

## Principal activities

The Company is principally engaged in copper mining, milling, smelting and refining, producing copper cathode and by-products including pyrite concentrates, sulphuric acid, gold and silver. The Company also engages in smelting and refining of the materials provided by the customers. The Company's subsidiary is principally engaged in sales of sulphuric acid.

## Investment during the reporting period

The Company's capital expenditure during the year amounted to approximately RMB1,212,240,000 due to a number of projects such as the Guixi Smelter Phase III technological renovation project, the acquisition of Wushan Copper Mine and the exploration right and relevant facilities owned by Jiangxi Fujiawu Copper Co., Ltd., the 150,000 tonne oxygen-free copper rod project and the Dexing Mine's 90,000-tonne capacity project.

During the year, the funds for the Company's capital expenditure were mainly sourced from the proceeds of approximately RMB494.85 million from A Shares issued at the end of 2001 and other commercial loans, etc..

The Company's future capital requirements will still be used for financing the Guixi Smelter Phase III technological renovation project, exploration of Fujiawu Copper Mine and investment in other development projects. Directors believe that the Company has sufficient cash and borrowing capacity to meet the need of these projects for funds. The Company will also maximize the advantages of financial leverage to optimize the Company's capital structure.

### 1. Investment projects financed by proceeds

The total amount of the proceeds:	RMB494.85 million	The total amount of proceeds used in the year:	RMB494.85 million
		The total amount of proceeds used in aggregate:	RMB494.85 million

Committed projects	Amount budgeted to be contributed (RMB million)	Amount actually contributed (RMB million)	Of which: proceeds used (RMB million)	Progress completed	Profit generated (RMB million)
Technological renovation project of Guixi Smelter Phase III	1,500.00	782.25	260.05	52.2%	—
Acquisition of Wushan Copper Mine Project	193.81	193.81	193.81	100%	9.33
Exploitation of Fujiawu Copper Mine	810.00	119.03	40.99	14.7%	—
	2,503.81	1,095.09	494.85		

### 2. Projects using funds other than proceeds

Name of project	Project amount (RMB million)	Project progress	Project effectiveness
Dexing Copper Mine with a capacity of 90,000 tonnes	1,200.00	96.8%	Daily average capacity of 90,000 tonnes in the year
Project with a capacity of 150,000 tonnes of oxygen-free copper rods	161.51	21%	Nil
	1,361.51		

## 3. Establishment of company

On 11 March 2002, the Company entered into a joint venture agreement with JCC to jointly establish a company, JCPC with an annual production capacity of 150,000 tonnes of oxygen-free copper rods and wire. The Company invested a sum of RMB90 million in cash and owned 60% shares of JCPC. JCC invested RMB60 million in cash, and owned 40% shares of JCPC.

## Fixed Assets

The Group acquired fixed assets of approximately RMB1,047 million during the year, which are mainly used for, inter alia, the expansion of Guixi Smelter Phase III and improving and increasing the mining capacity of Dexing Copper Mine and renovation project of open-area mining technology of the copper mine at Fujiawa. In addition, fixed assets of the Group increased by approximately RMB238 million as a result of the acquisition of Wushan Copper Mine in the year. The details of changes in fixed assets mentioned above and other fixed assets of the Group and the Company are set out in note 14 to the financial statements prepared in accordance with PRC GAAP and regulations and note 14 to the financial statements prepared in accordance with IFRS.

## Daily Work of the Board of Directors

### During the year, the Board held five meetings

On 31 March 2002, the Board of Directors considered and approved a resolution in written form regarding the establishment of JCPC jointly with JCC and considered and passed the motion regarding the dealing with the matters related to the connected transaction between the Company and JCC.

On 11 April 2002, a Board of Directors' meeting was held. This meeting considered and approved the following resolutions: 2001 Annual Report and audited financial statements; 2001 Profit Appropriation Plan and Final Dividend Distribution Plan to be submitted to 2001 Annual General Meeting for approval; resignation of Mr. Cui Guisheng, external executive director, and nomination of Mr. Liang Qing, as candidate for external executive director subject to approval of 2001 Annual General Meeting; resignation of Mr. Long Tao, independent non-executive director, and nomination of Kang Yi as candidate for independent non-executive director subject to approval of 2001 Annual General Meeting; resignation of Mr. Long Tao from the position of Chairman of the Independent Audit Committee and the appointment of Mr. Shi Zhongliang as Chairman of the Independent Audit Committee; the motion of setting up of ADR; the year-end bonus of 2001 and the proposed percentage increase in remuneration for directors in 2002 and remuneration for supervisors in 2001 and the authorization of Board of Directors to determine the proposed percentage increase in remuneration thereof for 2002 subject to approval of 2002 Annual General Meeting, the submission of the remuneration for supervisors in 2001 and the proposed percentage increase thereof in 2002 to the Annual General Meeting for approval; the re-appointment of Deloitte Touche Tohmatsu Certified Public Accountants Ltd. and Deloitte Touche Tohmatsu as the Company's domestic and international auditors; the Company's policy of profit estimate for 2002; the Company's production and operation plan for 2002; and holding of 2002 Annual General Meeting.

On 25 April 2002, the Company's Board of Directors considered and approved a resolution in written form regarding the unaudited first quarterly report of the Company for 2002 prepared under PRC GAAP and regulations.

On 20 August 2002, a Board of Directors' meeting was held. This meeting considered and approved the interim (first half of the year) report and the unaudited interim (first half of the year) financial statements for 2002; the interim (first half of the year) profit appropriation plan.

On 25 October 2002, the Company's Board of Directors approved a resolution in written form regarding the unaudited third quarterly report of the Company for 2002 prepared under PRC GAAP and regulations.

## Board of Directors' implementation of resolutions passed at shareholders' meeting

During the year, the Company's Board of Directors fully exercised the rights and powers authorized at shareholders' meeting, discharged their duties and powers as conferred by the Articles of Association of the Company and the Company Law and implemented all the resolutions passed at shareholders' meeting.

## Profit Distribution Plan

The net profit of the Company calculated according to the PRC GAAP and IFRS for the year ended 31 December 2002 was RMB169,504,000.

In accordance with the Company Law and the Articles of Association of the Company, the Board of Directors proposed to contribute the profit after taxation calculated according to PRC GAAP as follows: 10% to the statutory surplus reserve; 10% to the statutory public welfare funds; and 20% to the discretionary surplus reserve, totalling RMB67,801,000. In addition, according to the profit distribution plan for the next year approved at the annual general meeting on 12 June 2002, the Board of Directors proposed to distribute to all the shareholders a final cash dividend of RMB0.30 (tax inclusive for A Shares) per ten shares held on the basis of the total number of 2,664,038,200 shares at the end of year 2002, totalling approximately RMB79,921,000 (2001: RMB133,202,000). According to PRC GAAP, the remaining undistributed profits of RMB334,941,000 will be carried forward to the following years and available for distribution.

For this profit distribution, no conversion of surplus reserve into share capital increase will be made.

For this dividend distribution, dividends for A Shares will be distributed and paid in Renminbi while dividends for H Shares will be declared and distributed in Renminbi and paid in Hong Kong dollars (the exchange rate of Renminbi against Hong Kong dollars will be based on the mean of the average value of the exchange rate of Renminbi against Hong Kong dollars as announced by the People's Bank of China one calendar week prior to 11 June 2003).

The register of holders of H Shares will be closed from Monday, 12 May 2003 to Wednesday, 11 June 2003 (both days inclusive) during which period no transfer of shares will be registered.

Dividends for shareholders of H Shares will be distributed on Friday, 4 July 2003 to shareholders whose names appear on the Company's register of holders of H Shares on Monday, 19 May 2003. Further announcement on the registration of holders of A Shares and the date of dividend payment will be made according to relevant requirements after the application therefor has been accepted by the China Securities Clearing and Registration Company, Shanghai Branch.

This profit distribution plan will be subject to examination and approval by the annual general meeting to be held on 11 June 2003.

## Tax preference policy

Pursuant to a notice dated 16 April 2001 issued by the Jiangxi Provincial Tax Bureau, the Company, being located in the mid-western part of the PRC, is entitled to a reduced unified income tax rate of 15% for a period of three years from Year 2002 to Year 2004.

According to the document Cai Shui Zi [2002] No. 49, the Company had been approved by the Jiangxi Provincial Tax Bureau that the unutilized tax benefit in respect of investment for acquiring the PRC produced plant and machinery in 2000 was RMB12,673,831, which can be applied to set off against income tax in 2002 and the subsequent years. In 2001, the tax benefit in respect of investment for acquiring the PRC produced plant and machinery was RMB13,037,712. The tax benefit which could be used to set off against income tax for 2000 and 2001 had been fully applied.

# Report of the Directors

## Connected Transactions

The details of the connected transactions of the Group incurred during the year are set out in part 3 of "Disclosure of Significant Events".

## Major Customers and Suppliers

The purchases attributable to the Group's five largest suppliers amounted to RMB656.27 million, accounting for 21.2% of the total purchases of the year.

The sales to the Group's five largest customers amounted to RMB1,454.01 million, accounting for 43.7% of the total turnover for the year. The turnover attributable to the Group's largest customer represented 13.9% of the total turnover for the year. Jiangxi Xinxin Enterprise Company Limited (as the Company's promoter) is one of the Group's five largest customers. All transactions between the Company and the customers concerned as mentioned above were carried out on normal commercial terms.

## Share Capital

The details of movements during the year in the registered and issued share capital of the Company are set out in note 31 to the financial statements prepared under PRC GAAP and regulations and in note 26 to the financial statements prepared under IFRS.

## Donations

During the year, the Company made donations amounting to approximately RMB20,000.

## Corporate Governance

The Company has complied throughout the year ended 31 December 2002 with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of the Hong Kong Stock Exchange.

## Auditors

Messrs. Deloitte Touche Tohmatsu Certified Public Accountants Ltd. and Messrs. Deloitte Touche Tohmatsu have acted as the auditors of the Company for the PRC and international reporting purposes respectively. A resolution will be submitted to the annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu Certified Public Accountants Ltd. and Messrs. Deloitte Touche Tohmatsu.

The actual remuneration payable by the Company to the auditors for the year were as follows:

	<b>2002</b>	2001
	<b>RMB'000</b>	RMB'000
Fees for annual audit and interim review	<b>3,082</b>	2,975
Others (travelling and accommodation expenses)	<b>166</b>	60

By order of the Board  
**He Changming**  
Chairman

Jiangxi, the PRC  
8 April 2003