

# AUDITORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2001

*(Prepared in accordance with PRC GAAP and regulations)*

## 沪江德勤会计师事务所

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**Deloitte  
Touche  
Tohmatsu**

### To the Shareholders of Jiangxi Copper Company Limited

We were engaged to audit the accompanying balance sheet of Jiangxi Copper Company Limited as of December 31, 2001 and the related statements of income, profits appropriation and cash flows of the Company and the Group for the year ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Independent Auditing Standards for Chinese Certified Public Accountants. Our audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the practical circumstances of the Company.

In our opinion, such financial statements are prepared in conformity with "Accounting Standards for Business Enterprises" and "Accounting System for Business Enterprises" and, in all material respects, present fairly the financial position of the Company and the Group as of 31 December 2001 and the results of its operations and cash flows for the year then ended. The accounting policies adopted follow the consistency principle.

Deloitte Touche Tohmatsu Shanghai CPA

Shanghai China

**Hu Fan**

**Zhang Ying**

Chinese Certified Public Accountant

11 April 2002

# BALANCE SHEET

31 DECEMBER 2001

(Prepared in accordance with PRC GAAP and regulations)

ASSETS	Notes	31 December 2001		31 December 2000	
		Group RMB	Company RMB	Group RMB	Company RMB
<b>CURRENT ASSETS:</b>					
Bank balances and cash	6	683,327,945	682,754,028	368,811,075	368,295,229
Short-term investments	7	1,235,053	1,235,053	—	—
Bills receivable	8	32,970,563	31,355,943	18,801,578	16,936,578
Interests receivable	9	10,937,654	10,937,654	—	—
Accounts receivable	10	177,743,253	178,270,442	190,366,903	191,830,570
Other receivables	11	42,923,116	42,825,368	126,913,966	126,682,857
Prepayment	12	112,812,279	112,812,279	70,279,756	70,279,756
Inventories	13	1,576,282,316	1,576,227,466	1,418,194,777	1,417,720,599
Prepaid expenses	14	8,000,000	8,000,000	16,010,196	16,010,196
<b>TOTAL CURRENT ASSETS</b>		<b>2,646,232,179</b>	<b>2,644,418,233</b>	<b>2,209,378,251</b>	<b>2,207,755,785</b>
<b>LONG-TERM INVESTMENTS:</b>					
Long-term equity investments	15	5,610,000	6,650,594	—	959,204
<b>FIXED ASSETS:</b>					
Fixed assets at cost	16	9,701,846,552	9,701,757,594	9,260,103,317	9,260,014,359
Less: Accumulated depreciation	16	4,640,957,581	4,640,877,563	4,295,668,054	4,295,615,036
Fixed assets, net book value	16	5,060,888,971	5,060,880,031	4,964,435,263	4,964,399,323
Less: Provision for impairment on fixed assets	16	8,359,916	8,359,916	—	—
Fixed assets, net value	16	5,052,529,055	5,052,520,115	4,964,435,263	4,964,399,323
Construction in progress	17	664,541,070	664,541,070	479,101,620	479,101,620
<b>TOTAL FIXED ASSETS</b>		<b>5,717,070,125</b>	<b>5,717,061,185</b>	<b>5,443,536,883</b>	<b>5,443,500,943</b>
<b>INTANGIBLE AND OTHER ASSETS:</b>					
Intangible assets	18	89,864,900	89,864,900	93,454,900	93,454,900
Long-term deferred expenses	19	1,371,495	1,371,495	2,771,495	2,771,495
<b>TOTAL INTANGIBLE AND OTHER ASSETS</b>		<b>91,236,395</b>	<b>91,236,395</b>	<b>96,226,395</b>	<b>96,226,395</b>
<b>TOTAL ASSETS</b>		<b>8,460,148,699</b>	<b>8,459,366,407</b>	<b>7,749,141,529</b>	<b>7,748,442,327</b>

Notes are an integral part of financial statements.

# BALANCE SHEET

31 DECEMBER 2001

(Prepared in accordance with PRC GAAP and regulations)

	Notes	31 December 2001		31 December 2000	
		Group RMB	Company RMB	Group RMB	Company RMB
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>					
<b>CURRENT LIABILITIES:</b>					
Short-term loans	20	989,668,243	989,668,243	911,230,000	911,230,000
Bills payable	21	118,871,825	118,871,825	92,038,977	92,038,977
Accounts payable	22	229,060,232	229,060,232	288,380,794	288,380,794
Advance from customers	23	22,367,012	22,367,012	28,881,691	28,881,691
Accrued welfare		382,088	371,488	134,952	117,198
Dividend payable	24	133,201,910	133,201,910	24,340,382	24,340,382
Taxes payable	25	(2,267,842)	(2,336,071)	39,552,067	39,549,630
Other unpaid	26	17,750,994	17,743,599	20,195,334	20,187,843
Other payables	27	235,419,998	235,417,659	228,288,290	228,256,239
Accrued expenses	28	2,500,000	2,500,000	2,100,000	2,100,000
Long-term liabilities due within one year	29	173,870,000	173,870,000	181,876,423	181,876,423
<b>TOTAL CURRENT LIABILITIES</b>		<b>1,920,824,460</b>	<b>1,920,735,897</b>	<b>1,817,018,910</b>	<b>1,816,959,177</b>
<b>LONG-TERM LIABILITIES:</b>					
Long-term loans	30	1,836,920,000	1,836,920,000	1,985,920,000	1,985,920,000
Long-term payable	31	44,911,000	44,911,000	46,781,000	46,781,000
Special payable	32	84,000,000	84,000,000	—	—
<b>TOTAL LONG-TERM LIABILITIES</b>		<b>1,965,831,000</b>	<b>1,965,831,000</b>	<b>2,032,701,000</b>	<b>2,032,701,000</b>
<b>TOTAL LIABILITIES</b>		<b>3,886,655,460</b>	<b>3,886,566,897</b>	<b>3,849,719,910</b>	<b>3,849,660,177</b>
<b>MINORITY INTEREST</b>		<b>693,729</b>	<b>—</b>	<b>639,469</b>	<b>—</b>
<b>SHAREHOLDERS' EQUITY:</b>					
Share capital	33	2,664,038,200	2,664,038,200	2,434,038,200	2,434,038,200
Capital reserves	34	1,292,747,042	1,292,747,042	1,016,962,480	1,016,962,480
Surplus reserves	35	302,991,520	302,854,799	182,339,988	182,280,915
Including: Statutory Public Welfare Fund	35	62,328,331	62,315,695	34,345,417	34,338,992
Unappropriated profits	36	313,022,748	313,159,469	265,441,482	265,500,555
<b>TOTAL SHAREHOLDERS EQUITY</b>		<b>4,572,799,510</b>	<b>4,572,799,510</b>	<b>3,898,782,150</b>	<b>3,898,782,150</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>8,460,148,699</b>	<b>8,459,366,407</b>	<b>7,749,141,529</b>	<b>7,748,442,327</b>

Notes are an integral part of financial statements.

# STATEMENT OF INCOME AND PROFITS APPROPRIATION

FOR THE YEAR ENDED 31 DECEMBER 2001  
(Prepared in accordance with PRC GAAP and regulations)

	Notes	31 December 2001		31 December 2000	
		Group RMB	Company RMB	Group RMB	Company RMB
Net revenue from					
principle operations	37	2,995,793,128	2,994,516,486	3,524,512,353	3,523,239,289
Less: Cost of principle operations	38	2,308,749,019	2,308,312,289	2,973,790,389	2,973,772,970
Sales tax on principle operations	39	31,695,301	31,695,301	31,207,408	31,207,408
Income from principle operations		655,348,808	654,508,896	519,514,556	518,258,911
Add: Income from other operations	40	7,556,704	7,556,704	6,828,685	6,828,685
Less: Operating expenses		31,582,808	31,484,993	35,561,778	34,970,537
Administrative expenses		154,616,619	154,177,538	220,672,712	220,296,429
Financial expenses	41	153,717,014	153,723,007	137,442,302	137,452,238
Operating profit		322,989,071	322,680,062	132,666,449	132,368,392
Add: Investment income	42	1,819,980	2,003,217	—	159,616
Subsidies	43	98,359	—	66,330	—
Non-operating income		4,442,645	4,442,645	1,534,108	1,534,108
Less: Non-operating expenses	44	27,691,216	27,691,216	25,402,494	25,402,494
Profit before income tax		301,658,839	301,434,708	108,864,393	108,659,622
Less: Income tax	45	101,973	—	98,359	—
Minority interest		122,158	—	106,412	—
Net profit		301,434,708	301,434,708	108,659,622	108,659,622
Add: Unappropriated profits at the beginning of the year		265,441,482	265,500,555	219,210,880	219,212,182
Profits available for appropriation		566,876,190	566,935,263	327,870,502	327,871,804
Less: Appropriations to statutory surplus reserve	36(1)	30,155,893	30,143,471	10,877,944	10,865,962
Appropriations to statutory public welfare fund	36(2)	30,149,682	30,143,471	10,871,953	10,865,962
Profits available for appropriation to shareholders		506,570,615	506,648,321	306,120,605	306,139,880
Less: Appropriation to discretionary surplus reserve	36(3)	60,345,957	60,286,942	16,338,741	16,298,943
Dividends	36(4)	133,201,910	133,201,910	24,340,382	24,340,382
Unappropriated profits at the end of the year		313,022,748	313,159,469	265,441,482	265,500,555

Notes are an integral part of financial statements.

## SUPPLEMENTAL INFORMATION:

ITEMS	Group and Company 2001 RMB	Group and Company 2000 RMB
1. Profit from change of accounting estimation	43,817,000	—
2. Subsidies	98,359	66,330
3. Others	(2,935,840)	—

# CASH FLOWS STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2001  
(Prepared in accordance with PRC GAAP and regulations)

	Notes	31 December 2001		31 December 2000	
		Group RMB	Company RMB	Group RMB	Company RMB
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash received from sales of goods and rendering of services		4,428,927,838	4,425,139,560	4,171,326,203	4,165,350,882
Refunds of taxes		98,359	—	66,330	—
Other cash received relating to operating activities		91,544,851	91,411,490	20,243,625	20,309,413
<b>SUB-TOTAL OF CASH INFLOWS</b>		<b>4,520,571,048</b>	<b>4,516,551,050</b>	<b>4,191,636,158</b>	<b>4,185,660,295</b>
Cash paid for goods and services		3,218,879,210	3,215,875,253	2,904,877,495	2,900,093,788
Cash paid to and on behalf of employees		221,637,919	221,550,169	202,313,316	202,244,099
Payments of taxes		268,902,966	268,655,606	213,853,722	213,620,227
Other cash paid relating to operating activities	46	170,859,185	170,400,077	199,202,813	198,379,837
<b>SUB-TOTAL OF CASH OUTFLOWS</b>		<b>3,880,279,280</b>	<b>3,876,481,105</b>	<b>3,520,247,346</b>	<b>3,514,337,951</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>640,291,768</b>	<b>640,069,945</b>	<b>671,388,812</b>	<b>671,322,344</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Cash received from return of investments		30,000,698	30,000,698	—	—
Cash received from investment income		1,999,302	2,101,149	—	291,378
Net cash receipts from sales of fixed assets, intangible assets and other long-term assets		7,675,944	7,675,944	—	—
Other cash received relating to investing activities		9,942,592	9,936,599	4,450,086	4,440,149
<b>SUB-TOTAL OF CASH INFLOWS</b>		<b>49,618,536</b>	<b>49,714,390</b>	<b>4,450,086</b>	<b>4,731,527</b>
Cash paid to acquire fixed assets, intangible assets and other long-term assets		631,561,564	631,561,564	669,849,618	669,816,718
Cash paid to acquire investments		37,025,073	37,025,073	—	—
<b>SUB-TOTAL OF CASH OUTFLOWS</b>		<b>668,586,637</b>	<b>668,586,637</b>	<b>669,849,618</b>	<b>669,816,718</b>
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(618,968,101)</b>	<b>(618,872,247)</b>	<b>(665,399,532)</b>	<b>(665,085,191)</b>

(Continued)

Notes are an integral part of financial statements.

# CASH FLOWS STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2001  
(Prepared in accordance with PRC GAAP and regulations)

Notes	31 December 2001		31 December 2000	
	Group RMB	Company RMB	Group RMB	Company RMB
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>				
Cash received from investments by Others	494,846,908	494,846,908	—	—
Cash received from borrowing	1,757,478,243	1,757,478,243	1,679,516,953	1,679,516,953
Other cash received relating to financing activities	84,000,000	84,000,000	—	—
<b>SUB-TOTAL OF CASH INFLOW</b>	<b>2,336,325,151</b>	<b>2,336,325,151</b>	<b>1,679,516,953</b>	<b>1,679,516,953</b>
Cash repayment of amounts borrowed	1,836,046,423	1,836,046,423	1,366,771,332	1,366,771,332
Cash paid for distribution of dividends on profits and for interest expenses	204,774,906	204,707,008	179,572,329	179,378,076
Including: dividends paid to minority shareholders in subsidiaries	67,898	—	194,253	—
Other cash paid relating to financing activities	1,870,000	1,870,000	1,870,000	1,870,000
<b>SUB-TOTAL OF CASH OUTFLOWS</b>	<b>2,042,691,329</b>	<b>2,042,623,431</b>	<b>1,548,213,661</b>	<b>1,548,019,408</b>
<b>NET CASH OUTFLOWS FROM FINANCING ACTIVITIES</b>	<b>293,633,822</b>	<b>293,701,720</b>	<b>131,303,292</b>	<b>131,497,545</b>
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>314,957,489</b>	<b>314,899,418</b>	<b>137,292,572</b>	<b>137,734,698</b>

Notes are an integral part of financial statements.

# CASH FLOWS STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2001  
(Prepared in accordance with PRC GAAP and regulations)

	Notes	31 December 2001		31 December 2000	
		Group RMB	Company RMB	Group RMB	Company RMB
<b>SUPPLEMENTAL INFORMATION</b>					
1. RECONCILIATION OF NET PROFIT TO CASH FLOWS FROM OPERATING ACTIVITIES:					
NET PROFIT		301,434,708	301,434,708	108,659,622	108,659,622
Add: Minority interest		122,158	—	106,412	—
Provision for impairment losses of assets		(20,462,629)	(20,462,629)	22,244,130	22,244,130
Depreciation of fixed assets		361,496,794	361,469,794	369,017,596	369,011,596
Amortisation of intangible assets		3,590,000	3,590,000	3,590,000	3,590,000
Amortisation of long-term deferred expenses		1,400,000	1,400,000	1,492,344	1,492,344
Decrease in prepaid expenses (or deduct: increase)		8,010,196	8,010,196	(16,010,196)	(16,010,196)
Increase in accrued expense (or deduct: decrease)		400,000	400,000	—	—
Loss on disposal of fixed assets, intangible assets and other long-term assets (or deduct: gains)		(2,204,931)	(2,204,931)	6,106,538	6,106,538
Financial expenses		153,124,633	153,130,626	136,522,258	36,532,195
Losses arising from investments (or deduct: gains)		(1,819,980)	(2,003,217)	—	(159,616)
Decrease in inventories (or deduct: increase)		(160,113,032)	(160,532,360)	(81,169,064)	(81,441,590)
Decrease in operating receivables (or deduct: increase)		71,201,649	71,754,386	22,338,099	20,067,422
Increase in operating payables (or deduct: decrease)		(75,887,798)	(75,916,628)	98,491,073	101,229,899
Net cash flows from operating activities		<u>640,291,768</u>	<u>640,069,945</u>	<u>671,388,812</u>	<u>671,322,344</u>
2. INVESTING AND FINANCING ACTIVITIES NOT INVOLVING IN CASH RECEIPTS AND PAYMENTS					
		<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
3. NET INCREASE IN CASH AND CASH EQUIVALENTS					
Cash and cash equivalents at the end of the year	47	681,060,165	680,486,248	366,102,676	365,586,830
Less: cash and cash equivalents at the beginning of the year	47	366,102,676	365,586,830	228,810,104	227,852,132
Net increase in cash and cash equivalents		<u>314,957,489</u>	<u>314,899,418</u>	<u>137,292,572</u>	<u>137,734,698</u>

Notes are an integral part of financial statements.

# NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2001

*(Prepared in accordance with PRC GAAP and regulations)*

## 1. GENERAL

Jiangxi Copper Company Limited (the “Company”) was established in the People’s Republic of China (the “PRC”) as a joint stock limited company on 24 January 1997 by Jiangxi Copper Company (“JCC”), International Copper Industry (China) Investment Limited (“International Copper”), Shenzhen Baoheng (Group) Company Limited, Jiangxi Xinxin Company Limited (formerly named Shangrao Zhenda Copper Industrial Group) and Hubei Sanxin Gold & Copper Company Limited (formerly named Hubei Huangshi Gold & Copper Mine Limited). The Company’s H Shares were listed on the Stock Exchange of Hong Kong Limited (“SEHK”) and London Stock Exchange (“LSE”) on June 1997. By the approval of [2001] Zhengjian Faxingzi No.61 issued by China Securities Regulatory Commission (“CSRC”) on 10 December 2001, the Company has allotted 230,000,000 ordinary A Shares of RMB 1.00 each at the price of RMB 2.27 per share on 21 December 2001. The Company’s share capital increased to RMB 2,664,038,200 after the new issue of shares.

The Company mainly engages in smelting, protracting and refining of colored metal, rare metal, non-metal mine and by-products; after-sale service for self-produced products and relevant consulting service.

## 2. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND BASIS OF CONSOLIDATION

### Accounting policy

The financial statements have been prepared in accordance with “Accounting Standards for Business Enterprises” and “Accounting System for Business Enterprises”.

### Fiscal year

The Company adopts the calendar year as its fiscal year i.e. from 1 January to 31 December.

### Reporting currency

The reporting currency of the Company is Renminbi (“RMB”).

### Basis of accounting

The financial statements were prepared using the historical cost basis and accrual basis of accounting.

### Foreign currency translation

Transactions in foreign currencies are translated at the middle market exchange rates, ruling on the first day of the transaction month. Monetary assets and liabilities denominated in foreign currencies are re-translated at the middle market exchange rates ruling on the balance sheet date. Profits and losses arising on exchange are included in financial expenses apart from those relating to the construction in progress.

### Basis of consolidation

#### (1) Scope of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year. A subsidiary is an enterprise in which the Company, directly or indirectly, holds more than half of the equity, or where the Company controls the operation of the investee enterprise via other methods.

#### (2) Method of consolidation

The major accounting policy adopted by subsidiaries are consistent with the Company’s policy.

The result of subsidiaries acquired during the year are included in the consolidated income statement from the effective date of acquisition, as appropriate.

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

# NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2001

(Prepared in accordance with PRC GAAP and regulations)

## 2. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND BASIS OF CONSOLIDATION (Continued)

### Cash equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are within three months of maturity and subject to limited risk on changes in value.

### Accounting for bad debts

#### (1) Criteria for recognition of bad debt

The irrecoverable amount for a debtor who becomes bankrupt after pursuing the statutory recovery procedures.

The irrecoverable amount for a debtor who dies and has no offsetting estate and obligatory undertakers;

The irrecoverable amount with sufficient evidence for a debtor who does not comply with repayment obligation after the debt becomes due.

#### (2) Accounting for provision for bad debt

Provision for bad debts is provided with reference to the aging analysis of accounts receivable.

The provision percentage is based on the past experiences of the Company, the actual financial position and cash flows condition of the debtor, and other rational estimate from relevant information.

The ratio used in general provision excluding specific provision is as follows:

Within one year	0%
One to two years	20%
Two to three years	50%
Over three years	100%

### Inventories

Inventories are stated at the historical cost which includes direct materials and, where applicable, direct labour cost and those overheads that have been incurred in bringing the inventories to their present location and condition. Inventories include raw material, work in progress and finished goods. The cost of inventories is calculated on the weighted average cost method when they are issued.

When more than one finished product is abstracted from the mineral resource (“joint-product”), all joint production costs are apportioned between resulting finished products by reference to their estimated net realisable values at the point where those joint products become physically separated.

The by-products are valued at lower of processing of the by-products subsequent to the spilt-off point cost and net realizable value.

### Provision for inventories

Provision for inventories is made on an individual basis when the net realizable value is lower than the cost. Net realizable value represents the estimated selling price less the estimated cost of completion and the estimated costs to be incurred in marketing, selling and distribution.

### Short-term investment

A short-term investment is an investment that is readily realizable and is held within one year.

Short-term investment is stated at acquisition cost which includes taxes and fees. The cash dividends which are declared but unpaid or interest on bond which is due but not received, when acquired, are recorded as receivable.

# NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2001

(Prepared in accordance with PRC GAAP and regulations)

## 2. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND BASIS OF CONSOLIDATION (Continued)

### Short-term investment (Continued)

Cash dividends or interest on a short-term investment should be offset against the carrying amount of investment when received, except for those already recorded as receivable.

Short-term investments are valued at lower of cost and market value by the end of each year on a portfolio basis.

On disposal of short-term investment, the difference between the carrying amount and the actual amount received from disposal are recognized in current year's income statement.

### Long-term investment

#### (1) Accounting for long-term equity investment

Long-term equity investment is stated at acquisition cost.

The cost method are used to account for long-term equity investments when the Company does not have control, joint control or significant influence over the investee enterprise. The equity method are used to account for long-term equity investments when the Company can control, joint control or has significant influence over the investee enterprise.

When the cost method is adopted, the amount of investment income recognized by the investing enterprise is limited to the amount distributed out of accumulated net profits after the investment made by the investing enterprise. The amount of profits or cash dividends declared by the investee enterprise in excess of the above threshold are regarded as return on investment and deducted from the carrying amount of investments accordingly.

When the equity method is adopted, the investment gain or loss is a portion of the investee's net income for the year by reference to the investor's interest in investee enterprise.

#### (2) Provision for impairment on long-term investment

When the recoverable amount of investment is lower than its carrying amount as a result of a continuing decline in market value or changes in operating conditions of the investee enterprise, the difference between the recoverable amount and the carrying amount is recognized as an investment loss in the current year's financial statements. The recoverable amount is higher of the net sales price and net present value of the estimated future cash-inflow generated from holding the investment and disposal of investment when its maturity.

### Fixed assets and depreciation

Fixed assets include buildings, mining structures, plant, machinery and equipment, transportation equipment and other equipment used for production with useful life in excess of a year and non-operating equipment with unit value over RMB 2,000 and useful life in excess of two years.

The cost of used fixed assets acquired from shareholders, when the Company was established, are stated at replacement cost and depreciated over remaining useful life which are both provided by an independent valuer. The remaining useful life of used fixed assets should not exceed its original useful life.

Fixed assets acquired by the Company are stated at cost. Depreciation is provided to write off cost of fixed assets less their estimated residual value (10% of cost) over their estimated useful life using straight-line method from the month after they are put into use. Considering that the actual useful life of certain fixed assets are longer than their estimated useful life, the Company expanded the useful life of new-acquired fixed assets. The updated useful life and annual depreciation rate of each category of fixed assets are as follows:

# NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2001

(Prepared in accordance with PRC GAAP and regulations)

## 2. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND BASIS OF CONSOLIDATION (Continued)

### Fixed assets and depreciation (Continued)

	Before 1 Jan. 2001 Useful life	After 1 Jan. 2001 Useful life	Before 1 Jan. 2001 Annual depr. rate	After 1 Jan. 2001 Annual depr. rate
Building	12-40	12-40	2.25-7.50%	2.25-7.50%
Equipment & machinery	10-21	10-25	4.29-9.00%	3.60-9.00%
Vehicles	9-11	10-12	8.18-10.00%	7.50-9.00%

Depreciation charge for the year ended 31 December, 2001 approximately decreased by RMB 43,817,000 due to the change of useful life.

### Provision for impairment on fixed assets

The fixed assets are valued at lower of the carrying amount and recoverable amount. The Company provides for impairment on fixed assets based on the difference between the carrying amount and recoverable amount. Recoverable amount is the higher of net sales price and net present value of the estimated future cash inflow generated from utilization of the fixed assets and the disposal of the fixed assets at the end of their useful life.

### Construction in progress

Construction in progress is stated at cost.

Cost comprises construction expenditure incurred during the construction period, capitalized interest, exchange gains or losses and other relevant expenses. Cost on completed construction project is transferred to fixed assets. No depreciation is provided for construction in progress.

Provision for impairment on construction in progress is made when the following situation exist (1) construction project is suspended for a long period and is not expected to be resumed within three years; (2) construction project is technically and physically obsolete and its economic benefits to the Company is uncertain, (3) other evidences can prove the existence of the decline in value of construction project.

### Intangible assets

Intangible assets are stated at acquisition cost.

Trademark is amortized evenly over benefit period.

The mining rights are evenly amortized over benefit period.

The Company investigates the future benefit generated by intangible assets on an annual basis and provides for impairment on intangible assets when recoverable amount is lower than carrying amount of intangible assets. Recoverable amount is the higher of net sales price and net present value of the estimated future cash inflow generated from utilization of the intangible assets and the disposal of intangible asset at the end of their useful life.

### Long-term deferred expenses

Long-term deferred expenses represents the cost of software and are amortized evenly over the benefit period.

# NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2001

*(Prepared in accordance with PRC GAAP and regulations)*

## 2. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND BASIS OF CONSOLIDATION *(Continued)*

### **Borrowing cost**

Borrowing costs, including interest, amortization of discounts or premiums, other expenses and exchange gain or loss arising from specific borrowings for the acquisition of fixed assets, are capitalized in accordance with capitalization principle before the assets are ready for its intended use. Borrowing costs, other than above, are expensed when incurred.

### **Subsidy on interest of technical innovation loan**

When the interest of technical innovation loan is incurred, if the relevant project is completed and put into use, the interest and subsidy are charged or credited to the income statements; if the relevant project is incompleting, the interest and the subsidy are charged or credited into the cost of the construction in progress. When the interest is not incurred, subsidy received is deferred as special payable for the adjustment to future interest on technical innovation loan.

### **Revenue**

Revenue from sales of goods is recognized when the Company has transferred the significant risk and rewards of ownership to the buyer; and the Company neither retains the managing rights nor control over the goods sold; and the economic benefit can inflow into the Company and relevant revenue and cost can be reliably measured.

When the provision of services is started and completed within an accounting year, revenue is recognized at the time of completion of the services. When the provision of services is started and completed in different accounting years and the outcome of provision of services can be reliably measured, the revenue is recognized at the balance sheet date by the reference to percentage of completion. Otherwise revenue recognized is limited to recoverable costs incurred and all the costs are charged. When the cost incurred is not expected to be recoverable, no revenue is recognized.

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

### **Forward contract transaction**

Gains and losses arising from forward sales contracts are included in sales revenue when the forward sales are delivered. Gains or losses arising from forward sales contracts settled before the maturity date are credited or charged to other operating revenue or other operating expense of the income statement respectively.

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

### **Subsidy income**

Subsidy income is recognized when received.

### **Income tax**

Income tax is accounted for under tax payable method.

Income tax provision is calculated based on the accounting results for the year as adjusted for items which are non-assessable or disallowed in accordance with relevant tax laws.

# NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2001

(Prepared in accordance with PRC GAAP and regulations)

## 3. CHANGES OF ACCOUNTING POLICIES

From 1 January 2001, the Company adopted “Accounting System for Business Enterprise” and made the adjustments according to the circular of Cai Kuai (2001) No.17 issued by the Ministry of Finance. The main change of accounting policies is to request the provision for impairment on fixed assets, construction in progress and intangible assets. Upon the management’s review, the change of accounting policy has no effect on the prior year’s financial position and the operation results of the Company. The effect on the Company’s financial position and the operation results in current year is RMB 8,360,000.

## 4. TAXATION

### Value added tax

Output value added tax (“VAT”) is calculated at 17% on revenue from principal operations except gold (free of VAT) and sulphuric concentrate (13% on revenue), and paid after deducting input VAT on purchases.

### Business tax

Business tax is calculated and paid at 5% of operating income.

### Resource tax

Resource tax is calculated and paid according to the quantity of copper ore extracting.

### Income tax

The income tax rate of the Company is 33%.

Pursuant to circular of Guo Shui Xi (1997) No.596 issued by the State Tax Bureau and Guo Shui Fa (1997) No.583 issued by the Tax Bureau of Jiangxi Province, the Company is exempt from income tax for two years starting from first profit-making year, and following three years will be entitled to a 50% relief. This year is the third year of tax relief period with effective tax rate of 16.5%.

Pursuant to a notice issued jointly by the Ministry of Finance and the State Tax Bureau regarding income tax exemption for foreign investment enterprises which purchase domestic machinery and equipment (Cai Shui Zi [2000] No.49), the Company is entitled to a tax benefit (“Tax Benefit”), which is calculated as 40% of the current year’s addition 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 proceeding year. The portion of the Tax Benefit that is not utilized in the current year can be carried forward for future application for a period of not more than five years.

The income tax rate for the Company’s subsidiary Xiaoshan Tongda Chemical Limited is 33%.

## 5. SUBSIDIARY

The details of the Company’s subsidiary are as follows:

Name of subsidiary	Registered capital RMB	Company’s investment and proportion of equity interest	Scope of business
Xiaoshan Tongda Chemical Limited	1,000,000	RMB600,000/60%	Sales of sulphuric acid

The Xiaoshan Tongda Chemical Limited (“Xiaoshan Tongda”) has been included in the scope of consolidation.

# NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2001

(Prepared in accordance with PRC GAAP and regulations)

## 6. BANK BALANCES AND CASH

	Group 31 December, 2001			Group 31 December, 2000		
	Foreign currency	Exchange rate	RMB equivalent	Foreign currency	Exchange rate	RMB equivalent
Cash on hand						
RMB	—	—	67,220	—	—	166,430
Cash in bank						
RMB	—	—	647,833,731	—	—	324,893,076
USD	2,082,998	8.2766	17,240,141	2,863,644	8.2781	23,705,531
HKD	14,993,173	1.0606	15,901,759	16,270,834	1.0606	17,256,847
Other cash balance						
RMB	—	—	2,285,094	—	—	2,789,191
			<u>683,327,945</u>			<u>368,811,075</u>

Deposits for bank-accepted bills including in other cash balance are as follows:

	31 December 2001 RMB	31 December 2000 RMB
Deposits for bank-accepted bills	<u>2,267,780</u>	<u>2,708,399</u>

## 7. SHORT-TERM INVESTMENT

	Group 31 December, 2001			Group 31 December, 2000		
	Cost RMB	Provision for impairment RMB	Net value RMB	Cost RMB	Provision for impairment RMB	Net value RMB
Stock investment	<u>1,414,375</u>	<u>179,322</u>	<u>1,235,053</u>	—	—	—

Including in the stock investment are marketable shares amounting RMB 1,414,375 whose market value on 31 December, 2001 were about RMB 1,235,053.

The market value is calculated based on closing price of stock exchange on 31 December, 2001.

## 8. BILLS RECEIVABLE

	Group 31 December 2001 RMB	Group 31 December 2000 RMB
Bank-accepted bills - unpledged	<u>32,970,563</u>	<u>18,801,578</u>

## 9. INTEREST RECEIVABLE

Interest receivable represents interest arising from subscription deposit during A Sharess application period.

# NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2001

(Prepared in accordance with PRC GAAP and regulations)

## 10. ACCOUNTS RECEIVABLE

The aging analysis of accounts receivable is as follows:

	Group 31 December, 2001			
	Amount RMB	%	Bad debt provision RMB	Net value RMB
Within one year	131,834,355	53.4	—	131,834,355
One to two years	24,465,967	9.9	9,606,241	14,859,726
Two to three years	28,230,964	11.5	14,085,482	14,145,482
Over three years	62,321,366	25.2	45,417,676	16,903,690
	<u>246,852,652</u>	<u>100.0</u>	<u>69,109,399</u>	<u>177,743,253</u>

  

	Group 31 December, 2000			
	Amount RMB	%	Bad debt provision RMB	Net value RMB
Within one year	161,820,791	56.7	—	161,820,791
One to two years	47,098,576	16.5	18,552,464	28,546,112
Two to three years	16,050,477	5.6	16,050,477	—
Over three years	60,387,882	21.2	60,387,882	—
	<u>285,357,726</u>	<u>100.0</u>	<u>94,990,823</u>	<u>190,366,903</u>

During the year, a lawsuit about collection of RMB 16,903,690 from a debtor which is due more than three years, has been sentenced by the court in favor of the Company. The sentence is in process of execution and the court grants liens on assets of a debtor. As such, a bad debt provision previously made is reversed.

Five largest debtors are as follows:

Total amount of five largest debtors RMB	Percentage in total accounts receivable %
109,957,362	44.5

The balance due from shareholder who holds more than 5% shares of the Company is as follow:

Shareholder	31 December, 2001	31 December, 2000
Jiangxi Copper Company	<u>805,647</u>	<u>805,647</u>

## 11. OTHER RECEIVABLES

The aging analysis of other receivables is as follows:

	Group 31 December, 2001			
	Amount RMB	%	Bad debt provision RMB	Net value RMB
Within one year	38,802,716	64.3	—	38,802,716
One to two years	5,053,953	8.4	1,010,791	4,043,162
Two to three years	104,476	0.2	27,238	77,238
Over three years	16,376,616	27.1	16,376,616	—
	<u>60,337,761</u>	<u>100.0</u>	<u>17,414,645</u>	<u>42,923,116</u>

# NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2001

(Prepared in accordance with PRC GAAP and regulations)

## 11. OTHER RECEIVABLES (Continued)

	Group 31 December, 2000			
	Amount RMB	%	Bad debt provision RMB	Net value RMB
Within one year	124,026,650	83.1	—	124,026,650
One to two years	2,066,698	1.3	413,340	1,653,358
Two to three years	2,467,916	1.7	1,233,958	1,233,958
Over three years	20,733,961	13.9	20,733,961	—
	<u>149,295,225</u>	<u>100.0</u>	<u>22,381,259</u>	<u>126,913,966</u>

Five largest debtors are as follows:

Total amount of five largest debtors RMB	Percentage in total accounts receivable %
37,752,826	62.6

The balance due from shareholder who holds more than 5% shares of the Company is as follow:

Shareholder	31 December, 2001	31 December, 2000
Jiangxi Copper Company	<u>210,249</u>	<u>293,765</u>

## 12. PREPAYMENTS

The aging analysis of prepayment is as follows:

	Group 31 December, 2001		Group 31 December, 2000	
	RMB	%	RMB	%
Within one year	104,760,247	92.9	60,003,796	85.4
One to two years	6,141,225	5.4	10,275,960	14.6
Two to three years	1,910,807	1.7	—	—
	<u>112,812,279</u>	<u>100.0</u>	<u>70,279,756</u>	<u>100.0</u>

Prepayments to shareholder who holds more than 5% shares of the Company is as follow:

Shareholder	31 December, 2001	31 December, 2000
Jiangxi Copper Company	<u>10,074,097</u>	<u>216,197</u>

The balances with aging over one year are mainly the prepayments for uncompleted purchase contracts.

# NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2001

(Prepared in accordance with PRC GAAP and regulations)

## 13. INVENTORIES

	Group 31 December, 2001		
	Cost RMB	Provision For impairment RMB	Net value RMB
Raw materials	542,384,784	7,724,011	534,660,773
Work in progress	954,288,147	—	954,288,147
Finished goods	90,931,274	3,597,878	87,333,396
	<u>1,587,604,205</u>	<u>11,321,889</u>	<u>1,576,282,316</u>
	Group 31 December, 2000		
	Cost RMB	Provision For impairment RMB	Net value RMB
Raw materials	519,112,160	1,658,306	517,453,854
Work in progress	746,873,445	—	746,873,445
Finished goods	161,505,568	7,638,090	153,867,478
	<u>1,427,491,173</u>	<u>9,296,396</u>	<u>1,418,194,777</u>

## 14. PREPAID EXPENSE

	Group December 31, 2001 RMB	Group December 31, 2000 RMB
Cost of repair and maintenance	<u>8,000,000</u>	<u>16,010,196</u>

## 15. LONG-TERM EQUITY INVESTMENT

Group Items	31 December, 2001			31 December, 2000		
	Amount RMB	Provision for impairment RMB	Net value RMB	Amount RMB	Provision for impairment RMB	Net value RMB
Stock Investment	<u>5,610,000</u>	<u>—</u>	<u>5,610,000</u>	<u>—</u>	<u>—</u>	<u>—</u>
Company Items	31 December, 2001			31 December, 2000		
	Amount RMB	Provision for impairment RMB	Net value RMB	Amount RMB	Provision for impairment RMB	Net value RMB
Long-term equity investment	1,040,594	—	1,040,594	959,204	—	959,204
Stock Investment	5,610,000	—	5,610,000	—	—	—
Total	<u>6,650,594</u>	<u>—</u>	<u>6,650,594</u>	<u>959,204</u>	<u>—</u>	<u>959,204</u>

# NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2001

(Prepared in accordance with PRC GAAP and regulations)

## 15. LONG-TERM EQUITY INVESTMENT (Continued)

Detail of long-term equity investment and stock investment is as follow:

### Long-Term Equity Investment - Company

Name of Investee	Original cost RMB	Share of interest during the year RMB	Accumulated share of interest RMB	Amount as at 31 December 2001 RMB
Xiaoshan Tongda	1,082,289	81,390	(41,695)	1,040,594

### Stock Investment-Company and Group

Name of Investee	Shares RMB	Percentage of total shares of company RMB	Original cost RMB	Provision for impairment RMB	Net book value RMB
Kebang Telecom (Group) Company Limited	2,000,000	0.4%	5,610,000	—	5,610,000

Above stock held by the Company is unlisted.

## 16. FIXED ASSETS AND ACCUMULATED DEPRECIATION

	Group			Total RMB
	Buildings RMB	Equipment and machinery RMB	Vehicles RMB	
Cost				
At 1 January 2001	2,800,814,008	5,466,734,130	992,555,179	9,260,103,317
Additions during the year	—	47,470	—	47,470
Transfer from construction in progress	214,569,709	162,597,912	86,206,424	463,374,045
Reclassification	(22,387,822)	20,624,399	1,763,423	—
Disposals	—	(21,657,280)	(21,000)	(21,678,280)
At 31 December, 2001	2,992,995,895	5,628,346,631	1,080,504,026	9,701,846,552
Accumulated Depreciation				
At 1 January 2001	695,205,266	3,001,316,759	599,146,029	4,295,668,054
Provision for the year	111,640,879	202,840,551	47,015,364	361,496,794
Reclassification	(5,152,213)	5,196,415	(44,202)	—
Eliminated on disposal	—	(16,207,267)	—	(16,207,267)
At 31 December, 2001	801,693,932	3,193,146,458	646,117,191	4,640,957,581
Provision for impairment				
Provision for the year and balance at 31 December, 2001	—	6,613,252	1,746,664	8,359,916
Net Value				
At 1 January 2001	2,105,608,742	2,465,417,371	393,409,150	4,964,435,263
At 31 December, 2001	2,191,301,963	2,428,586,921	432,640,171	5,052,529,055

# NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2001

(Prepared in accordance with PRC GAAP and regulations)

## 17. CONSTRUCTION IN PROGRESS

Construction name	Budget RMB	Group					% of completion RMB	Sources of funds
		At January 1, 2001 RMB	Additions RMB	Transfer to fixed assets RMB	At 31 December 2001 RMB			
Guixi Smelter Phase III	1,500,000,000	—	157,482,716	—	157,482,716	10%	Loan and self-funding	
Project of 90,000 ton per day	1,200,000,000	212,635,325	225,704,403	152,830,000	285,509,728	79%	Loan and self-funding	
Others	700,000,000	266,466,295	265,626,376	310,544,045	221,548,626	81%	Self-funding	
<b>Total</b>	<b>3,400,000,000</b>	<b>479,101,620</b>	<b>648,813,495</b>	<b>463,374,045</b>	<b>664,541,070</b>			
Including: Capitalized borrowing cost		9,256,223	17,299,401	8,804,918	17,750,706			

## 18. INTANGIBLE ASSETS

Items	Acquired method RMB	Original cost RMB	Group			Remaining amortization period
			At 31 January 1, 2001 RMB	Amortization this year RMB	At December 2001 RMB	
Trademark	Transfer	51,683,900	44,803,900	(1,720,000)	43,083,900	25 years
Mining right	Transfer	56,191,000	48,651,000	(1,870,000)	46,781,000	25 years
		<u>107,874,900</u>	<u>93,454,900</u>	<u>(3,590,000)</u>	<u>89,864,900</u>	

## 19. LONG-TERM DEFERRED EXPENSES

Amortization Items	Group			
	At 1 January 2001 RMB	Amortization this year RMB	At 31 December 2001 RMB	period left
Software purchased from outside	<u>2,771,495</u>	<u>(1,400,000)</u>	<u>1,371,495</u>	<u>one year</u>

## 20. SHORT-TERM LOAN

Category	Group 31 December 2001 RMB	Group 31 December 2000 RMB
Credit loans		
— RMB	950,230,000	911,230,000
— USD	39,438,243	—
	<u>989,668,243</u>	<u>911,230,000</u>

Annual interest rate ranges from 4.50% to 5.85%.

# NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2001

(Prepared in accordance with PRC GAAP and regulations)

## 21. BILLS PAYABLE

	<b>Group 31 December 2001 RMB</b>	Group 31 December 2000 RMB
Bank-accepted bills payable within one year	<u><b>118,871,825</b></u>	<u>92,038,977</u>

## 22. ACCOUNT PAYABLE

The Group's balance due to shareholder who holds more than 5% shares of total the Company is as follow:

<b>Shareholder</b>	<b>31 December, 2001 RMB</b>	31 December, 2000 RMB
Jiangxi Copper Company	<u><b>1,186,949</b></u>	<u>566,941</u>

## 23. ADVANCE FROM CUSTOMERS

In Group's balance of advance from customers, no advance from shareholders who hold more than 5% shares of the Company.

## 24. DIVIDENDS PAYABLE

	<b>Group 31 December 2001 RMB</b>	Group 31 December 2000 RMB
Jiangxi Copper Company	<b>63,777,810</b>	12,755,562
International Copper Industry (China) Investment Ltd.	<b>25,000,000</b>	5,000,000
Hubei Sanxin Gold & Copper Company Ltd.	<b>25,000</b>	5,000
Jiangxi Xinxin Industrial Company Ltd.	<b>25,000</b>	5,000
Shenzhen Baoheng (Group) Company Ltd.	<b>50,000</b>	10,000
H Shares shareholders	<b>32,824,100</b>	6,564,820
A Sharess shareholders	<b>11,500,000</b>	—
	<u><b>133,201,910</b></u>	<u>24,340,382</u>

The board of directors proposed to issue cash dividend of RMB 0.05 (including tax) per share to all the shareholders, which is subject to be approved by next annual general meeting.

## 25. TAXES PAYABLE

	<b>Group 31 December 2001 RMB</b>	Group 31 December 2000 RMB
Income tax	<b>(4,658,775)</b>	(4,672,345)
VAT	<b>(1,952,056)</b>	41,659,881
Business tax	<b>34,725</b>	65,305
Resource tax	<b>2,341,723</b>	614,292
Others	<b>1,966,541</b>	1,884,934
	<u><b>(2,267,842)</b></u>	<u>39,552,067</u>

As stated in Note 45, the Company made no provision for income tax in the year 2000 and year 2001. The income tax payable in the opening and closing balances represents prepaid income tax.

# NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2001

(Prepared in accordance with PRC GAAP and regulations)

## 26. OTHER UNPAID

	Group 31 December 2001 RMB	Group 31 December 2000 RMB
Compensation fee for mineral resources	17,743,599	20,187,843
Others	7,395	7,491
	<u>17,750,994</u>	<u>20,195,334</u>

Compensation fee for mineral resources is collected in accordance with Order No.150 issued by the State Council and Order No.35 issued by government of Jiangxi Province; compensation fee = sales of mineral products X compensation rate X extracting coefficient rate; extracting coefficient rate = approved extracting rate/actual extracting rate

## 27. OTHER PAYABLES

In Group's balance of other payables, the balance due to shareholder who holds more than 5% of the Company is as follow:

Shareholder	31 December, 2001 RMB	31 December, 2000 RMB
Jiangxi Copper Company	<u>89,397,131</u>	<u>23,481,064</u>

## 28. ACCRUED EXPENSES

	Group 31 December 2001 RMB	Group 31 December 2000 RMB	Reason for not settled
Professional service fee	<u>2,500,000</u>	<u>2,100,000</u>	Not paid as invoice not received

## 29. LONG-TERM LIABILITIES DUE WITHIN ONE YEAR

	Group 31 December 2001 RMB	Group 31 December 2000 RMB
Long-term loans due within one year (Note 30)	172,000,000	180,006,423
Long-term payable due within one year (Note 31)	<u>1,870,000</u>	<u>1,870,000</u>
	<u>173,870,000</u>	<u>181,876,423</u>

## 30. LONG-TERM LOANS

	Group 31 December 2001 RMB	Group 31 December 2000 RMB
Long-term loans	2,008,920,000	2,165,926,423
Less: Amount due within one year	<u>172,000,000</u>	<u>180,006,423</u>
Amount due after one year	<u>1,836,920,000</u>	<u>1,985,920,000</u>

# NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2001

(Prepared in accordance with PRC GAAP and regulations)

## 30. LONG-TERM LOANS (Continued)

Bank name	Capital RMB	Period	Annual rate	Terms
ICBC, Yintan Branch, Jiangtong Office	35,000,000	1999.4.27-2003.4.26	6.03%	Credit loan
	20,000,000	1999.5.26-2004.2.25	6.03%	Credit loan
	21,000,000	1999-6.23-2003.6.22	6.03%	Credit loan
	78,400,000	2000.7.28-2005.7.27	6.03%	Credit loan
	40,000,000	2001.1.3-2003.1.3	5.94%	Credit loan
	40,000,000	2001.1.8-2003.1.8	5.94%	Credit loan
	44,810,000	2001.1.10-2003.7.10	5.94%	Credit loan
	60,000,000	2001.1.16-2003.1.16	5.94%	Credit loan
	30,000,000	2001.1.4-2002.1.4	5.94%	Credit loan
	90,000,000	2000.8.30-2003.8.29	5.94%	Credit loan
	20,000,000	2001.11.7-2003.11.6	5.94%	Credit loan
	25,000,000	2001.12.5-2004.12.4	5.94%	Credit loan
	50,000,000	2001.12.7-2003.12.6	5.94%	Credit loan
	10,000,000	2001.12.24-2003.12.23	5.94%	Credit loan
	30,000,000	2001.12.25-2004.12.24	5.94%	Credit loan
15,000,000	2001.11.19-2007.11.18	6.21%	Credit loan	
ICBC, Yanjiang Branch	50,000,000	2000.6.28-2003.6.27	5.94%	Guaranteed loan
Bank of China, Yintan Branch	28,000,000	1999.11.30-2004.11.30	6.03%	Guaranteed loan
	17,000,000	2000.2.13-2005.2.13	6.03%	Guaranteed loan
	30,000,000	2001.12.27-2003.12.27	5.94%	Credit loan
	18,000,000	2001.12.27-2004.12.27	5.94%	Credit loan
Bank of Construction, Tongjidi Branch	109,710,000	1997.2.18-2008.12.30	6.21%	Guaranteed loan
	60,000,000	1997.2.18-2002.12.31	6.21%	Guaranteed loan
	220,000,000	1997.3.31-2003.12.31	5.94%	Guaranteed loan
	82,000,000	1998.3.24-2004.12.31	6.21%	Credit loan
	210,000,000	1999.2.25-2008.11.30	6.21%	Credit loan
	217,000,000	1999.9.15-2009.9.14	6.21%	Credit loan
	50,000,000	2000.6.22-2006.6.21	6.21%	Credit loan
	73,000,000	2000.3.31-2003.3.31	5.94%	Credit loan
	85,000,000	2000.9.25-2003.9.24	5.94%	Credit loan
	50,000,000	2001.8.28-2004.8.27	5.94%	Credit loan
	50,000,000	2001.10.29-2007.4.28	6.21%	Credit loan
China Merchants Banks, Nanchang Branch	50,000,000	2001.12.14-2004.6.13	5.94%	Credit loan
Total	<u>2,008,920,000</u>			

All the guaranteed loans were guaranteed by JCC. Please refer to note 48 for details.

## 31. LONG-TERM PAYABLE

Items	Group 31 December 2001 RMB	Group 31 December 2000 RMB
Long-term payable	46,781,000	48,651,000
Less: Amount due within one year	<u>1,870,000</u>	<u>1,870,000</u>
Amount due after one year	<u>44,911,000</u>	<u>46,781,000</u>

The amount represents the balance due to JCC as the consideration for the transfer of the mining rights. The amount is repayable in 30 annual instalments of 1,870,000 each year 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 January 1, 1998.

# NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2001

(Prepared in accordance with PRC GAAP and regulations)

## 32. SPECIAL PAYABLE

Special payable represents the subsidy on interest of technical innovation loan received from the Ministry of Finance amounting to RMB 84,000,000. As the interest is not incurred this year, the subsidy is deferred and recorded in special payable.

## 33. SHARE CAPITAL

The change of share capital of the Company during the year is as follows:

	Group		
	31 December 2000 (share)	Issue shares	31 December 2001 (share)
1. Non-trading shares			
(1) Promoters shares			
- Domestic state-owned legal person shares	1,275,556,200	—	1,275,556,200
- Domestic other legal person shares	2,000,000	—	2,000,000
	<u>1,277,556,200</u>	<u>230,000,000</u>	<u>1,507,556,200</u>
(2) Issued but not traded shares			
- A Sharess	—	230,000,000	230,000,000
Total non-trading shares	<u>1,277,556,200</u>	<u>230,000,000</u>	<u>1,507,556,200</u>
2. Trading shares			
- H Shares	1,156,482,000	—	1,156,482,000
Total share capital	<u>2,434,038,200</u>	<u>230,000,000</u>	<u>2,664,038,200</u>

The face value of the above shares is RMB 1.00.

Share capital has no change during 1 January to 31 December, 2000.

## 34. CAPITAL RESERVES

	Group		
	31 December 2000 RMB	Addition RMB	31 December 2001 RMB
Share premium	1,016,849,417	275,784,562	1,292,633,979
Revaluation reserve	113,063	—	113,063
	<u>1,016,962,480</u>	<u>275,784,562</u>	<u>1,292,747,042</u>

The addition in share premium is proceeds from issuance of A Sharess in December 2001.

Capital reserves have no change during 1 January to 31 December, 2000.

# NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2001

(Prepared in accordance with PRC GAAP and regulations)

## 35. SURPLUS RESERVES

The change in surplus reserves of the Company during the year 2001 and 2000 is as follows:

	Group			Total RMB
	Statutory surplus reserve RMB	Discretionary surplus reserve RMB	Statutory public welfare fund RMB	
At January 1, 2001	52,093,111	95,901,460	34,345,417	182,339,988
Provision for the year	30,155,893	60,286,942	30,149,682	120,592,517
Addition for the year (Note 1)	—	59,015	—	59,015
Utilization of statutory public welfare fund (Note 2)	—	2,166,768	(2,166,768)	—
At 31 December, 2001	<u>82,249,004</u>	<u>158,414,185</u>	<u>62,328,331</u>	<u>302,991,520</u>
At January 1, 2000	41,215,167	61,821,450	41,214,733	144,251,350
Provision for the year	10,877,944	16,298,973	10,871,953	38,048,870
Addition for the year (Note 1)	—	39,768	—	39,768
Utilization of statutory public welfare fund (Note 2)	—	17,741,269	(17,741,269)	—
At 31 December, 2000	<u>52,093,111</u>	<u>95,901,460</u>	<u>34,345,417</u>	<u>182,339,988</u>

Statutory surplus reserve can be used to make up future losses, to expand operations or to increase share capital by means of conversion. Statutory public welfare fund can be utilized for staff welfare.

Note 1: The addition of discretionary surplus reserve in year 2001 and year 2000 represent the income tax refund according to the notice issued by Xiaohan Tax Bureau, Cheng Xiang Branch. The Company shares the refund amounted RMB 59,015 for year 2000 and RMB 39,768 for year 1999 by reference to interest in Xiaoshan Tongda.

Note 2: The utilization of statutory public welfare fund represents the capital expenditure on staff welfare facilities.

## 36. UNAPPROPRIATED PROFITS

### (1) Appropriation of statutory surplus reserve

Pursuant to the Provision 177 of Company Law and the Company's Article of Association, 10% of net profit is appropriated as statutory surplus reserve.

Further appropriation need not to be made when the balance of statutory surplus reserve reaches an amount equal to 50% of the Company's registered capital.

### (2) Appropriation to statutory public welfare fund

Pursuant to the Provision 177 of Company Law and the Company's Article of Association, the board of directors proposed to appropriate 10% of the current year's net profit (10% in 2000) as statutory public welfare fund, which is subject to be approved by next annual general meeting.

### (3) Appropriation to discretionary surplus reserve

The board of directors proposed to appropriate 20% of the current year's net profit (15% in 2000) as discretionary surplus reserve, which is subject to be approved by next annual general meeting.

### (4) Proposed dividend

The board of directors proposed to issue cash dividend of RMB 0.05 per share to all the shareholders, which is subject to be approved by next annual general meeting.

# NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2001

(Prepared in accordance with PRC GAAP and regulations)

## 37. NET REVENUE FROM PRINCIPAL OPERATIONS AND SEGMENT INFORMATION

Revenue by products	Group 2001 RMB	Group 2000 RMB
Copper cathode	1,855,764,937	2,555,327,992
Gold	492,241,075	409,442,274
Other (silver, sulphuric acid, etc.)	357,097,065	474,578,116
Tolling services	290,690,051	85,163,971
	<u>2,995,793,128</u>	<u>3,524,512,353</u>
<b>Geographical Segments</b>	<b>Group 2001 RMB</b>	<b>Group 2000 RMB</b>
PRC	2,925,823,945	3,010,191,572
South Korea	—	341,289,126
Others	69,969,183	173,031,655
	<u>2,995,793,128</u>	<u>3,524,512,353</u>
<b>Total sales of the five largest customers</b>		<b>Percentage in total sales</b>
<i>RMB</i>		<i>%</i>
1,123,592,815		37.5

## 38. COST OF PRINCIPLE OPERATIONS

	Group 2001 RMB	Group 2000 RMB
Cost of domestic sales	2,265,354,101	2,483,629,830
Cost of export sales	43,394,918	490,160,559
	<u>2,308,749,019</u>	<u>2,973,790,389</u>

## 39. SALES TAXES ON PRINCIPAL OPERATIONS

	Group 2001 RMB	Group 2000 RMB
Resource tax	<u>31,695,301</u>	<u>31,207,408</u>

# NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2001

(Prepared in accordance with PRC GAAP and regulations)

## 40. INCOME FROM OTHER OPERATIONS

	Group 2001 RMB	Group 2000 RMB
Sales of auxiliary materials and spare parts		
— Revenue	81,469,178	94,109,611
— Expenses	<u>(78,643,768)</u>	<u>(90,219,759)</u>
	<u>2,825,410</u>	<u>3,889,852</u>
Sales of water, gas and electricity		
— Revenue	35,230,135	33,519,884
— Expenses	<u>(32,271,619)</u>	<u>(33,168,601)</u>
	<u>2,958,516</u>	<u>351,283</u>
Gain (loss) on settlement of forward contract	(4,364,750)	2,935,734
Others	<u>6,137,528</u>	<u>(348,184)</u>
	<u>7,556,704</u>	<u>6,828,685</u>

## 41. FINANCIAL EXPENSES

	Group 2001 RMB	Group 2000 RMB
Interest expenses	163,067,225	140,972,344
Less: interest income	(9,942,592)	(4,450,086)
Exchange loss (gain)	106,269	108,803
Others	<u>486,112</u>	<u>811,241</u>
	<u>153,717,014</u>	<u>137,442,302</u>
Above excludes:		
Capitalized interest expenses	<u>17,299,401</u>	<u>49,046,995</u>

## 42. INVESTMENT INCOME

Group	2001 RMB	2000 RMB
Income from short-term investment		
— Income from debt investment	1,999,302	—
— Provision for impairment on stock investment	<u>(179,322)</u>	<u>—</u>
	<u>1,819,980</u>	<u>—</u>
Company	2001 RMB	2000 RMB
Income from short-term investment		
— Income from debt investment	1,999,302	—
— Provision for impairment on stock investment	<u>(179,322)</u>	<u>—</u>
Income from long-term investment		
— Income recognized under equity method	<u>183,237</u>	<u>159,616</u>
	<u>2,003,217</u>	<u>159,616</u>

# NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2001

(Prepared in accordance with PRC GAAP and regulations)

## 43. SUBSIDIES

	Group 2001 RMB	Group 2000 RMB
Income tax refunded	<u>98,359</u>	<u>66,330</u>

Refer to Note 35(1) for details.

## 44. NON-OPERATING EXPENSES

	Group 2001 RMB	Group 2000 RMB
Education fee	15,169,103	13,132,000
Loss on disposal of fixed assets	—	6,127,438
Provision for impairment on fixed assets	8,359,916	—
Others	4,162,197	6,143,056
	<u>27,691,216</u>	<u>25,402,494</u>

## 45. INCOME TAX

	Group 2001 RMB	Group 2000 RMB
Income tax for the year (Note 1)	57,023,162	17,858,481
Income tax deductible (Note 2)	(57,023,162)	(17,858,481)
Income tax of subsidiaries	101,973	98,359
	<u>101,973</u>	<u>98,359</u>

Note 1: The income tax RMB 57,023,162, which is calculated based on taxable income.

Note 2: Pursuant to a notice issued jointly by the Ministry of Finance and the State Tax Bureau (Cai Shui Zi [2000] No.49) and written approval from the state tax bureau of Jiangxi Province, the unutilized tax benefit in respect to the purchase of domestic machinery and equipment for the year 2000 is RMB 55,627,972 and tax benefit for 2001 is RMB 13,037,712. As the income tax for the year 2001 is RMB 57,023,162, the unutilized tax benefit for the year 2000 is fully applied and unutilized tax benefit of RMB 11,642,522 for the year 2001 is carried forward to next year. Unutilized tax benefit for the year 2001 will be changed as result of the Company's income tax filing with the tax bureau.

## 46. OTHER CASH PAID RELATING TO OPERATING ACTIVITIES

	Group 2001 RMB	Group 2000 RMB
Amount paid in respect to operating expenses and administrative expenses	111,589,279	154,818,154
Non-operating expenses paid	19,331,300	19,275,056
Other expenses paid	39,938,606	25,109,603
	<u>170,859,185</u>	<u>199,202,813</u>

# NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2001

(Prepared in accordance with PRC GAAP and regulations)

## 47. CASH AND CASH EQUIVALENTS

	<b>Group December 31,2001 RMB</b>	Group December 31,2000 RMB
Bank balances and cash (Note 6)	<b>683,327,945</b>	368,811,075
Less: Deposit for bank-accepted bills included in bank balances and cash (Note 6)	<b>2,267,780</b>	2,708,399
	<b><u>681,060,165</u></b>	<b><u>366,102,676</u></b>
Bank balances and cash	<b>682,754,028</b>	368,295,229
Less: Deposit for bank-accepted bills included in bank balances and cash	<b>2,267,780</b>	2,708,399
	<b><u>680,486,248</u></b>	<b><u>365,586,830</u></b>

## 48. SIGNIFICANT RELATED PARTY TRANSACTIONS

- (1) Related parties who can exercise control over the Company

Name	Registered address	Principal operations	Relationship with the Company	Nature of ownership	Legal representative
JCC	Guixi, Jiangxi Province	Colored metal non-metal mining, smelting, refining and protecting colored metal	Holding company	State-owned	He Changming

- (2) Status and changes of paid-in capital owned by related parties who can exercise control over the Company

Name	<b>At 31 December, 2001 and 31 December, 2000 RMB</b>
JCC	<b><u>3,896,060,000</u></b>

- (3) Status and changes of the shares and equity owned by related parties who can exercise control over the Company

Name	At 1 January 2001		Addition		Reduction		At 31 December 2001	
	RMB	%	RMB	%	RMB	%	RMB	%
JCC	1,275,556,200	52.40	—	—	—	4.5	1,275,556,200	47.9

- (4) Nature of the relationship related parties who cannot exercise control over the Company

Name	Relationship with the Company
Jiangxi Xinxin Company Ltd. ("Jiangxi Xinxin")	Promoter shareholder
Hubei Sanxin Gold & Copper Company Ltd. ("Hubei Sanxin")	Promoter shareholder

# NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2001

(Prepared in accordance with PRC GAAP and regulations)

## 48. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(5) Significant transactions entered with the Company and above-mentioned related parties in current year:

(a) Significant transaction entered with the Company and (i) JCC and its affiliates, (ii) Jiangxi Xinin and Hubei Sanxin in current year:

	<b>2001</b>	2000
	<b>RMB</b>	<b>RMB</b>
Transactions with JCC and its affiliate:		
Tolling fee and sales fee charged by the Group (note (a))	<b>215,794,000</b>	—
Sale of copper cathode and sulphuric acid by the Group (note(a))	<b>181,063,000</b>	199,203,000
Re-sales of auxiliary industrial products by the Group (note(a))	<b>73,252,000</b>	104,262,000
Sale of waste, filter residue and black cement copper by the Group (note(a))	<b>13,629,000</b>	7,446,000
Purchase of copper concentrates by the Group (note(a))	<b>142,939,000</b>	135,782,000
Purchase of scrap copper by the Group (note(a))	<b>138,521,000</b>	212,754,000
Purchase of auxiliary industrial Products by the Group (note(a))	<b>159,590,000</b>	186,240,000
Licence fee on railway transportation charged to the Group (note(b))	<b>7,174,000</b>	7,174,000
Railway transportation service provided to the Group (note(a))	<b>11,757,000</b>	11,613,000
Rental for land use rights charged to the Group (note(c))	<b>15,000,000</b>	15,000,000
Rentals for office premises (note(c))	<b>4,007,000</b>	3,147,000
Rentals for housing for the employees and use of common facilities charged to the Group (note(b))	<b>13,893,000</b>	11,589,000
Repair and maintenance service provided to the Group (note(a))	<b>81,625,000</b>	108,804,000
Construction service provided to the Group (note(a))	<b>27,416,000</b>	40,718,000
Vehicle transportation service provided to the Group (note(a))	<b>42,271,000</b>	45,447,000
Supply of water and transmission of electricity (note(b))	<b>29,258,000</b>	32,915,000
Industrial water supplied (note(b))	<b>18,425,000</b>	18,152,000
Brokerage agency service provided (note(a))	<b>989,000</b>	1,667,000
Environmental greenery services provided (note(b))	<b>2,947,000</b>	3,183,000

# NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2001

(Prepared in accordance with PRC GAAP and regulations)

## 48. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(5) Significant transactions entered with the Company and above-mentioned related parties in current year: (Continued)

(a) Significant transaction entered with the Company and (i) JCC and its affiliates, (ii) Jiangxi Xinin and Hubei Sanxin in current year: (Continued)

	<b>2001</b>	2000
	<b>RMB</b>	RMB
Social welfare and support services provided (note(b))		
— Welfare and medical services	<b>26,738,000</b>	35,318,000
— Primary and secondary education service	<b>10,793,000</b>	9,060,000
— Technical education service	<b>4,376,000</b>	4,072,000
— Internal telecommunications services	<b>5,051,000</b>	5,363,000
— Use of representative offices	<b>2,063,000</b>	1,727,000
Sales of copper cathode to Jiangxi Xinxin (note(a))	<b>142,954,000</b>	146,896,000
Tolling fee received from Hubei Sanxin (note(a))	<b>1,917,000</b>	8,557,000
Purchase of copper concentrates from Hubei Sanxin (note(a))	<b>14,502,000</b>	13,903,000

The Company entered into a processing agreement with JCC dated September 3, 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 May 22, 1997 by JCC (the “Undertaking”) and the asset injection agreement dated May 16, 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 October 23, 2001.

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.

# NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2001

(Prepared in accordance with PRC GAAP and regulations)

## 48. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(5) Significant transactions entered with the Company and above-mentioned related parties in current year: (Continued)

(b) Amount due to or from related parties

Account	Name of related parties	2001 RMB	2000 RMB
Bills receivable	JCC and its affiliates	5,767,604	2,068,211
Account receivable	JCC and its affiliates Jiangxi Xinxin	7,219,397 551,690	46,006,488 —
Other receivable	JCC and its affiliates	15,857,226	41,563,507
Prepayment	Hubei Sanxin JCC and its affiliates	30,000,000 11,011,555	30,000,000 216,197
		<u>70,407,472</u>	<u>119,854,403</u>
Bill payable	JCC and its affiliates	23,001,128	14,560,000
Account payable	JCC and its affiliates	38,210,736	112,733,326
Advance from customers	JCC and its affiliates	1,119,824	477,573
Other payable	JCC and its affiliates	131,171,246	40,037,705
Long-term payable within one year	JCC and its affiliates	1,870,000	1,870,000
Long-term payable	JCC and its affiliates	44,911,000	46,781,000
		<u>240,283,934</u>	<u>216,459,604</u>

(c) Guarantee

Up to 31 December, 2001, the Company has bank loan of RMB484,710,000 guaranteed by JCC (2000: RMB624,972,201).

(d) Others

In accordance with an agreement signed between the Company and JCC, JCC manages a defined contribution pension scheme on behalf of the Company. The Company makes contribution to the scheme through JCC. The total cost charged to the income statement is approximately RMB 33,551,000 (2000: RMB 39,242,000).

## 49. FORWARD CONTRACTS

At the balance sheet date, the Company had outstanding forward contracts of copper cathode as follows:

	31 December 2001	31 December 2000
Forward sell contracts:		
Quantities (in tons)	1,165	2,320
Average price per ton (RMB)	<u>14,358</u>	<u>18,778</u>
Delivery period	<u>In April 2002</u>	<u>From January 2001 to May 2001</u>

# NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2001

(Prepared in accordance with PRC GAAP and regulations)

## 49. FORWARD CONTRACTS (Continued)

Forward buy contracts:

Quantities (in tons)	<b>700</b>	4,495
Average price per ton (RMB)	<b><u>15,639</u></b>	<u>19,210</u>
Delivery period	<b><u>In January 2002</u></b>	<u>From March 2001 to August 2001</u>

At the balance sheet date, the unrealised loss on the outstanding forward contracts amounted to approximately RMB1,500,000 (2000: RMB2,000,000).

## 50. COMMITMENTS

### (1) Capital commitments

	<b>2001</b>	2000
	<b>RMB</b>	RMB
Contracted for but not provided in the financial statements	<b><u>617,315,000</u></b>	<u>71,812,000</u>

### (2) Lease commitments

At the balance sheet date, the Company had outstanding commitments under non-cancelable operating leases with a term of more than one year which fall due as follows:

	<b>2001</b>	2000
	<b>RMB</b>	RMB
Rental payable		
Within one year	<b>15,000,000</b>	15,000,000
Between one and two years	<b>15,000,000</b>	15,000,000
Between two and three years	<b>15,000,000</b>	15,000,000
Over three years	<b><u>330,000,000</u></b>	<u>345,000,000</u>
Total	<b><u>375,000,000</u></b>	<u>390,000,000</u>

The amount represents the balance due to JCC as the consideration for the rental of land usage. The amount is repayable in 30 annual instalments of 15,000,000 each starting from year 1997 to year 2027.

## 51. SUBSEQUENT EVENTS

- (1) The 230,000,000 A Shares allotted on 21 December 2001 were listed on 11 January 2002 on Shanghai Stock Exchange ("SSE").
- (2) The Company acquired the operating assets and related liabilities of Wushan Copper Mine and 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.
- (3) A decision has been approved by the board of directors, which authorized the Company invests jointly with its immediate holding Company ("JCC") in Jiangxi Copper Industrial Material Co., Ltd. The total registered capital amounts to RMB 150,000,000, in which the Company will contribute the amount of RMB 90,000,000.

# SUPPLEMENTAL INFORMATION

YEAR ENDED 31 DECEMBER 2001

## 1. DIFFERENCE BETWEEN IAS GAAP AND PRC GAAP

These financial statements are prepared according to PRC GAAP, which are different from those prepared according to IAS GAAP.

At balance sheet date, net profit and net assets were RMB 301,435,000 and RMB 4,572,800,000 respectively according to PRC GAAP. These figures can be reconciled to that under IAS GAAP as follows:

	Net profit For the year ended December 31, 2001 <i>RMB'000</i>	Net assets at December 31, 2001 <i>RMB'000</i>
Per PRC GAAP	301,435	4,572,800
Adjustment according to IAS GAAP:		
— Interest income from subscription deposit for A Shares issuing which is recognized as income under IAS GAAP	10,938	—
— Common shares dividend proposed by the board of directors which cannot be booked under IAS GAAP	—	133,202
Per IAS GAAP	<u>312,373</u>	<u>4,706,002</u>

## 2. WEIGHTED AVERAGE AND FULLY DILUTED RETURN ON NET ASSETS AND EARNING PER SHARE

Reporting profit	Return on net assets (%)		Earning per share (RMB)	
	Fully diluted	Weighted average	Fully diluted	Weighted average
Profit from principal operations	14.33	16.18	0.25	0.27
Operating profits	7.06	7.98	0.12	0.13
Net profit	6.59	7.44	0.11	0.12
Net profit excluding non-reoccurring items	6.65	7.51	0.11	0.13

## 3. PROVISION FOR ASSETS IMPAIRMENT AT DECEMBER 31, 2001

Items	At January 1, 2001 Group & Company <i>RMB</i>	Additional Group & Company <i>RMB</i>	Write-back Group & Company <i>RMB</i>	At December 31, 2001 Group & Company <i>RMB</i>
1. Bad debt provision	117,372,082	—	(30,848,038)	86,524,044
Including: A Shares receivable	94,990,823	—	(25,881,424)	69,109,399
Other receivable	22,381,259	—	(4,966,614)	17,414,645
2. Provision for impairment on short-term investment	—	179,322	—	179,322
Including: Stock investment	—	179,322	—	179,322
3. Provision for impairment on inventory	9,296,396	6,105,344	(4,079,851)	11,321,889
Including: Finished goods	7,638,090	—	(4,040,212)	3,597,878
Raw material	1,658,306	6,105,344	(39,639)	7,724,011
4. Provision for impairment on fixed assets	—	8,359,916	—	8,359,916
Including: Equipment and machinery	—	6,613,252	—	6,613,252
Vehicles	—	1,746,664	—	1,746,664

# SUPPLEMENTAL INFORMATION

YEAR ENDED 31 DECEMBER 2001

**4. The explanations to the items in financial statements whose fluctuation range is over 30% (including 30%) and cover the total assets of balance sheet date over 5% (including 5%) or cover the total profit in this year over 10% (including 10%) areas follows:**

Items in balance sheet:

(1) Bank balances and cash

The closing balance increased by 85.3% compared with the opening balance, which was mainly due to the proceeds from issuance of A Shares was received on December 28, 2001.

(2) Construction in progress

The closing balance increased by 38.7% compared with the opening balance, which was mainly due to the addition of the new project Guixi Smelter Phase III.

Items in statement of income and profits appropriation:

(1) Net revenue from principle operations

The amount of current year decreased greatly compared with that of last year, which was mainly due to the great increase of the tolling service percentage in total revenue from principle operations while its unit price is relatively lower.

(2) Cost of principle operations

The amount of current year decreased greatly compared with that of last year, which was mainly due to the great increase of the tolling service percentage in total cost of principle operations while its unit cost is relatively lower.

(3) Administrative expenses

The amount of current year decreased greatly compared with that of last year, it was mainly due to the favorable results from collecting of accounts receivable by the Company, as a result, the bad debt provision expenses decreased sharply.