,170	705,056	567,084

The aging analyses of trade payables and amounts due to JCC and its affiliates (excluding the other payable as set out in note 23) are as follows:

	THE GROUP AND THE COMPANY	
	2000	1999
	RMB'000	*RMB'000*
Trade payables		
Within one year	210,457	201,674
Between one to two years	19,339	4,564
Between two to three years	2,050	238
Over three years	794	557
	232,640	207,033

	THE GROUP AND THE COMPANY	
	2000	1999
	RMB'000	*RMB'000*
Amounts due to JCC and its affiliates		
Within one year	124,582	91,175
Between one to two years	4,254	-
Between two to three years	-	140
Over three years	93	-
	128,929	91,315

Notes:

(a) The amounts are unsecured, non-interest bearing and repayable on demand.

(b) During the year, CCLZC ceased to be ultimate holding company of the Company. Accordingly, the amounts due to affiliates of CCLZC as at 31 December 2000 are included in trade payables - third parties. The aging analysis of amounts due to affiliates of CCLZC as at 31 December 1999 was as follows:

	THE GROUP AND THE COMPANY
	RMB'000
Amounts due to affiliates of CCLZC	
Within one year	4,291
Between one to two years	336
Between two to three years	1,401
	6,028

20. BANK BORROWINGS

	THE GROUP AND THE COMPANY	
	2000	1999
	RMB'000	*RMB'000*
Medium and long term bank loans	2,165,926	1,965,146
Short term bank loans	911,230	799,264
	3,077,156	2,764,410
Less: Amount due within one year included under current liabilities	(1,091,236)	(1,193,937)
Amount due after one year	1,985,920	1,570,473

Bank borrowings are repayable as follows:

Within one year	1,091,236	1,193,937
Between one to two years	599,810	567,763
Between two to five years	799,400	466,000
Over five years	586,710	536,710
	3,077,156	2,764,410

All of the bank borrowings are unsecured and carry interest at rates ranging from 5.6% to 8.5% (1999: 5.6% to 7.6%) per annum.

At the balance sheet date, bank borrowings amounting to approximately RMB624,972,000 (1999: RMB769,639,000) were supported by guarantees from JCC.

21. SHARE CAPITAL

	Registered, issued and fully paid 2000 & 1999
	RMB'000
Share of RMB1 each	
1,277,556,200 Domestic Shares	1,277,556
1,156,482,000 H Shares	1,156,482
	2,434,038

Except for the currency in which dividends are paid and the restrictions as to whether the shareholders can be PRC investors or foreign investors, Domestic Shares and H Shares rank pari passu in all respects with each other.

22. RESERVES

	Share premium	**Capital reserve**	**Other reserve**	**Statutory surplus reserve**	**Statutory public welfare fund**	**Discretionary surplus reserve**	**Accumulated profits**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
THE GROUP								
At 1 January 1999	1,016,849	70,546	(92,506)	38,899	38,899	58,349	226,236	1,357,272
Net profit for the year	-	-	-	-	-	-	23,151	23,151
Appropriations to reserves	-	-	-	2,315	2,315	3,473	(8,103)	-
At 1 January 2000	1,016,849	70,546	(92,506)	41,214	41,214	61,822	241,284	1,380,423
Net profit for the year	-	-	-	-	-	-	108,661	108,661
Appropriations to reserves	-	-	-	10,878	10,872	16,339	(38,089)	-
Reclassification	-	-	-	-	(17,741)	17,741	-	-
At 31 December 2000	1,016,849	70,546	(92,506)	52,092	34,345	95,902	311,856	1,489,084

THE COMPANY

At 1 January 1999	1,016,849	70,546	(92,506)	38,899	38,899	58,349	226,236	1,357,272
Net profit for the year	-	-	-	-	-	-	22,661	22,661
Appropriations to reserves	-	-	-	2,315	2,315	3,473	(8,103)	-
At 1 January 2000	1,016,849	70,546	(92,506)	41,214	41,214	61,822	240,794	1,379,933
Net profit for the year	-	-	-	-	-	-	108,792	108,792
Appropriations to reserves	-	-	-	10,866	10,866	16,299	(38,031)	-
Reclassification	-	-	-	-	(17,741)	17,741	-	-
At 31 December 2000	1,016,849	70,546	(92,506)	52,080	34,339	95,862	311,555	1,488,725

Capital reserve represents the excess of the value of the net assets immediately before the establishment of the Company injected into the Company by JCC as part of the Reorganisation which was determined by the PRC valuer and was approved by the State Assets Administration Bureau over the nominal value of the 1,277,556,200 Shares issued upon establishment of the Company of RMB1,277,556,200.

Other reserve represents the difference in value of certain assets and liabilities included in the net assets injected into the Company pursuant to the Reorganisation calculated in accordance with International Accounting Standards and the valuation of assets and liabilities performed by the PRC valuer in accordance with relevant PRC standards and regulations, which valuation was confirmed by the State Assets Administration Bureau.

Statutory surplus reserve represents the appropriation of 10% of profit after taxation calculated in accordance with PRC accounting standards and regulations and the Articles of Association of the Company and the subsidiary. The appropriation may cease to apply if the balance of the statutory surplus reserve has reached 50% of the Company's and the subsidiary's registered capital. In addition, the Company's Articles of Association also allows the Company to transfer certain amount of profit after taxation and after appropriations to the statutory surplus reserve and statutory public welfare fund, subject to shareholders' approval, to discretionary surplus reserve. According to the Company's Articles of Association, statutory surplus reserve and discretionary surplus reserve can be used to make up prior year losses, to expand production operation or to increase share capital. The Company may capitalise the statutory surplus reserve and discretionary surplus reserve by way of bonus issues provided that the amount of the statutory surplus reserve remaining after such appropriation shall not be less than 25% of the registered capital of the Company.

Statutory public welfare fund represents the appropriation of profit after taxation according to the requirements of the Company's and the subsidiary's Articles of Association and the

Companies Law in the PRC. According to the requirements, the Company and the subsidiary each transfers 5% to 10% of profit after taxation calculated in accordance with PRC accounting standards and regulations which in aggregate amounts to approximately RMB10,872,000 for the year (1999: RMB2,315,000) to the statutory public welfare fund. The fund can only be utilised for capital expenditure on employees' collective welfare facilities and cannot be used in staff welfare expenses. Such employee welfare facilities are owned by the Company and the subsidiary. The statutory public welfare fund is not distributable to shareholders other than in liquidation. During the year, approximately RMB17,741,000 (1999: nil) has been utilised by the Company for capital expenditure on employees' collective welfare facilities and the amount has been reclassified to discretionary surplus reserve.

Statutory surplus reserve, statutory public welfare fund and discretionary surplus reserve are part of shareholders' equity.

Pursuant to the Company's Articles of Association, the amount available for the purpose of profit distribution will be deemed to be the lesser of (a) the net after-tax profit determined in accordance with PRC accounting standards and regulations and (b) the net after-tax profit determined in accordance with IAS. However, the Articles of Association permit the Company to distribute dividends only after making up past losses and making allocations to the statutory reserve funds. The Company's reserve available for distribution as at 31 December 2000 was RMB289,840,937 (1999: RMB219,212,182) which represents accumulated profits as at 31 December 2000 determined in accordance with PRC accounting standards.

A final dividend of RMB0.01 per share amounting to approximately RMB24,340,000 for the year ended 31 December 2000 (1999: nil) has been proposed by the board of directors. This proposal is subject to the approval by the shareholders at the annual general meeting to be held on 17 May 2001.

23. OTHER PAYABLE

	THE GROUP AND THE COMPANY	
	2000	1999
	RMB'000	*RMB'000*
Portion bearing interest at 4.9% (1999: 6.4%) per annum, due within one year included as amount due to JCC - other under current liabilities (note 19)	1,870	1,870

Non-interest bearing portion, due after one year	46,781	48,651
	48,651	50,521

	THE GROUP AND THE COMPANY	
	2000	1999
	RMB'000	*RMB'000*
The amount is repayable as follows:		
Within one year	1,870	1,870
Between one to two years	1,870	1,870
Between two to five years	5,610	5,610
Over five years	39,301	41,171
	48,651	50,521

The amount represents the balance due to JCC as the consideration for the transfer of the mining rights in respect of the Dexing and Yongping Mines from JCC to the Company. The amount is repayable in 30 annual instalments of RMB1,870,000 each and subject to payment of interest at a rate equal to the State lending rate for a one-year fixed term loan up to a maximum of 15% on each annual instalment starting from 1 January 1998. The interest paid during the year amounted to approximately RMB91,000 (1999: RMB119,000).

24. RECONCILIATION OF PROFIT BEFORE TAX TO NET CASH FROM OPERATING ACTIVITIES

	2000	1999
	RMB'000	*RMB'000*
Profit before tax	108,865	23,164
Adjustments for:		
Interest income	(4,450)	(2,036)
Interest expense	142,240	102,989
Depreciation of property, plant and equipment	369,017	322,537
Amortisation of other assets	3,590	3,590
Deferred VAT recoverable written off	-	1,422
Loss on disposal of property, plant and equipment	6,098	256
Negative goodwill recognised	-	(482)

Operating cash flows before movements in working capital	625,360	451,440
Increase in inventories	(82,081)	(63,335)
Decrease (increase) in trade and other receivables	8,911	(31,076)
Increase in trade and other payables	137,943	30,618
Cash generated from operations	690,133	387,647
Income tax paid	(3,409)	(1,375)
Net cash from operating activities	686,724	386,272

25. ACQUISITION OF A SUBSIDIARY

On 24 November 1999, the Company acquired 60% interest in the registered capital of Xiaoshan Tongda for a consideration of RMB600,000. This transaction was accounted for by the acquisition method of accounting.

	2000	1999
	RMB'000	*RMB'000*
Net assets acquired:		
Property, plant and equipment	-	8
Inventories	-	132
Trade and other receivables	-	4,136
Bank balances and cash	-	269
Trade and other payables	-	(2,735)
Taxation payable	-	(7)
Minority interests	-	(721)
	-	1,082
Negative goodwill	-	(482)
Total consideration	-	600
Satisfied by prepaid deposit	-	600
Net cash inflow arising on acquisition:		
Bank balances and cash acquired	-	269

No provisions for restructuring were recognised at the date of acquisition, nor in 1999 since that date.

Xiaoshan Tongda contributed insignificant results for the period from the date of acquisition to 31 December 1999.

26. RELATED PARTY TRANSACTIONS

During the year, the Group had the following significant transactions with (i) JCC and its affiliates, (ii) 江西鑫新 and 湖北三鑫, both of which are promoters of the Company and (iii) affiliates of CCLZC (excluding JCC):

		2000	1999
		RMB'000	*RMB'000*
(i)	Transactions with JCC and its affiliates:		
	Sale of copper cathode and sulphuric acid by the Group (note a)	199,203	159,473
	Sale of waste, filter residue and black cement copper by the Group (note a)	7,446	6,175
	Re-sale of auxiliary industrial products by the Group (note a)	104,262	69,737
	Purchase of copper concentrates by the Group (note a)	135,782	152,727
	Purchase of scrap copper by the Group (note b)	212,754	269,790
	Purchase of auxiliary industrial products by the Group (note a)	186,240	160,278
	Brokerage agency services provided to the Group (note a)	1,667	1,563
	Construction services provided to the Group (note a)	40,718	23,326
	Environmental greenery services provided to the Group (note b)	3,183	2,671
	Industrial water supplied to the Group (note b)	18,152	16,401
	Licence fee on railway transportation charged to the Group (note b)	7,174	7,174
	Railway transportation services provided to the Group (note a)	11,613	19,126
	Rentals for housing for the employees and use of common facilities charged to the Group (note b)	11,589	16,063
	Rental for land use rights charged to the Group (note c)	15,000	15,000
	Rentals for office premises charged to the Group (note c)	3,147	2,915
	Repair and maintenance services provided to the Group (note a)	108,804	105,056
	Retirement benefits contributions paid by the Group (note b)	39,242	33,370
	Social welfare and support services provided to the Group (note b)		
	- welfare and medical services	35,318	30,261
	- primary and secondary education services	9,060	8,519
	- technical education services	4,072	3,486

- internal telecommunications services	5,363	4,406
- research and development services	-	844
- use of representative offices	1,727	2,185
Supply of water and transmission of electricity by the Group (note b)	32,915	27,618
Vehicle transportation services provided to the Group (note a)	45,447	42,079

In addition to the above transactions, the Group had the following transactions with JCC and its affiliates in 1999:

- JCC and its affiliates provided agency services in respect of the sales of sulphuric acid with the net sale values amounting to approximately RMB12.5 million on behalf of the Group. The agency services fees payable by the Group amounted to approximately RMB0.3 million;

- the Company acquired 60% interest in the registered capital of Xiaoshan Tongda from JCC for a consideration of RMB600,000; and

- an affiliate of JCC failed to honour its obligations under the tolling service arrangement with the Group. Accordingly, the Group, after negotiation, obtained repayment compensation from JCC in respect of the unreturned consignment inventory and proceeds from sale of processed inventory with an aggregate amount of approximately RMB74 million. The Group did not have any further tolling arrangement with that affiliate since then.

(ii) Transactions with the promoters of the Company:

	2000	1999
	RMB'000	*RMB'000*
Sales of copper cathode to 江西鑫新 (note a)	146,896	110,075
Tolling fee received from 湖北三鑫 (note a)	8,557	5,639
Purchase of copper concentrates from 湖北三鑫 (note a)	13,903	21,452

In addition, the Group had made prepayment in respect of the purchase of copper concentrates to 湖北三鑫 amounting to RMB30,000,000 (1999: RMB10,000,000) as at the balance sheet date.

(iii) Transactions with affiliates of CCLZC (excluding JCC):

Since 1 January 2000 and up to 30 June 2000 (the date on which CCLZC ceased to be the Company's ultimate holding company), the Group entered into transactions with affiliates of CCLZC (excluding JCC) as follows:

	2000	1999
	RMB'000	*RMB'000*
Purchase of auxiliary industrial products by the Group (note a)	4,513	5,157

Notes:

(a) The pricing of the transactions was determined with reference to comparable market prices.

(b) The pricing of the transactions was determined with reference to actual costs.

(c) The pricing of the transactions was determined with reference to the terms of lease agreements.

27. PLEDGE OF ASSETS

The Group and The Company

As at the balance sheet date, certain bank deposits amounting to approximately RMB2,708,000 (1999: RMB377,000) were pledged to secure the issue of bills by banks to certain of the Group's suppliers.

28. CONTINGENT LIABILITIES

The Group and The Company

At 31 December 1999, the Group had outstanding guarantee of RMB5 million given to a bank to secure a credit facilities granted to a supplier. There was no such guarantee outstanding as at 31 December 2000.

29. OPERATING LEASE COMMITMENTS

At the balance sheet date, the Group and the Company had outstanding commitments under non-cancellable operating leases in respect of land use rights with a term of more than one year which fall due as follows:

	THE GROUP AND THE COMPANY	
	2000	1999
	RMB'000	*RMB'000*
Within one year	15,000	15,000
In the second to fifth year inclusive	60,000	60,000
Over five years	315,000	330,000
	390,000	405,000

30. CAPITAL COMMITMENTS

At the balance sheet date, the Group and the Company had the following capital commitments:

	THE GROUP AND THE COMPANY	
	2000	1999
	RMB'000	*RMB'000*
Commitments for the acquisition of property, plant and equipment:		
- contracted for but not provided in the financial statements	71,812	64,661
- authorised but not contracted for	564,439	1,029,532
	636,251	1,094,193

	THE GROUP AND THE COMPANY	
	2000	1999
	RMB'000	*RMB'000*
An analysis of the capital commitments is as follows:		
Expansion projects	600,396	783,351
Exploration projects	25,970	25,970
Other general projects	9,885	284,872

636,251	1,094,193

31. RETIREMENT BENEFITS SCHEME

The Group contributes to a defined contribution pension scheme, which is administered by the provincial government, in respect of employees of the Group. According to such scheme, the Group shall pay an amount, calculated at a percentage of the total salaries and wages of the employees, to a retirement reserve through JCC.

The total cost charged to the income statement of approximately RMB40,649,000 (1999: RMB33,370,000) represents contribution payable to the scheme by the Group at rates specified in the rules of the scheme.

32. FORWARD CONTRACTS

At the balance sheet date, the Group had outstanding forward contracts of copper cathode for hedging against the Group's future production and the imported materials used in the Group's production, details of which are as follows:

	THE GROUP AND THE COMPANY	
	2000	1999
Forward sell contracts:		
Quantities (in tonnes)	2,320	13,480
Average price per tonne (RMB)	18,778	17,359
Delivery period	**From January 2001 to May 2001**	From January 2000 to May 2000
Forward buy contracts:		
Quantities (in tonnes)	4,495	460
Average price per tonne (RMB)	19,210	18,246
Delivery period	**From March 2001 to August 2001**	From March 2000 to May 2000

At the balance sheet date, the unrealised loss on the outstanding forward contracts amounted to approximately RMB2.0 million (1999: RMB13.4 million).

33. SIGNIFICANT SUBSEQUENT EVENTS

At an extraordinary general meeting of the Company held on 19 January 2001, the following resolutions, inter alia, have been passed:

(a) the approval of the enlargement of shares and increase in the registered capital of the Company for the purpose of (b) below; and

(b) the approval of the proposed issue of not more than 230,000,000 A Shares of the Company on the Shanghai Stock Exchange in the PRC within a period of one year from the date of the extraordinary general meeting.

34. DIFFERENCES BETWEEN IAS AND PRC ACCOUNTING STANDARDS AND REGULATIONS AS APPLICABLE TO THE GROUP

The consolidated balance sheet of the Group prepared under IAS and that prepared under PRC accounting standards and regulations have the following major difference:

	2000	1999
	RMB'000	*RMB'000*
Net assets as per financial statements prepared under IAS	3,923,122	3,814,461
Proposed final dividend	(24,340)	-
Net assets as per financial statements prepared under PRC accounting standards and regulations	3,898,782	3,814,461

For both of the years ended 31 December 2000 and 1999, there was no difference between the net profit for the year of the Group as stated in the consolidated income statement prepared under IAS and that prepared under PRC accounting standards and regulations.

There are differences in other items in the financial statements due to differences in classification between IAS and PRC accounting standards and regulations.