AUDITORS' REPORT

(Prepared in accordance with IAS)

德勤・關黃陳方會計師行

Certified Public Accountants
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Deloitte Touche Tohmatsu

TO THE SHAREHOLDERS OF JIANGXI COPPER COMPANY LIMITED
(A Sino-foreign joint venture joint stock limited company established in the People's Republic of China)

We have audited the financial statements on pages 33 to 60 which have been prepared in accordance with International Accounting Standards ("IAS").

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 December 2001 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, 11 April 2002

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2001

(Prepared in accordance with IAS)

	NOTES	**2001** **RMB'000**	2000 RMB'000
Turnover	3	**2,995,793**	3,524,512
Cost of sales and services	4	**(2,342,509)**	(3,004,086)
Gross profit		**653,284**	520,426
Other operating income	5	**46,099**	13,307
Distribution costs		**(31,583)**	(35,562)
Administrative expenses		**(161,491)**	(221,584)
Other operating expenses	6	**(30,645)**	(25,482)
Profit from operations	7	**475,664**	251,105
Finance costs	8	**(163,067)**	(142,240)
Profit before tax		**312,597**	108,865
Taxation	10	**(102)**	(98)
Profit after tax		**312,495**	108,767
Minority interests		**(122)**	(106)
Net profit for the year	11	**312,373**	108,661
Appropriations:			
Transfer to reserves	12	**(120,652)**	(38,089)
Profit for the year, retained		**191,721**	70,572
Dividends	13	**133,202**	24,340
Basic earnings per share	14	**RMB0.128**	RMB0.045

There were no recognised gains or losses other than the net profit for the year.

CONSOLIDATED BALANCE SHEET

AT 31 DECEMBER 2001

(Prepared in accordance with IAS)

	NOTES	**2001** **RMB'000**	2000 *RMB'000*
Non-current assets			
Property, plant and equipment	15	**5,725,070**	5,459,547
Other assets	16	**89,865**	93,455
Other investments	18	**5,610**	—
		5,820,545	5,553,002
Current assets			
Inventories	19	**1,576,283**	1,418,195
Trade and other receivables	20	**384,677**	408,132
Taxation recoverable		**4,693**	4,693
Marketable securities	21	**1,235**	—
Pledged bank deposits		**2,268**	2,708
Bank balances and cash		**681,060**	366,103
		2,650,216	2,199,831
Current liabilities			
Trade and other payables	23	**636,532**	705,113
Taxation payable		**34**	21
Government subsidy received	24	**84,000**	—
Bank borrowings - amount due within one year	26	**1,161,668**	1,091,236
		1,882,234	1,796,370
Net current assets		**767,982**	403,461
		6,588,527	5,956,463
Capital and reserves			
Share capital	27	**2,664,038**	2,434,038
Reserves	28	**2,041,964**	1,489,084
		4,706,002	3,923,122
Minority interests		**694**	640
Non-current liabilities			
Bank borrowings - amount due after one year	26	**1,836,920**	1,985,920
Other payable - amount due after one year	29	**44,911**	46,781
		1,881,831	2,032,701
		6,588,527	5,956,463

The financial statements on pages 33 to 60 were approved and authorised for issue by the Board of Directors on 11 April 2002 and are signed on its behalf by:

Qi Huaiying
DIRECTOR

Du Xinmin
DIRECTOR

BALANCE SHEET

AT 31 DECEMBER 2001

(Prepared in accordance with IAS)

	NOTES	2001 RMB'000	2000 RMB'000
Non-current assets			
Property, plant and equipment	15	**5,725,061**	5,459,511
Other assets	16	**89,865**	93,455
Investment in subsidiary	17	**600**	600
Other investments	18	**5,610**	—
		5,821,136	5,553,566
Current assets			
Inventories	19	**1,576,228**	1,417,721
Trade and other receivables	20	**383,492**	407,481
Taxation recoverable		**4,693**	4,693
Marketable securities	21	**1,235**	—
Pledged bank deposits		**2,268**	2,708
Bank balances and cash		**680,486**	365,587
		2,648,402	2,198,190
Current liabilities			
Trade and other payables	23	**636,478**	705,056
Government subsidy received	24	**84,000**	—
Bank borrowings - amount due within one year	26	**1,161,668**	1,091,236
		1,882,146	1,796,292
Net current assets		**766,256**	401,898
		6,587,392	5,955,464
Capital and reserves			
Share capital	27	**2,664,038**	2,434,038
Reserves	28	**2,041,523**	1,488,725
		4,705,561	3,922,763
Non-current liabilities			
Bank borrowings - amount due after one year	26	**1,836,920**	1,985,920
Other payable - amount due after one year	29	**44,911**	46,781
		1,881,831	2,032,701
		6,587,392	5,955,464

Qi Huaiying
DIRECTOR

Du Xinmin
DIRECTOR

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2001

(Prepared in accordance with IAS)

	NOTE	2001 RMB'000	2000 RMB'000
Net cash from operating activities	30	**639,850**	686,724
Investing activities			
Interest received		**9,943**	4,450
Proceeds on disposal of property, plant and equipment		**21**	9
Decrease (increase) in pledged bank deposits		**440**	(2,331)
Purchase of property, plant and equipment		**(631,562)**	(681,597)
Insurance claims recovered received		**7,655**	—
Purchase of other investments		**(5,610)**	—
Purchase of marketable securities		**(31,415)**	—
Proceeds on disposal of marketable securities		**32,000**	—
Net cash used in investing activities		**(618,528)**	(679,469)
Financing			
Interest paid		**(180,366)**	(180,646)
Dividend paid by the Company		**(24,340)**	—
Dividend paid by the subsidiary to a minority shareholder		**(68)**	(193)
Proceeds on issue of A Shares (net of share issue expenses)		**494,847**	—
Government subsidy received		**84,000**	—
New borrowings raised		**1,757,478**	1,679,517
Repayment of bank borrowings		**(1,836,046)**	(1,366,771)
Repayment of other payable		**(1,870)**	(1,870)
Net cash from financing activities		**293,635**	130,037
Net increase in cash and cash equivalents		**314,957**	137,292
Cash and cash equivalents at beginning of the year		**366,103**	228,811
Cash and cash equivalents at end of the year — Bank balances and cash		**681,060**	366,103

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 (「江西鑫新」) and 湖北三鑫金銅股份有限公司 (「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.

In December 2001, the Company obtained the approval from China Securities Regulatory Commission for the issue of the Company's A Shares. The Company's A Shares were listed on the Shanghai Stock Exchange ("SSE") from 11 January 2002.

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.

In 2000, 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 IAS ("IAS").

In the current year, the Group has adopted IAS 39 (r2000) "Financial instruments: Recognition and measurement" for the first time. IAS 39 (r2000) has introduced a comprehensive framework for accounting for all financial instruments. The Group's detailed accounting policies in respect of such instruments are set out below. The adoption of this IAS has not affected the results for the current or prior periods.

In addition, revisions to a number of other IAS became effect in 2001. Those revisions concerned matters of detailed application which have no significant effect on amounts reported for the current or prior accounting periods.

The principal accounting policies adopted are as follows:

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 used by the Group.

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

Investments in subsidiaries

A subsidiary is an enterprise controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified 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 useful life of the asset.

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 of a subsidiary acquired over the cost of acquisition. Negative goodwill is released to income based on an analysis of the circumstances from which the balance resulted.

Negative goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet as a deduction from assets.

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 identified 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 is ready for its intended use.

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

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.

During the year, the directors re-assessed the estimated useful lives of property, plant and equipment and considered that those assets should more approximately be amortised over the following revised 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 from 1 January 2001 over the remaining estimated useful lives. The effect of this change is to reduce the depreciation charge for the year by approximately RMB43,817,000.

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.

The gain or loss arising from the 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 any identified impairment loss. 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 any identified impairment loss. The cost of mining rights is amortised on a straight-line basis over their estimated useful lives of 13 to 30 years.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

Impairment

At each balance sheet date, the Group reviews the carrying amount of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset (or cash-general unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognised as expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Financial assets

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

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

Marketable securities held for 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 year.

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

Government subsidy

Government subsidy is recognised as income over the periods necessary to match them with the related costs which they are intended to compensate.

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.

FOR THE YEAR ENDED 31 DECEMBER 2001

(Prepared in accordance with IAS)

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 operating income 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 operating income or other operating expense of the income statement respectively.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development expenditure is recognised only if all of the following conditions are met:

- an asset is created that can be identified;
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred. Internally-generated intangible assets are amortised on a straight-line basis over their useful lives.

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 AND SEGMENT INFORMATION

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

	2001	2000
	RMB'000	*RMB'000*
Business segments		
Sales of goods	**2,705,103**	3,439,348
Tolling services	**290,690**	85,164
	2,995,793	3,524,512

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. The directors consider that these activities constitute one business segment since the products are related and are subject to common risks and returns.

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

	2001	2000
	RMB'000	*RMB'000*
Geographical market segments		
PRC	**2,925,824**	3,010,191
South Korea	—	341,289
Others	**69,969**	173,032
	2,995,793	3,524,512

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

4. COST OF SALES AND SERVICES

The cost of sales and services includes amounts of approximately RMB4,040,000 (2000: nil) and RMB6,105,000 (2000: nil) relating to a reversal of provision made to write down sulphur concentrate inventories to estimated net realisable value and provision made to write down spare parts inventories to estimated net realisable value respectively.

5. OTHER OPERATING INCOME

An analysis of the Group's other operating income is as follows:

	2001	2000
	RMB'000	*RMB'000*
Interest income on proceeds from issue of A Shares	**10,938**	—
Other interest income from banks	**3,497**	4,450
Other interest income	**6,446**	—
Insurance claims recovered	**7,655**	—
Gain on settlement of future contracts before their maturity dates	—	2,936
Others	**17,563**	5,921
	46,099	13,307

6. OTHER OPERATING EXPENSES

The other operating expenses include an amount of approximately RMB4,365,000 (2000: nil) relating to loss on settlement of future contracts before their maturity dates.

7. PROFIT FROM OPERATIONS

	2001	2000
	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	**1,851**	1,500
Depreciation of property, plant and equipment (note a)	**369,507**	369,017
Licence fee on railway transportation	**7,174**	7,174
Operating lease rental in respect of:		
— land use rights	**15,000**	15,000
— machinery and vehicles	**3,978**	5,031
— office premises	**4,354**	3,612
— staff quarters and use of common facilities (note b)	**14,645**	10,954
Allowance for bad and doubtful debts	—	23,957
Research and development expenses	**5,142**	6,259
Restoration, rehabilitation and environmental expenses	**32,072**	26,750
Staff costs, including directors' and supervisors' remuneration (note c)	**224,438**	260,342
Write-down of property, plant and equipment	**13,810**	—
and after crediting:		
Reversal of allowance for bad and doubtful debts	**28,142**	—

Notes:

(a) Depreciation of approximately RMB366,734,000 (2000: RMB367,340,000) and RMB2,773,000 (2000: RMB1,677,000) were included in cost of sales and services and administrative expense respectively.

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

(c) There were approximately 11,200 employees (2000: 11,400 employees) as at 31 December 2001.

8. FINANCE COSTS

	2001	2000
	RMB'000	*RMB'000*
Interest on borrowings wholly repayable within five years	**151,508**	148,616
Interest on borrowings not wholly repayable within five years	**28,858**	32,030
Total borrowing costs	**180,366**	180,646
Less: Amount included in the cost of qualifying assets	**(17,299)**	(38,406)
	163,067	142,240

The capitalisation rate for general borrowings during the year was 6.1% (2000: 6.1%).

9. DIRECTORS' AND SUPERVISORS' REMUNERATION

	2001	2000
	RMB'000	*RMB'000*
Directors		
Fees:		
Executive	—	—
Independent non-executive	**40**	40
	40	40
Other emoluments (executive directors):		
Salaries and other benefits	**945**	805
Performance related bonus	**220**	220
Retirement benefits scheme contributions	**206**	184
	1,371	1,209
	1,411	1,249
Supervisors		
Fees:	—	—
Other emoluments:		
Salaries and other benefits	**414**	368
Retirement benefits scheme contributions	**98**	92
	512	460
	512	460

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 2001 and 2000.

10. TAXATION

	2001	2000
	RMB'000	*RMB'000*
Domestic income tax	**102**	98

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 third and last year of the three-year tax relief period and a reduced income tax rate of 16.5% therefore applies.

10. TAXATION *(Continued)*

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 2001 amounted to approximately RMB11.6 million (2000: RMB55.6 million).

Domestic income tax in the PRC for 2001 is calculated at the rate of 33% (2000: 33%) on the estimated assessable profit of the subsidiary for the year.

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

	2001	2000
	RMB'000	*RMB'000*
Profit before tax	**312,597**	108,865
Tax at the domestic rates of 16.5% and 33% for the Company and subsidiary respectively	**49,839**	18,027
Tax effect of income that is not taxable in determining current year taxable profit	**(30)**	—
Tax effect of expenses that are not deductible in determining current year taxable profit	**1,779**	1,655
Tax effect of the provision for doubtful debts that are not deductible in determining current year taxable profit	**2,771**	1,656
Tax effect of the provision (reversal of provision) to write down inventories to net realisable values that are not recognised as deferred tax asset	**1,387**	(150)
Tax effect of the write-down of property, plant and equipment that are not recognised as deferred tax asset	**1,379**	—
Reversal of tax effect of tax losses not recognised as deferred tax asset in 1999	—	(3,232)
Reduction of income tax in respect of the Tax Benefit	**(57,023)**	(17,858)
Taxation	**102**	98

At 31 December 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 RMB86 million (2000: RMB117 million) could be deducted in determining taxable profits in the future. Accordingly, the potential deferred tax asset of approximately RMB28 million (2000: RMB39 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 RMB312,373,000 (2000: RMB108,661,000), a profit of RMB312,291,000 (2000: RMB108,792,000) has been dealt with in the financial statements of the Company.

12. TRANSFER TO RESERVES

	2001	2000
	RMB'000	*RMB'000*
The amount represents transfer to:		
Statutory surplus reserve	**30,156**	10,878
Statutory public welfare fund	**30,150**	10,872
Discretionary surplus reserve	**60,346**	16,339
	120,652	38,089

The amounts transferred to statutory surplus reserve and statutory public welfare fund for the year by the Company are each based on 10% (2000: 10%) of the Company's net profit for the year, prepared in accordance with the PRC GAAP. The amount transferred to discretionary surplus reserve for the year by the Company is based on 20% (2000: 15%) of the Company's net profit for the year, prepared in accordance with the PRC GAAP.

The amounts transferred to statutory surplus reserve and statutory public welfare fund for the year by the subsidiary are based on 10% (2000: 10%) and 5% (2000: 5%) respectively of the subsidiary's net profit for the year, prepared in accordance with the PRC GAAP. The subsidiary received a tax refund for prior year's domestic income tax and credited the amount to discretionary surplus reserve as instructed by local tax bureau 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 ton 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. DIVIDENDS

	2001	2000
	RMB'000	*RMB'000*
Proposed final dividend of RMB0.05 (2000: RMB0.01) per share	**133,202**	24,340

On 31 May 2001, a dividend of RMB0.01 per share on 2,434,038,200 shares, in aggregate approximately RMB24,340,000, was paid to the shareholders as the final dividend for 2000.

The directors propose to distribute a final dividend of RMB0.05 per share (tax inclusive for A Shares) for the year ended 31 December 2001. Total estimated dividend to be paid is RMB133,202,000.

Dividends for H Shares will be paid, on 5 July 2002, to the shareholders on the register of shareholders of H Shares of the Company on 21 May 2002.

Further announcement regarding register of shareholders of A Shares and the payment date for dividends will be made after the relevant application by the Company has been accepted by the China Securities Clearing and Registration Company, Shanghai Branch.

This dividend is subject to approval by shareholders at the annual general meeting to be convened on 12 June 2002.

14. BASIC EARNINGS PER SHARE

The calculation of basic earnings per share for the year is based on the net profit for the year of RMB312,373,000 (2000: RMB108,661,000) and on the weighted average number of 2,440,969,707 shares (2000: 2,434,038,200 shares) outstanding during the year.

15. 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 2001	2,800,814	5,482,745	992,555	479,102	9,755,216
Additions	—	48	—	648,813	648,861
Reclassifications	192,182	183,222	87,970	(463,374)	—
Write-down	—	(51,265)	(6,771)	—	(58,036)
Disposals	—	—	(21)	—	(21)
At 31 December 2001	2,992,996	5,614,750	1,073,733	664,541	10,346,020
DEPRECIATION					
At 1 January 2001	695,205	3,001,318	599,146	—	4,295,669
Provided for the year	106,489	216,047	46,971	—	369,507
Eliminated on write-down	—	(39,202)	(5,024)	—	(44,226)
At 31 December 2001	801,694	3,178,163	641,093	—	4,620,950
CARRYING AMOUNT					
At 31 December 2001	2,191,302	2,436,587	432,640	664,541	5,725,070
At 31 December 2000	2,105,609	2,481,427	393,409	479,102	5,459,547

	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 2001	2,800,814	5,482,655	992,555	479,102	9,755,126
Additions	—	48	—	648,813	648,861
Reclassifications	192,182	183,222	87,970	(463,374)	—
Write-down	—	(51,265)	(6,771)	—	(58,036)
Disposals	—	—	(21)	—	(21)
At 31 December 2001	2,992,996	5,614,660	1,073,733	664,541	10,345,930
DEPRECIATION					
At 1 January 2001	695,205	3,001,264	599,146	—	4,295,615
Provided for the year	106,489	216,020	46,971	—	369,480
Eliminated on write-down	—	(39,202)	(5,024)	—	(44,226)
At 31 December 2001	801,694	3,178,082	641,093	—	4,620,869
CARRYING AMOUNT					
At 31 December 2001	2,191,302	2,436,578	432,640	664,541	5,725,061
At 31 December 2000	2,105,609	2,481,391	393,409	479,102	5,459,511

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.

16. OTHER ASSETS

	Mining rights *RMB'000*	Trademark *RMB'000*	Total *RMB'000*
THE GROUP AND THE COMPANY			
COST			
At 1 January 2001 and at 31 December 2001	56,191	51,684	107,875
AMORTISATION			
At 1 January 2001	7,540	6,880	14,420
Provided for the year	1,870	1,720	3,590
At 31 December 2001	9,410	8,600	18,010
CARRYING AMOUNT			
At 31 December 2001	46,781	43,084	89,865
At 31 December 2000	48,651	44,804	93,455

The Company acquired the mining rights in respect of the Dexing Mine and the Yongping Mine from JCC in 1997. According to the mining right certificates, the Company has the right to mine in the Dexing Mine and the Yongping Mine 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.

17. INVESTMENT IN SUBSIDIARY

	THE COMPANY 2001 & 2000 *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.

18. OTHER INVESTMENTS

THE GROUP AND THE COMPANY

The amount represents unquoted equity investments, the fair value of which cannot be reliably determined. They are stated at cost and subject to a test for impairment loss.

19. INVENTORIES

	THE GROUP		**THE COMPANY**	
	2001 ***RMB'000***	2000 *RMB'000*	**2001** ***RMB'000***	2000 *RMB'000*
Auxiliary materials and consumable supplies	**116,352**	123,695	**116,352**	123,695
Spare parts	**418,309**	393,759	**418,309**	393,759
Work in progress	**939,741**	746,873	**939,741**	746,873
Finished goods	**101,881**	153,868	**101,826**	153,394
	1,576,283	1,418,195	**1,576,228**	1,417,721

The balance of inventories of the Group and the Company at 31 December 2001 includes spare parts of approximately RMB7,572,000 (2000: nil) and finished goods of approximately RMB41,197,000 (2000: RMB50,347,000) which are carried at net realisable value.

FOR THE YEAR ENDED 31 DECEMBER 2001

(Prepared in accordance with IAS)

20. TRADE AND OTHER RECEIVABLES

	THE GROUP		THE COMPANY	
	2001	2000	**2001**	2000
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade receivables - third parties	**182,498**	201,068	**180,335**	197,402
Other receivables - third parties	**165,775**	155,820	**165,031**	155,641
Amounts due from JCC and its affiliates - trade (note)	**36,206**	50,975	**36,206**	50,975
Amount due from a minority shareholder of subsidiary (note)	**198**	269	—	—
Amount due from subsidiary (note)	—	—	**1,920**	3,463
	384,677	408,132	**383,492**	407,481

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

	THE GROUP		THE COMPANY	
	2001	2000	**2001**	2000
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade receivables				
Within one year	**152,426**	173,299	**150,303**	170,340
Between one to two years	**19,613**	23,014	**19,613**	22,948
Between two to three years	**5,693**	4,349	**5,653**	3,708
Over three years	**4,766**	406	**4,766**	406
	182,498	201,068	**180,335**	197,402

	THE GROUP AND THE COMPANY	
	2001	2000
	RMB'000	*RMB'000*
Amounts due from JCC and its affiliaites		
Within one year	**35,593**	50,074
Between one to two years	**613**	—
Over three years	—	901
	36,206	50,975

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.

The directors consider that the carrying amount of trade and other receivables approximates their fair value.

Note: The amounts are unsecured, non-interest bearing and repayable on demand.

21. MARKETABLE SECURITIES

	THE GROUP AND THE COMPANY	
	2001	2000
	RMB'000	*RMB'000*
Fair value at 31 December	**1,235**	—

The investments in marketable securities represent investments in listed equity securities in the PRC which present the Group with opportunity for return through dividend income and trading gains. The fair values of these securities are based on quoted market prices.

22. OTHER FINANCIAL ASSETS

Bank balances and cash

The amount comprises cash and short-term deposits held by the Group treasury function. The carrying amount of these assets approximates their fair value.

Credit risks

The Group's credit risk is primarily attributable to its trade and other receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables, estimated by the Group's management based on past experience and the current economic environment.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

23. TRADE AND OTHER PAYABLES

	THE GROUP		THE COMPANY	
	2001	2000	**2001**	2000
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade payables - third parties	**190,981**	232,640	**190,981**	232,640
Other payables - third parties	**252,785**	341,674	**252,731**	341,617
Amounts due to JCC and its affiliates — trade (note)	**190,896**	128,929	**190,896**	128,929
Amount due to JCC - other (note 29)	**1,870**	1,870	**1,870**	1,870
	636,532	705,113	**636,478**	705,056

The aged analyses of trade payables and amounts due to JCC and its affiliates (excluding the other payable as set out in note 29) are as follows:

	THE GROUP AND THE COMPANY	
	2001	2000
	RMB'000	*RMB'000*
Trade payables		
Within one year	**175,035**	210,457
Between one to two years	**9,759**	19,339
Between two to three years	**2,921**	2,050
Over three years	**3,266**	794
	190,981	232,640

23. TRADE AND OTHER PAYABLES *(Continued)*

Amounts due to JCC and its affiliates

Within one year	**187,011**	124,582
Between one to two years	**3,822**	4,254
Between two to three years	**46**	—
Over three years	**17**	93
	190,896	128,929

Note: The amounts are unsecured, non-interest bearing and repayable on demand.

24. GOVERNMENT SUBSIDY RECEIVED

THE GROUP AND THE COMPANY

The amount represents the government subsidy received for reimbursing interest expense on borrowings for financing the expansion project of Guixi Smelter Phase III which will be recognised as income next year to match when the related interest expense is incurred.

25. OTHER FINANCIAL LIABILITIES

Trade and other payables

The balance principally comprises amounts outstanding for trade purchases, construction costs and ongoing costs. The average credit period taken for trade purchases is 60 to 90 days.

The directors consider that the carrying amount of trade payables approximates their fair value.

26. BANK BORROWINGS

	THE GROUP AND THE COMPANY	
	2001	2000
	RMB'000	*RMB'000*
Medium and long term bank loans	**2,008,920**	2,165,926
Short term bank loans	**989,668**	911,230
	2,998,588	3,077,156
Less: Amount due within one year included under current liabilities	**(1,161,668)**	(1,091,236)
Amount due after one year	**1,836,920**	1,985,920
Bank borrowings are repayable as follows:		
Within one year	**1,161,668**	1,091,236
Between one to two years	**795,810**	599,810
Between two to five years	**521,400**	799,400
Over five years	**519,710**	586,710
	2,998,588	3,077,156

All of the bank borrowings are in Renminbi, unsecured and carry interest at rates ranging from 4.5% to 6.2% (2000: 5.6% to 8.5%) per annum.

At the balance sheet date, bank borrowings amounting to approximately RMB484,710,000 (2000: RMB624,972,000) were supported by guarantees from JCC.

The directors estimate that the carrying amount of the Group's bank borrowings approximates their fair value.

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27. SHARE CAPITAL

	Registered, issued and fully paid *RMB'000*
Share of RMB1 each	
Balance at 1 January 2000 and 31 December 2000	
— 1,277,556,200 Domestic Shares	1,277,556
— 1,156,482,000 H Shares	1,156,482
	2,434,038
New issue of 230,000,000 A Shares on 21 December 2001	230,000
Balance at 31 December 2001	2,664,038

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, H Shares and A Shares rank pari passu in all respects with each other.

28. RESERVES

	Share premium *RMB'000*	Capital reserve *RMB'000*	Other reserve *RMB'000*	Statutory surplus reserve *RMB'000*	Statutory public welfare fund *RMB'000*	Discretionary surplus reserve *RMB'000*	Accumulated profits *RMB'000*	Total *RMB'000*
THE GROUP								
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 1 January 2001	1,016,849	70,546	(92,506)	52,092	34,345	95,902	311,856	1,489,084
New issue of A Shares	292,100	—	—	—	—	—	—	292,100
Share issue expenses	(27,253)	—	—	—	—	—	—	(27,253)
Net profit for the year	—	—	—	—	—	—	312,373	312,373
Dividends paid - 2000 final	—	—	—	—	—	—	(24,340)	(24,340)
Appropriations to reserves	—	—	—	30,156	30,150	60,346	(120,652)	—
Reclassification	—	—	—	—	(2,167)	2,167	—	—
At 31 December 2001	1,281,696	70,546	(92,506)	82,248	62,328	158,415	479,237	2,041,964

	Share premium *RMB'000*	Capital reserve *RMB'000*	Other reserve *RMB'000*	Statutory surplus reserve *RMB'000*	Statutory public welfare fund *RMB'000*	Discretionary surplus reserve *RMB'000*	Accumulated profits *RMB'000*	Total *RMB'000*
THE COMPANY								
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 1 January 2001	1,016,849	70,546	(92,506)	52,080	34,339	95,862	311,555	1,488,725
New issue of A Shares	292,100	—	—	—	—	—	—	292,100
Share issue expenses	(27,253)	—	—	—	—	—	—	(27,253)
Net profit for the year	—	—	—	—	—	—	312,291	312,291
Dividends paid - 2000 final	—	—	—	—	—	—	(24,340)	(24,340)
Appropriations to reserves	—	—	—	30,144	30,144	60,287	(120,575)	—
Reclassification	—	—	—	—	(2,167)	2,167	—	—
At 31 December 2001	1,281,696	70,546	(92,506)	82,224	62,316	158,316	478,931	2,041,523

28. RESERVES *(Continued)*

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 IAS 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 GAAP 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 GAAP and regulations which in aggregate amounts to approximately RMB30,150,000 for the year (2000: RMB10,872,000) 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 RMB2,167,000 (2000: RMB17,741,000) 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 GAAP 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 2001 was RMB313,159,469 (2000: RMB265,500,555) which represents accumulated profits as at 31 December 2001 determined in accordance with PRC GAAP.

29. OTHER PAYABLE

	THE GROUP AND THE COMPANY	
	2001	2000
	RMB'000	*RMB'000*
Portion bearing interest at 4.9% (2000: 4.9%) per annum, due within one year included as amount due to JCC - other under current liabilities (note 23)	**1,870**	1,870
Non-interest bearing portion, due after one year	**44,911**	46,781
	46,781	48,651
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	**37,431**	39,301
	46,781	48,651

The amount represents the balance due to JCC as the consideration for the transfer of the mining rights in respect of the Dexing Mine and the Yongping Mine from JCC to the Company. The amount is repayable in 30 annual installments 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 installment starting from 1 January 1998. The interest paid during the year amounted to approximately RMB91,000 (2000: RMB91,000).

30. NET CASH FROM OPERATING ACTIVITIES

	2001	2000
	RMB'000	*RMB'000*
Profit before tax	**312,597**	108,865
Adjustments for:		
Interest income	**(20,881)**	(4,450)
Interest expense	**163,067**	142,240
Depreciation of property, plant and equipment	**369,507**	369,017
Amortisation of other assets	**3,590**	3,590
Write-down of property, plant and equipment	**13,810**	—
Loss on disposal of property, plant and equipment	—	6,098
Insurance claims recovered	**(7,655)**	—
Gain on disposal of marketable securities	**(1,999)**	—
Unrealised loss on marketable securities	**179**	—
Operating cash flows before movements in working capital	**832,215**	625,360
Increase in inventories	**(158,088)**	(82,081)
Decrease in trade and other receivables	**34,393**	8,911
(Decrease) increase in trade and other payables	**(68,581)**	137,943
Cash generated from operations	**639,939**	690,133
Income tax paid	**(89)**	(3,409)
Net cash from operating activities	**639,850**	686,724

31. 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):

		2001	2000
		RMB'000	*RMB'000*
(i)	Transactions with JCC and its affiliates:		
	Sale of copper cathode and sulphuric acid by the Group (note a)	**181,063**	199,203
	Tolling fee and sales fee charged by the Group (note c)	**215,794**	—
	Sale of waste, filter residue and black cement copper by the Group (note a)	**13,629**	7,446
	Re-sale of auxiliary industrial products by the Group (note a)	**73,252**	104,262
	Purchase of copper concentrates by the Group (note a)	**142,939**	135,782
	Purchase of scrap copper by the Group (note b)	**138,521**	212,754
	Purchase of auxiliary industrial products by the Group (note a)	**159,590**	186,240
	Brokerage agency services provided to the Group (note a)	**989**	1,667
	Construction services provided to the Group (note a)	**27,416**	40,718
	Environmental greenery services provided to the Group (note b)	**2,947**	3,183
	Industrial water supplied to the Group (note b)	**18,425**	18,152
	Licence fee on railway transportation charged to the Group (note b)	**7,174**	7,174
	Railway transportation services provided to the Group (note a)	**11,757**	11,613
	Rentals for housing for the employees and use of common facilities charged to the Group (note b)	**13,893**	11,589
	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)	**4,007**	3,147
	Repair and maintenance services provided to the Group (note a)	**81,625**	108,804
	Retirement benefits contributions paid by the Group (note b)	**33,551**	39,242
	Social welfare and support services provided to the Group (note b)		
	— welfare and medical services	**26,738**	35,318
	— primary and secondary education services	**10,793**	9,060
	— technical education services	**4,376**	4,072
	— internal telecommunications services	**5,051**	5,363
	— use of representative offices	**2,063**	1,727
	Supply of water and transmission of electricity by the Group (note b)	**29,258**	32,915
	Vehicle transportation services provided to the Group (note a)	**42,271**	45,447

The Group entered into a processing agreement with JCC dated 3 September 2001 whereby the Company was appointed on an exclusive basis to process copper concentrates, blister copper and scrap copper imported by JCC into copper cathode and to arrange for the sales and distribution of such copper cathode in the PRC. The directors of the Company are of a view that the entering into of the processing agreement may indirectly result in JCC being engaged in a business likely to be in competition with those of the Company and may result in JCC breaching the terms and conditions of the letter of undertaking dated 22 May 1997 by JCC (the "Undertaking") and the asset injection agreement dated 16 May 1997 entered into between JCC and the Company (the "Injection Agreement"). However, the directors of the Company are of a view that the processing agreement has already built in a mechanism to minimise its competing effect and that the processing agreement is in the best interest of the Company and its independent shareholders. Accordingly, the Company does not intend to enforce against JCC for any breach of the terms and conditions of the Undertaking and the Injection Agreement arising out of the processing agreement or to take any other action against JCC. The ordinary resolution for such authorisation was passed at the extraordinary general meeting of the Company held on 23 October 2001.

31. RELATED PARTY TRANSACTIONS *(Continued)*

(i) Transactions with JCC and its affiliates: *(Continued)*

In addition, on 30 November 2000, the Company entered into an agreement with JCC to acquire the operating assets and related liabilities of the Wushan Copper Mine and the mining right (excluding mining rights to resources beneath the minus-400-metre level) thereof from JCC for an aggregate consideration of RMB191,843,178.74 in cash, subject to adjustment. The consideration was determined on (i) the basis of the value of such operating assets less amount of related liabilities as at 31 August 2000, being the valuation reference date as assessed by Beijing Zhongzheng Appraisal Co., Ltd., a State-approved independent PRC valuer and (ii) the basis of the value of such mining right as at 31 August 2000, being the valuation reference date as assessed by Beijing Jingwei Appraisal Co., Ltd., a State-approved independent PRC valuer. The consideration for the acquisition shall be adjusted (subject to certain conditions) to the amount as confirmed by the relevant government departments as well as the amount of operating assets and related liabilities as stated in the balance sheet of the Wushan Copper Mine as at the day immediately before the completion. Upon completion of the acquisition, the agreements relating to the new ongoing connected transactions between JCC and the Company and the variations of the existing connected transactions between JCC and the Company will become effective to facilitate the smooth operation of the Group, including the Wushan Copper Mine. Details of the acquisition and the connected transactions mentioned above are set out in the circular of the Company dated 20 December 2000 and approved by the shareholders at an extraordinary general meeting held on 19 January 2001. The acquisition was completed on 1 January 2002.

(ii) Transactions with the promoters of the Company:

	2001	2000
	RMB'000	*RMB'000*
Sales of copper cathode to 江西鑫新 (note a)	**142,954**	146,896
Tolling fee received from 湖北三鑫 (note a)	**1,917**	8,557
Purchase of copper concentrates from 湖北三鑫 (note a)	**14,502**	13,903

In addition, the Group had made prepayment to 湖北三鑫 as at the balance sheet date in respect of the purchase of copper concentrates amounting to RMB30,000,000 (2000: RMB30,000,000).

(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 purchased auxiliary industrial products from affiliates of CCLZC (excluding JCC) amounting to RMB4,513,000 (note a).

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 the relevant agreements.

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(Prepared in accordance with IAS)

32. PLEDGE OF ASSETS

THE GROUP AND THE COMPANY

As at the balance sheet date, certain bank deposits amounting to approximately RMB2,268,000 (2000: RMB2,708,000) were pledged to secure the issue of bills by banks to certain of the Group's suppliers.

33. OPERATING LEASE COMMITMENTS

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

	THE GROUP AND THE COMPANY	
	2001	2000
	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	**300,000**	315,000
	375,000	390,000

Details of the above lease are set out in note 15.

34. CAPITAL COMMITMENTS

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

	THE GROUP AND THE COMPANY	
	2001	2000
	RMB'000	*RMB'000*
Commitments for the acquisition of property, plant and equipment:		
— contracted for but not provided in the financial statements	**617,315**	71,812
— authorised but not contracted for	**1,329,349**	564,439
	1,946,664	636,251

An analysis of the capital commitments is as follows:

Acquisitions of mines, including the Wushan Copper Mine (see note 31(i))	**236,843**	—
Expansion projects	**1,676,310**	600,396
Exploration projects	**25,970**	25,970
Other general projects	**7,541**	9,885
	1,946,664	636,251

35. 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 RMB34,503,000 (2000: RMB40,649,000) represents contribution payable to the scheme by the Group at rates specified in the rules of the scheme.

36. 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	
	2001	2000
Forward sell contracts:		
Quantities (in tons)	**1,165**	2,320
Average price per ton (RMB)	**14,358**	18,778
Delivery period	**In April 2002**	From January 2001 to May 2001
Forward buy contracts:		
Quantities (in tons)	**700**	4,495
Average price per ton (RMB)	**15,639**	19,210
Delivery period	**In January 2002**	From March 2001 to August 2001

At the balance sheet date, the unrealised loss on the outstanding forward contracts amounted to approximately RMB1.5 million (2000: RMB2.0 million).

37. SIGNIFICANT SUBSEQUENT EVENTS

The following events took place subsequent to 31 December 2001:

(a) The Company's A Shares were listed on SSE from 11 January 2002;

(b) The Company acquired the operating assets and related liabilities of Wushan Copper Mine and the mining right thereof on 1 January 2002 from JCC. Details of the acquisition were disclosed in the circular of the Company dated 20 December 2000 in relation to the proposed issue of A Shares; and

(c) On 11 March 2002, the Company entered into a joint venture agreement ("JV Agreement") with JCC to establish a Sino-foreign equity joint venture to engage in the manufacturing and processing of oxygen-free copper rods and wires. Pursuant to the JV Agreement, the Company agreed to invest a sum of RMB90,000,000 in cash as capital contribution to the joint venture. The Sino-foreign equity joint venture will be owned as to 60% by the Company and 40% by JCC.

38. 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:

	2001	2000
	RMB'000	*RMB'000*
Net assets as per financial statements prepared under IAS	4,706,002	3,923,122
Proposed final dividend	(133,202)	(24,340)
Net assets as per financial statements prepared under PRC accounting standards and regulations	4,572,800	3,898,782

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

	2001	2000
	RMB'000	*RMB'000*
Net profit for the year as per financial statements prepared under IAS	312,373	108,661
Interest on proceeds from issue of A Shares	(10,938)	—
Net profit for the year as per financial statements prepared under PRC accounting standards and regulations	301,435	108,661

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