

NOTES TO CONDENSED FINANCIAL STATEMENTS

1. GENERAL

The condensed financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention and in accordance with International Accounting Standards ("IAS").

During the period, the Group invested in equity investments and adopted the following accounting policies in respect of such investments:

Marketable securities represent government bonds held for the short-term and are carried at market value at the balance sheet date. Increases or decreases in the carrying amount of marketable securities are recognised as income or expense of the period.

Other investments represent unquoted investments, the fair value of which cannot be reliably determined, which are stated at cost and subject to a test for impairment.

The other accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2000, except as described below:

Property, plant and equipment

During the period, the directors re-assessed the estimated useful lives of property, plant and equipment and considered that those assets should more appropriately be depreciated over the following periods:

	Estimated useful lives	
	Previous	Revised
Buildings	12 to 40 years	12 to 40 years
Plant, machinery and equipment	10 to 21 years	10 to 25 years
Motor vehicles	9 to 11 years	10 to 12 years

The directors are of the opinion that the extension of the estimated useful lives reflects more fairly the present condition and usage of property, plant and equipment. Accordingly, the carrying amount of property, plant and equipment is depreciated on a prospective basis commencing 1 January 2001 over the remaining estimated useful lives. The effect of this change is to reduce the depreciation charge for the six months ended 30 June 2001 by approximately RMB20,292,000.

3. SEGMENT INFORMATION

Turnover
For the six months ended 30 June

	2001	2000
	<i>RMB'000</i>	<i>RMB'000</i>

Business segments

Sales of goods	1,832,248	1,432,452
Tolling services	28,449	41,174
	1,860,697	1,473,626

The Group's turnover and net profit for the period are almost entirely derived from the production and sale of copper cathode and other related products. The directors consider that these activities constitute one business segment since the products are related and are subject to common risks and returns.

Turnover		Profit from operations	
1.1.2001	1.1.2000	1.1.2001	1.1.2000
to	to	to	to
30.6.2001	30.6.2000	30.6.2001	30.6.2000
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>

Geographical segments

People's Republic of China ("PRC")	1,845,055	1,222,705	215,310	74,824
Korea	-	157,050	-	9,611
Others	15,642	93,871	1,825	5,744
	1,860,697	1,473,626	217,135	90,179

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

4. DEPRECIATION AND AMORTISATION

During the period, depreciation of RMB194,306,000 (2000: RMB158,063,000) was charged in respect of the Group's property, plant and equipment and amortisation of RMB1,795,000 (2000: RMB1,795,000) was charged in respect of the Group's other assets.

5. TAXATION

For the six months ended 30 June

	2001	2000
	<i>RMB'000</i>	<i>RMB'000</i>

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 the PRC enterprise 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 the last 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 utilised during the period amounted to approximately RMB20,000,000 and the amount of Tax Benefit not utilised as at 30 June 2001 amounted to approximately RMB35,000,000.

Domestic income tax in the PRC for 2001 is calculated at the rate of 16.5% (2000: 16.5%) and 33% (2000: 33%) on the estimated assessable profit of the Company and the subsidiary respectively during the period.

At 30 June 2001, 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 RMB110,000,000 (2000: RMB117,000,000) can be deducted in determining taxable profits in the future. Accordingly, the potential deferred tax asset of approximately RMB36,000,000 (2000: RMB39,000,000) (based on tax rate of 33%; 2000: 33%) has not been recognised in the condensed financial statements.

6. BASIC EARNINGS PER SHARE

The calculation of basic earnings per share for the period is based on the net profit for the period of RMB131,556,000 (2000: RMB30,955,000) and on the 2,434,038,200 shares (2000: 2,434,038,200 shares) outstanding during the period.

7. Pursuant to the Articles of Association of the Company, the transfers to statutory surplus reserve fund and statutory public welfare fund shall be proposed by the Board of

Directors for approval at the Shareholders' Meeting. Therefore, no transfer has been made for the six months ended 30 June 2001. Also, no transfer has been made for the same period last year.