

Auditors' Report

For the year ended 31 December 2002
(Prepared in accordance with PRC GAAP and regulations)

德勤华永会计师事务所有限公司

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**Deloitte
Touche
Tohmatsu**

To the Shareholders of Jiangxi Copper Company Limited

We have audited the accompanying balance sheet of the Company and the Group as of 31 December 2002 and the related statements of income, profits appropriation and cash flows of the Company and the Group for the year then 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 circumstances of the Company and the Group.

In our opinion, such financial statements comply with the relevant requirements of the "Accounting Standards for Business Enterprises" and "Accounting System for Business Enterprises" and present fairly, in all material respects, the financial position of the Company and the Group as of 31 December 2002 and the results of their operations and cash flows for the year then ended. The accounting policies have been consistently applied.

Deloitte Touche Tohmatsu
Certified Public Accountants Ltd.

Shanghai China

Chinese Certified Public Accountant

Hu Fan
Zhang Ying

8 April 2003

Balance Sheet

At 31 December 2002
(Prepared in accordance with PRC GAAP and regulations)

	Notes	31 December 2002		31 December 2001	
		Group	Company	Group	Company
		RMB	RMB	RMB	RMB
CURRENT ASSETS:					
Bank balances and cash	6	257,499,326	253,619,886	683,327,945	682,754,028
Short-term investments	7	699,348	699,348	1,235,053	1,235,053
Notes receivable	8	37,066,148	35,566,148	32,970,563	31,355,943
Interests receivable		—	—	10,937,654	10,937,654
Accounts receivable	9	151,567,467	149,834,045	177,743,253	178,270,442
Other receivables	10	103,177,451	55,041,834	49,044,228	48,946,480
Prepayments	11	80,435,551	80,435,551	106,691,167	106,691,167
Inventories	12	1,510,877,972	1,510,773,077	1,576,282,316	1,576,227,466
Prepaid expenses		—	—	8,000,000	8,000,000
TOTAL CURRENT ASSETS		2,141,323,263	2,085,969,889	2,646,232,179	2,644,418,233
LONG-TERM INVESTMENTS:					
Long-term equity investments	13	5,610,000	96,665,617	5,610,000	6,650,594
FIXED ASSETS:					
Fixed assets at cost	14	10,439,886,221	10,439,794,763	9,701,846,552	9,701,757,594
Less: Accumulated depreciation	14	4,882,454,625	4,882,363,167	4,640,957,581	4,640,877,563
FIXED ASSETS, NET BOOK VALUE		5,557,431,596	5,557,431,596	5,060,888,971	5,060,880,031
Less: Provision for impairment loss on fixed assets	14	11,707,124	11,707,124	8,359,916	8,359,916
FIXED ASSETS, NET VALUE	14	5,545,724,472	5,545,724,472	5,052,529,055	5,052,520,115
Fixed assets under construction	15	1,024,348,962	990,312,844	664,541,070	664,541,070
TOTAL FIXED ASSETS		6,570,073,434	6,536,037,316	5,717,070,125	5,717,061,185
INTANGIBLE ASSETS AND OTHER ASSETS:					
Intangible assets	16	106,131,229	106,131,229	89,864,900	89,864,900
Long-term deferred expenses	17	—	—	1,371,495	1,371,495
TOTAL INTANGIBLE ASSETS AND OTHER ASSETS		106,131,229	106,131,229	91,236,395	91,236,395
TOTAL ASSETS		8,823,137,926	8,824,804,051	8,460,148,699	8,459,366,407

Balance Sheet

At 31 December 2002

(Prepared in accordance with PRC GAAP and regulations)

	Notes	31 December 2002		31 December 2001	
		Group	Company	Group	Company
		RMB	RMB	RMB	RMB
CURRENT LIABILITIES:					
Short-term loans	18	608,200,550	608,200,550	989,668,243	989,668,243
Notes payable	19	187,900,000	187,900,000	118,871,825	118,871,825
Accounts payable	20	182,552,049	182,552,049	229,060,232	229,060,232
Advance from customers	21	30,718,790	30,718,790	22,367,012	22,367,012
Employee benefits payable		484,001	464,348	382,088	371,488
Dividends payable	22	79,921,146	79,921,146	133,201,910	133,201,910
Taxes payable	23	22,703,637	22,625,181	(2,267,842)	(2,336,071)
Other unpaid	24	15,072,927	15,067,122	17,750,994	17,743,599
Other payables	25	200,631,927	263,105,711	235,419,998	235,417,659
Accrued expenses	26	4,035,514	4,035,514	2,500,000	2,500,000
Long-term liabilities due within one year	27	377,680,000	377,680,000	173,870,000	173,870,000
TOTAL CURRENT LIABILITIES		1,709,900,541	1,772,270,411	1,920,824,460	1,920,735,897
LONG-TERM LIABILITIES:					
Long-term loans	28	2,263,110,000	2,263,110,000	1,836,920,000	1,836,920,000
Long-term payables	29	43,041,000	43,041,000	44,911,000	44,911,000
Specific account payable	30	84,000,000	84,000,000	84,000,000	84,000,000
TOTAL LONG-TERM LIABILITIES		2,390,151,000	2,390,151,000	1,965,831,000	1,965,831,000
TOTAL LIABILITIES		4,100,051,541	4,162,421,411	3,886,655,460	3,886,566,897
MINORITY INTERESTS		60,703,745	—	693,729	—
SHAREHOLDERS' EQUITY:					
Share capital	31	2,664,038,200	2,664,038,200	2,664,038,200	2,664,038,200
Capital reserves	32	1,292,747,042	1,292,747,042	1,292,747,042	1,292,747,042
Surplus reserves	33	370,811,322	370,656,510	302,991,520	302,854,799
Including: Statutory public welfare fund	33	67,304,972	67,253,368	62,328,331	62,315,695
Unappropriated profits	34	334,786,076	334,940,888	313,022,748	313,159,469
TOTAL SHAREHOLDERS' EQUITY		4,662,382,640	4,662,382,640	4,572,799,510	4,572,799,510
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		8,823,137,926	8,824,804,051	8,460,148,699	8,459,366,407

The accompanying notes are part of the financial statements.

Statement of Income and Profit Appropriation

For the year ended 31 December 2002
(Prepared in accordance with PRC GAAP and regulations)

	Notes	2002		2001	
		Group	Company	Group	Company
		RMB	RMB	RMB	RMB
Net revenue from principle operations	35	3,327,072,895	3,324,666,874	2,995,793,128	2,994,516,486
Less: Cost of principle operations	36	2,677,730,786	2,676,571,749	2,308,749,019	2,308,312,289
Sales tax on principle operations	37	34,434,877	34,434,877	31,695,301	31,695,301
Income from principle operations		614,907,232	613,660,248	655,348,808	654,508,896
Add: Income from other operations	38	26,021,720	26,021,720	7,556,704	7,556,704
Less: Operating expenses		40,487,805	39,900,232	31,582,808	31,484,993
Administrative expenses		235,145,204	234,763,161	154,616,619	154,177,538
Financial expenses	39	154,801,548	154,805,397	153,717,014	153,723,007
Operating profit		210,494,395	210,213,178	322,989,071	322,680,062
Add: Investment income	40	2,836,083	2,956,694	1,819,980	2,003,217
Subsidies	41	—	—	98,359	—
Non-operating income		5,362,718	5,343,908	4,442,645	4,442,645
Less: Non-operating expenses	42	45,356,587	45,356,587	27,691,216	27,691,216
Profit before income tax		173,336,609	173,157,193	301,658,839	301,434,708
Less: Income tax	43	3,751,926	3,652,917	101,973	—
Minority interests		80,407	—	122,158	—
Net profit		169,504,276	169,504,276	301,434,708	301,434,708
Add: Unappropriated profits at the beginning of the year		313,022,748	313,159,469	265,441,482	265,500,555
Profits available for appropriation		482,527,024	482,663,745	566,876,190	566,935,263
Less: Appropriations to statutory surplus reserve	34(1)	16,962,489	16,950,428	30,155,893	30,143,471
Appropriations to statutory public welfare fund	34(2)	16,956,458	16,950,428	30,149,682	30,143,471
Profits available for appropriation to shareholders		448,608,077	448,762,889	506,570,615	506,648,321
Less: Appropriations to discretionary surplus reserve	34(3)	33,900,855	33,900,855	60,345,957	60,286,942
Dividends	34(4)	79,921,146	79,921,146	133,201,910	133,201,910
Unappropriated profits at the end of the year		334,786,076	334,940,888	313,022,748	313,159,469

Statement of Income and Profit Appropriation

For the year ended 31 December 2002
(Prepared in accordance with PRC GAAP and regulations)

SUPPLEMENTAL INFORMATION:

	Group and Company	
	2002	2001
1. Increase in profit due to changes in accounting estimates	—	43,817,000
2. Subsidies	—	98,359
3. (Loss) gain on disposal of fixed assets	(21,934,253)	2,204,931
4. Others	3,729,310	(2,935,840)

The accompanying notes are part of the financial statements.

Cash Flow Statement

For the year ended 31 December 2002
(Prepared in accordance with PRC GAAP and regulations)

	Notes	2002		2001	
		Group	Company	Group	Company
		RMB	RMB	RMB	RMB
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from sales					
of goods and rendering of services		5,096,390,411	5,093,496,841	4,428,927,838	4,425,139,560
Refunds of taxes		—	—	98,359	—
Other cash received relating to operating activities		12,710,982	12,688,322	91,544,851	91,411,490
SUB-TOTAL OF CASH INFLOWS		5,109,101,393	5,106,185,163	4,520,571,048	4,516,551,050
Cash paid for goods and services		3,300,150,132	3,296,436,568	3,218,879,210	3,215,875,253
Cash paid to and on behalf of employees		292,588,064	292,586,721	221,637,919	221,550,169
Payments of taxes		381,258,150	380,977,467	268,902,966	268,655,606
Other cash paid relating to operating activities	44	361,969,828	250,569,309	170,859,185	170,400,077
SUB-TOTAL OF CASH OUTFLOWS		4,335,966,174	4,220,570,065	3,880,279,280	3,876,481,105
NET CASH FLOWS FROM OPERATING ACTIVITIES		773,135,219	885,615,098	640,291,768	640,069,945
CASH FLOWS FROM INVESTING ACTIVITIES					
Cash received from disposal or withdrawal of investments		26,440,495	26,440,495	30,000,698	30,000,698
Cash received from return on investments		2,870,046	2,975,634	1,999,302	2,101,149
Net cash receipts from disposal of fixed assets, intangible assets and other long-term assets		10,667,206	10,667,206	7,675,944	7,675,944
Other cash received relating to investing activities		—	—	9,942,592	9,936,599
SUB-TOTAL OF CASH INFLOWS		39,977,747	40,083,335	49,618,536	49,714,390
Cash paid to acquire fixed assets, intangible assets and other long-term assets		1,021,173,395	987,134,776	631,561,564	631,561,564
Cash paid to acquire investments		25,938,753	115,938,753	37,025,073	37,025,073
Cash paid for acquisition of Wushan Mine	45	191,066,987	191,066,987	—	—
SUB-TOTAL OF CASH OUTFLOWS		1,238,179,135	1,294,140,516	668,586,637	668,586,637
NET CASH FLOWS FROM INVESTING ACTIVITIES		(1,198,201,388)	(1,254,057,181)	(618,968,101)	(618,872,247)

Cash Flow Statement

For the year ended 31 December 2002
(Prepared in accordance with PRC GAAP and regulations)

	2002		2001	
	Group	Company	Group	Company
	RMB	RMB	RMB	RMB
CASH FLOWS FROM FINANCING ACTIVITIES				
Cash received from investors	60,000,000	—	494,846,908	494,846,908
Including: Cash received from minority investors	60,000,000	—	—	—
Cash received from borrowings	1,900,956,096	1,900,956,096	1,757,478,243	1,757,478,243
Other cash received relating to financing activities	10,937,654	10,937,654	84,000,000	84,000,000
SUB-TOTAL OF CASH INFLOWS	1,971,893,750	1,911,893,750	2,336,325,151	2,336,325,151
Repayments of borrowings	1,652,423,789	1,652,423,789	1,836,046,423	1,836,046,423
Dividends paid, profit distributed or interests paid	316,094,631	316,024,240	204,774,906	204,707,008
Including: dividends paid to minority shareholders in subsidiaries	70,391	—	67,898	—
Other cash paid relating to financing activities	1,870,000	1,870,000	1,870,000	1,870,000
SUB-TOTAL OF CASH OUTFLOWS	1,970,388,420	1,970,318,029	2,042,691,329	2,042,623,431
NET CASH FLOWS FROM FINANCING ACTIVITIES	1,505,330	(58,424,279)	293,633,822	293,701,720
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH	—	—	—	—
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(423,560,839)	(426,866,362)	314,957,489	314,899,418

Cash Flow Statement

For the year ended 31 December 2002
(Prepared in accordance with PRC GAAP and regulations)

	2002		2001	
	Group	Company	Group	Company
	RMB	RMB	RMB	RMB
SUPPLEMENTAL INFORMATION				
1. RECONCILIATION OF NET PROFIT TO CASH FLOWS FROM OPERATING ACTIVITIES:				
NET PROFIT	169,504,276	169,504,276	301,434,708	301,434,708
Add:				
Minority interests	80,407	—	122,158	—
Provision for impairment losses of assets	12,971,344	12,971,344	(20,462,629)	(20,462,629)
Depreciation of fixed assets	396,242,371	396,230,930	361,496,794	361,469,794
Amortization of intangible assets	3,995,231	3,995,231	3,590,000	3,590,000
Amortization of long-term deferred expenses	1,371,495	1,371,495	1,400,000	1,400,000
Decrease in prepaid expenses (or deduct: increases)	8,000,000	8,000,000	8,010,196	8,010,196
Increase in accrued expenses (or deduct: decrease)	1,535,514	1,535,514	400,000	400,000
Losses on disposal of fixed assets, intangible assets and other long-term assets (or deduct: gains)	21,934,253	21,934,253	(2,204,931)	(2,204,931)
Financial expenses	156,821,430	156,821,430	153,124,633	153,130,626
Losses arising from investments (or deduct: gains)	(2,870,046)	(2,990,657)	(1,819,980)	(2,003,217)
Decrease in inventories (or deduct: increase)	84,859,121	84,909,166	(160,113,032)	(160,532,360)
Decrease in operating receivables (or deduct: increase)	(16,911,629)	33,272,231	71,201,649	71,754,386
Increase in operating payables (or deduct: decrease)	(64,398,548)	(1,940,115)	(75,887,798)	(75,916,628)
Net cash flows from operating activities	773,135,219	885,615,098	640,291,768	640,069,945

Cash Flow Statement

For the year ended 31 December 2002
(Prepared in accordance with PRC GAAP and regulations)

	Notes	2002		2001	
		Group	Company	Group	Company
		RMB	RMB	RMB	RMB
SUPPLEMENTAL INFORMATION (Continued)					
2. INVESTING AND FINANCING ACTIVITIES THAT DO NOT INVOLVE CASH RECEIPTS AND PAYMENTS					
		—	—	—	—
3. NET INCREASE IN CASH AND CASH EQUIVALENTS					
Cash and cash equivalents at the end of the year	46	257,499,326	253,619,886	681,060,165	680,486,248
Less: cash and cash equivalents at the beginning of the year	46	681,060,165	680,486,248	366,102,676	365,586,830
Net (decrease) increase in cash and cash equivalents		(423,560,839)	(426,866,362)	314,957,489	314,899,418

The accompanying notes are part of the financial statements.

Notes to the Financial Statements

For the year ended 31 December 2002
(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 Corporation (“JCC”), International Copper Industry (China) Investment Limited, Shenzhen Baoheng (Group) Company Limited, Jiangxi Xinxin Company Limited and Hubei Sanxin Gold & Copper Company Limited. The Company’s H Shares were listed on the Stock Exchange of Hong Kong Limited (“SEHK”) and London Stock Exchange (“LSE”) in June 1997. The Company has allotted 230,000,000 ordinary A shares of RMB 1.00 each on 21 December 2001 and were listed on Shanghai Stock Exchange (“SSE”) on 11 January 2002. The Company’s share capital increased to RMB 2,664,038,200 after the issue of A shares.

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

On 25 March 2002, the Company invested jointly with JCC RMB 150,000,000 to establish Jiangxi Copper Products Company Limited (“JCPC”) in which the Company contributed the amount of RMB 90,000,000, representing 60% of registered capital. JCPC mainly engages in producing of copper wire and protracting of copper industrial material.

2. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

Accounting System and Accounting Standards

The Company adopts the “Accounting Standards for Business Enterprises”, “Accounting System for Business Enterprises” and supplementary regulations thereto.

Accounting Year

The Company has adopted the calendar year as its accounting year, i.e. from 1 January to 31 December.

Recording Currency

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

Basis of Accounting and Principle of Measurement

The Company adopts the accrual basis of accounting and uses the historical cost convention as the principle of measurement.

Foreign Currency Translation

Transactions denominated in foreign currencies (currencies other than the recording currency) are translated into Renminbi at the applicable rates of exchange (“market exchange rate”) prevailing at the beginning of the month in which the transaction occurs. Monetary assets and liabilities denominated in foreign currencies are translated into Renminbi at the market exchange rate prevailing at the balance sheet date. Exchange gains or losses incurred on a specific borrowing for the acquisition or construction of a fixed asset are capitalized as part of the cost of fixed asset; other exchange gains or losses are dealt with as finance costs.

Notes to the Financial Statements

For the year ended 31 December 2002
(Prepared in accordance with PRC GAAP and regulations)

2. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (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 debts

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 amount owed by a debtor who is unable to repay the obligations after the debts fall due, and the amount is irrecoverable or unlikely to be recovered as demonstrated by sufficient evidence.

(2) Accounting treatment for bad debt losses

Bad debt is accounted for using allowance method and provided according to the recoverability of receivables at the year-end. The appropriate percentages of provision for bad debts relating to significant receivable accounts are reasonably determined based on relevant information such as past experience, actual financial position and cash flows of the debtors, as well as other relevant information. General provision for the remaining receivables is estimated at the percentages according to aging analysis:

Aging	Provision rate
Within one year	—
One to two years	20%
Two to three years	50%
Over three years	100%

Inventories

Inventories are initially recorded at cost. The cost of inventories comprises all costs of purchase, costs of convention and other costs incurred in bringing the inventories to their present location and condition. Inventories mainly include raw material, work in progress and finished goods.

Inventories are accounted for using actual costing method. In determining the cost of inventories transferred out or issued for use, the actual costs are determined by the weighted average method

When more than one finished product is abstracted from the mineral resource ("joint-product, major product and by-product"), their production costs are apportioned between resulting finished products by reference to their sales price at the point where those products become physically separated.

Notes to the Financial Statements

For the year ended 31 December 2002
(Prepared in accordance with PRC GAAP and regulations)

2. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

Provision for Decline in Value of Inventories

Inventories are measured at the lower of cost and net realizable value at the end of a period. Where the net realizable value is lower than the cost, the difference is recognized as provision for decline in value. Provision for decline in value of inventories is made by comparing cost with net realizable value on an individual item basis.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs to completion and the estimated expenses and related taxes necessary to make the sale.

Short-term Investments

A short-term investment is initially recorded at its cost of acquisition. The initial cost of an investment is the total price paid on acquisition, including incidental expenses such as tax payments and handling charges. However, cash dividends declared but unpaid or bonds interests due but unpaid are accounted for separately as receivable items.

Cash dividends or interest on a short-term investment, other than those recorded as receivable items as noted in the preceding paragraph, are offset against the carrying amount of investments upon receipt.

Short-term investments are carried at the lower of cost and market value at the end of each period. Where the market value is lower than cost, the difference is recognized as a provision for decline in value of current investments, which is calculated and determined on the basis of individual classes of investments.

On disposal of a short-term investment, the difference between the carrying amount of the investment and the sales proceeds actually received is recognized as an investment gain or loss in the current period.

Long-term Investments

(1) Accounting treatment for long-term equity investments

A long-term investment is initially recorded at its cost on acquisition.

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

When the cost method is adopted, the amount of investment income recognized is limited to the amount distributed out of accumulated net profits of the investee enterprise that arose after the investment has been made. The amount of profits or cash dividends declared by the investee enterprise in excess of the above threshold is treated as return of investment cost, and the carrying amount of the investment is reduced accordingly.

When the equity method is adopted, the investment income for current period is recognized according to its attributable share of the net profit or loss of the investee enterprises. The attributable share of net losses incurred by the investee enterprise is recognized to the extent that the carrying amount of the investment is reduced to zero. If the investee enterprise realizes net profits in subsequent periods, the carrying amount of the investment is resumed by the excess of the Company's attributable share of profits over the share of unrecognized losses.

Notes to the Financial Statements

For the year ended 31 December 2002
(Prepared in accordance with PRC GAAP and regulations)

2. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

Long-term Investments (Continued)

(1) Accounting treatment for long-term equity investments (Continued)

When a long-term equity investment is accounted for using the equity method, the difference between the initial investment cost of the Company and its share of owners' equity of the investee enterprise is accounted for as equity investment difference and amortized on a straight-line basis and charged to the income statement accordingly. The amortization period is the investing period if it is stipulated in the investment contract. Otherwise, an excess of the initial investment cost over the Company's share of owners' equity of the investee enterprise is amortized over a period of not more than 10 years; a shortfall of the initial investment cost over the Company's share of owners' equity of the investee enterprise is amortized over a period of not less than 10 years.

(2) Provision for impairment on long-term investments

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.

Recoverable Amount

Recoverable amount is the higher of an asset's net selling price and the present value of estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life.

Fixed Assets and Depreciation

Fixed assets are tangible assets that are (a) held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; (b) have useful life more than one year; and (c) have relatively high price.

The cost of used fixed assets acquired from shareholders, when the Company was established and acquired from Wushan Mine, are stated at replacement net value and depreciated over remaining useful lives 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 actual cost. Depreciation is provided to write off the cost of each category of fixed assets over their estimated useful lives from the month after they reach work condition for their intended use, using the straight-line method. The estimated residual value is 10% of the cost of fixed assets. The estimated residual value, useful life and annual depreciation rate of each category of fixed assets are as follows:

Categories of fixed assets	Residual value	Useful lives	Annual depreciation rate
Buildings	10%	12-40	2.25-7.50%
Equipment and machinery	10%	10-25	3.60-9.00%
Vehicles	10%	10-12	7.50-9.00%

Impairment Loss Provision for Fixed Assets

At the end of each period, the Company determines whether a provision should be made for impairment loss on a fixed asset by considering the indications that an impairment loss may have occurred. Where the recoverable amount of any fixed asset is lower than its carrying amount, a provision for impairment loss on fixed asset is made for the difference.

Notes to the Financial Statements

For the year ended 31 December 2002
(Prepared in accordance with PRC GAAP and regulations)

2. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

Fixed Assets under Construction

Fixed assets under construction are recorded at the actual cost incurred for the construction.

Cost includes all expenditures incurred for construction projects, capitalized borrowing costs incurred on a specific borrowing for the construction of fixed assets incurred before it has reached the working condition for its intended use, and other related expenses. A fixed asset under construction is transferred to fixed assets when it has reached the working condition for its intended use. No depreciation is provided for fixed assets under construction.

Where the work on a fixed asset under construction has been suspended for a long period of time and is not expected to re-commence within three years; or it is technically and physically obsolete and its economic benefits to the Company is uncertain; or there are other evidences indicating a decline in value on the fixed asset under construction, an impairment loss provision is made at the shortfall of the recoverable amount of the fixed asset under construction over its carrying amount.

Intangible Assets

Intangible assets are recorded at the actual cost of acquisition. For a purchased intangible asset, the actual cost is the actual purchase price and is amortized on a straight-line basis over its beneficial period.

Land use rights purchased, or those acquired by payment of land transfer fees, are accounted for as intangible assets before construction work for own-use purpose commences, and are amortized evenly over their expected useful life. Upon using the land to construct fixed assets for own use, the carrying amount of the land use rights is transferred to the costs of fixed assets under construction.

Provision for Impairment Loss on Intangible Assets

At the end of each period, the Company determines whether a provision should be made for impairment loss on an intangible asset by considering the indications that an impairment loss may have occurred. Where the recoverable amount of any intangible asset is lower than its carrying amount, a provision for impairment loss on intangible asset is made for the difference.

Long-term Deferred Expenses

Other long-term deferred expenditures are amortized on a straight-line basis over the respective beneficial periods.

Borrowing Costs

Borrowing costs comprise interest incurred on borrowings, amortization of discounts or premiums, ancillary costs incurred in connection with the arrangement of borrowings, and exchange differences arising from foreign currency borrowings. Borrowing costs incurred on a specific borrowing for the acquisition or construction of a fixed asset, are capitalized as the cost of the fixed asset to the extent they are incurred before the fixed asset has reached working condition for its intended use if the conditions for capitalization are met. Other borrowing costs are recognized as expenses and included as finance costs in the period in which they are incurred.

Notes to the Financial Statements

For the year ended 31 December 2002
(Prepared in accordance with PRC GAAP and regulations)

2. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

Government Grant

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 uncompleted, the interest and the subsidy are charged or credited into the cost of the fixed assets under construction. When the interest is not incurred, subsidy received is deferred as specific account payable for the adjustment to future interest on technical innovation loan.

Other special government grant relating to assets should be recognized as liabilities when it is received. The portion of government grant, which is used to construct long-term assets, can be transferred to capital surplus at actual cost when relevant project is completed.

Revenue Recognition

Revenue from Sales of goods is recognized when the Company has transferred to the buyer the significant risks and rewards of ownership of the goods, it retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, the economic benefits associated with the transaction will flow to the Company, and the relevant amount of revenue and costs can be measured reliably.

When the provision of services is started and completed within an accounting year, Revenue from Rendering of Services 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 a transaction involving the rendering of services can be reliably, revenue is recognized at the balance sheet date by the use of the percentage of completion method; Otherwise revenue recognized is limited to recoverable costs revenue is otherwise recognized at the balance sheet date only to the extent of the cost incurred that are recoverable and service costs are recognized as expenses in the period in which they are incurred. If the service costs incurred are not expected to be recoverable, revenue is not recognized.

Interest income is measured based on the length of time for which the Company's cash is used by others and the applicable interest rate.

Leasing

The Company as lessee under operating leases:

Lease payments under operating leases are recognized as an expense in the income statement on a straight-line basis over the lease term.

The Company as lessor under operating leases:

Lease income from operating leases is recognized as income using the straight-line method over the lease term.

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 income from other operations of the income statement respectively.

Income tax

Income tax is accounted for under tax payable method. Income tax provision is calculated based on the accounting profit for the year as adjusted in accordance with the relevant tax laws.

Notes to the Financial Statements

For the year ended 31 December 2002
(Prepared in accordance with PRC GAAP and regulations)

3. BASIS OF CONSOLIDATION

(1) Scope of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all 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 is consistent with the Company's policy.

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

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

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 extracted copper ore. The resource tax rate is levied at RMB 1.05 per ton in Wushan Mine, RMB 0.98 per ton in Yongping Mine and RMB 0.91 per ton in Dexing Mine respectively.

Income tax

Pursuant to circular of Guo Shui Fa [1999] No. 172 issued by starting from zone the State Tax Bureau, the Company can enjoy 15% income tax rate for three years starting from year 2002. This year is the first year of tax relief period with effective tax rate of 15%.

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 subsidiaries 蕭山銅達化工有限公司 ("Xiaoshan Tongda") and JCPC is 33%.

Notes to the Financial Statements

For the year ended 31 December 2002
(Prepared in accordance with PRC GAAP and regulations)

5. SCOPE OF CONSOLIDATION AND SUBSIDIARIES

Name of subsidiary	Place of registration	Registered Capital RMB	Equity directly held by the company %	Principal Business	Type of enterprise	Consolidated or not
Xiaoshan Tongda	Hangzhou, Zhejiang Province	1,000,000	60	Sales of sulphuric acid	Company Limited	Yes
JCPC	Guixi, Jiangxi Province	150,000,000	60	Produce and protracting of copper industrial materials	Company Limited	Yes

The Xiaoshan Tongda and JCPC have been included in the scope of consolidation. The JCPC was invested jointly by the Company and JCC on 25 March 2002. Up to 31 December 2002, the JCPC was still in construction period.

6. BANK BALANCES AND CASH

	Group 31 December 2002			Group 31 December 2001		
	Foreign currency	Exchange Rate	RMB Equivalent	Foreign currency	Exchange Rate	RMB Equivalent
Cash on hand						
- RMB	—	—	26,842	—	—	67,220
- USD	21,792	8.2773	180,379	—	—	—
Cash in bank						
- RMB	—	—	248,826,669	—	—	647,833,731
- USD	53,285	8.2773	441,059	2,082,998	8.2766	17,240,141
- HKD	7,517,685	1.0674	8,024,377	14,993,173	1.0606	15,901,759
Other cash balance						
- RMB	—	—	—	—	—	2,285,094
			257,499,326			683,327,945

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

	31 December 2002 RMB	31 December 2001 RMB
Deposits for bank-accepted notes	—	2,267,780

7. SHORT-TERM INVESTMENTS

	Group 31 December 2002			Group 31 December 2001		
	Cost RMB	Provision for impairment RMB	Net value RMB	Cost RMB	Provision for impairment RMB	Net value RMB
Stock investments	912,633	213,285	699,348	1,414,375	179,322	1,235,053

Including in the stock investments are marketable shares amounting RMB 912,633 whose market value on 31 December 2002 were RMB 699,348.

The market value is calculated based on closing price of stock exchange on 31 December 2002.

Notes to the Financial Statements

For the year ended 31 December 2002
(Prepared in accordance with PRC GAAP and regulations)

8. NOTES RECEIVABLE

	Group 31 December 2002 RMB	Group 31 December 2001 RMB
Bank-accepted notes - unpledged	37,066,148	32,970,563

9. ACCOUNTS RECEIVABLE

The aging analysis of accounts receivable is as follows:

	Group 31 December 2002			
	Amount RMB	%	Bad debt provision RMB	Net value RMB
Within one year	115,226,422	50.5	—	115,226,422
One to two years	19,321,295	8.5	5,775,948	13,545,347
Two to three years	11,904,013	5.2	5,952,006	5,952,007
Over three years	81,612,267	35.8	64,768,576	16,843,691
	228,063,997	100.0	76,496,530	151,567,467

	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
	246,852,652	100.0	69,109,399	177,743,253

A lawsuit about collection of RMB 16,843,691 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 legal person shares of a listed company held by a debtor. As such, no bad debt provision was made.

Five largest debtors are as follows:

Total amount of five largest debtors	Percentage in total accounts receivable
RMB102,821,461	45.1%

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

Shareholder	31 December 2002 RMB	31 December 2001 RMB
JCC	805,647	805,647

Notes to the Financial Statements

For the year ended 31 December 2002
(Prepared in accordance with PRC GAAP and regulations)

10. OTHER RECEIVABLES

The aging analysis of other receivables is as follows:

Group 31 December 2002				
	Amount <i>RMB</i>	%	Bad debt provision <i>RMB</i>	Net value <i>RMB</i>
Within one year	98,423,608	75.6	—	98,423,608
One to two years	3,127,743	2.4	815,549	2,312,194
Two to three years	11,004,410	8.4	8,562,761	2,441,649
Over three years	17,665,795	13.6	17,665,795	—
	130,221,556	100.0	27,044,105	103,177,451

Group 31 December 2001				
	Amount <i>RMB</i>	%	Bad debt provision <i>RMB</i>	Net value <i>RMB</i>
Within one year	38,802,716	58.4	—	38,802,716
One to two years	11,175,065	16.8	1,010,791	10,164,274
Two to three years	104,476	0.2	27,238	77,238
Over three years	16,376,616	24.6	16,376,616	—
	66,458,873	100.0	17,414,645	49,044,228

The Group's balance of forward contracts deposits is RMB 24,612,567.

Five largest debtors are as follows:

Total amount of five largest debtors	Percentage in total other receivables
RMB85,699,642	65.8%

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

Shareholder	31 December 2002 <i>RMB</i>	31 December 2001 <i>RMB</i>
JCC	48,194,520	210,249

Notes to the Financial Statements

For the year ended 31 December 2002
(Prepared in accordance with PRC GAAP and regulations)

11. PREPAYMENTS

The aging analysis of prepayment is as follows:

	Group 31 December 2002		Group 31 December 2001	
	RMB	%	RMB	%
Within one year	49,442,211	61.5	104,760,247	98.2
One to two years	30,191,588	37.5	20,113	—
Two to three years	801,752	1.0	1,910,807	1.8
	80,435,551	100.0	106,691,167	100.0

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

Shareholder	31 December 2002 RMB	31 December 2001 RMB
JCC	475,542	10,074,097

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

12. INVENTORIES

	Group 31 December 2002		
	Cost RMB	Provision for impairment RMB	Net value RMB
Raw materials	406,424,381	1,618,667	404,805,714
Work in progress	1,014,519,360	—	1,014,519,360
Finished goods	93,829,702	2,276,804	91,552,898
	1,514,773,443	3,895,471	1,510,877,972

	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
	1,587,604,205	11,321,889	1,576,282,316

Notes to the Financial Statements

For the year ended 31 December 2002
(Prepared in accordance with PRC GAAP and regulations)

13. LONG-TERM EQUITY INVESTMENTS

Group 31 December 2002 and 2001						
	Company 31 December 2002			Company 31 December 2001		
	Amount RMB	Provision for impairment RMB	Net value RMB	Amount RMB	Provision for impairment RMB	Net value RMB
Stock Investment	5,610,000	—	5,610,000	5,610,000	—	5,610,000
Long-term equity investments	91,055,617	—	91,055,617	1,040,594	—	1,040,594
	96,665,617	—	96,665,617	6,650,594	—	6,650,594

(1) Detail of stock investment is as follows:

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

Above stock held by the Company is unlisted.

(2) Detail of investments in subsidiaries are as follows:

Name of Investee	Cost			Adjustment of investment gain or loss			Book value	
	31 December 2001 RMB	Addition during the year RMB	31 December 2002 RMB	31 December 2001 RMB	Gain or loss during the year RMB	Dividends received during the year RMB	31 December 2002 RMB	31 December 2001 RMB
JCPC	—	90,000,000	90,000,000	—	—	—	—	90,000,000
Xiaoshan Tonda	1,082,289	—	1,082,289	(41,695)	120,611	(105,588)	(26,672)	1,040,594
	1,082,289	90,000,000	91,082,289	(41,695)	120,611	(105,588)	(26,672)	91,055,617

Notes to the Financial Statements

For the year ended 31 December 2002
(Prepared in accordance with PRC GAAP and regulations)

14. FIXED ASSETS AND ACCUMULATED DEPRECIATION

	Group			
	Buildings RMB	Equipment and machinery RMB	Vehicles RMB	Total RMB
Cost				
At 1 January 2002	2,992,995,895	5,628,346,631	1,080,504,026	9,701,846,552
Additions during the year	—	31,836,696	—	31,836,696
Acquired on acquisition of Wushan Mine	174,410,392	43,532,074	2,323,755	220,266,221
Transfer from fixed assets under construction	596,315,120	70,438,290	6,530,128	673,283,538
Reclassification	(3,648,379)	2,907,677	740,702	—
Disposals	(1,133,718)	(88,999,041)	(97,214,027)	(187,346,786)
At 31 December 2002	3,758,939,310	5,688,062,327	992,884,584	10,439,886,221
Accumulated depreciation				
At 1 January 2002	801,693,932	3,193,146,458	646,117,191	4,640,957,581
Provision for the year	135,191,055	206,791,553	54,259,763	396,242,371
Eliminated on disposal	(399,975)	(68,101,406)	(86,243,946)	(154,745,327)
At 31 December 2002	936,485,012	3,331,836,605	614,133,008	4,882,454,625
Provision for impairment loss				
1 January 2002	—	6,613,252	1,746,664	8,359,916
Additions	601,311	10,134,677	971,136	11,707,124
Reversal	—	(6,613,252)	(1,746,664)	(8,359,916)
31 December 2002	601,311	10,134,677	971,136	11,707,124
Net value				
At 1 January 2002	2,191,301,963	2,428,586,921	432,640,171	5,052,529,055
At 31 December 2002	2,821,852,987	2,346,091,045	377,780,440	5,545,724,472

Notes to the Financial Statements

For the year ended 31 December 2002
(Prepared in accordance with PRC GAAP and regulations)

15. FIXED ASSETS UNDER CONSTRUCTION

Construction name	Budget RMB	Group					% of completion	Sources of funds
		At 1 January 2002 RMB	Additions RMB	Acquired on acquisition of Wushan Mine RMB	Transfer to fixed assets RMB	At 31 December 2002 RMB		
Project of 90,000 ton per day	1,200,000,000	285,509,728	194,405,971	—	479,915,699	—	97%	Loan and self-funding
Guixi Smelter Phase III Project of 150,000 Ton copper wire per year	1,500,000,000 161,509,700	157,482,716 —	617,388,045 34,036,118	— —	— —	774,870,761 34,036,118	51% 21%	Proceeds and loan Loan and self-funding
Others		221,548,626	169,507,465	17,753,831	193,367,839	215,442,083		Loan and Self-funding
Total		664,541,070	1,015,337,599	17,753,831	673,283,538	1,024,348,962		
Including: Capitalized borrowing cost		17,750,706	26,000,900	—	31,451,606	12,300,000		

The rate for calculating interest capitalised amount in this year is 5.5%.

16. INTANGIBLE ASSETS

	Group		
	Trademarks RMB	Mining right RMB	Total RMB
Cost			
1 January 2002	51,683,900	56,191,000	107,874,900
Acquired on acquisition of Wushan Mine	—	20,261,560	20,261,560
31 December 2002	51,683,900	76,452,560	128,136,460
Accumulated Amortization			
1 January 2002	8,600,000	9,410,000	18,010,000
Charge for the year	1,720,000	2,275,231	3,995,231
31 December 2002	10,320,000	11,685,231	22,005,231
Carrying amount			
1 January 2002	43,083,900	46,781,000	89,864,900
31 December 2002	41,363,900	64,767,329	106,131,229
Acquired method	Transfer	Transfer	
Remaining of period	24 years	24-49 years	

Notes to the Financial Statements

For the year ended 31 December 2002
(Prepared in accordance with PRC GAAP and regulations)

17. LONG-TERM DEFERRED EXPENSES

Items	Group			
	At 1 January 2002 RMB	Amortization this year RMB	At 31 December 2002 RMB	Remaining Period of amortization
Software purchased from outside	1,371,495	(1,371,495)	—	—

18. SHORT-TERM LOANS

Category	Group 31 December 2002 RMB	Group 31 December 2001 RMB
Credit loans		
– RMB	579,230,000	950,230,000
– USD	28,970,550	39,438,243
	608,200,550	989,668,243

Annual interest rate ranges from 3% to 5.85%.

19. NOTES PAYABLE

Category	Group 31 December 2002 RMB	Group 31 December 2001 RMB
Bank-accepted notes payable within one year	187,900,000	118,871,825

20. ACCOUNTS PAYABLE

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

Shareholder	31 December 2002 RMB	31 December 2001 RMB
JCC	4,049,846	1,186,949

Notes to the Financial Statements

For the year ended 31 December 2002
(Prepared in accordance with PRC GAAP and regulations)

21. ADVANCE FROM CUSTOMERS

The Group's balance of advance from shareholders who hold more than 5% shares of the Company is as follow.

Shareholder	31 December 2002 RMB	31 December 2001 RMB
JCC	22,984	—

22. DIVIDENDS PAYABLE

	Group 31 December 2002 RMB	Group 31 December 2001 RMB
JCC	38,266,686	63,777,810
International Copper Industry (China) Investment Ltd.	15,000,000	25,000,000
Hubei Sanxin Gold & Copper Company Ltd.	15,000	25,000
Jiangxi Xinxin Company Ltd.	15,000	25,000
Shenzhen Baoheng (Group) Company Ltd.	30,000	50,000
H share shareholders	19,694,460	32,824,100
A share shareholders	6,900,000	11,500,000
	79,921,146	133,201,910

23. TAXES PAYABLE

	Group 31 December 2002 RMB	Group 31 December 2001 RMB
Income tax	(753,681)	(4,658,775)
VAT	18,854,581	(1,952,056)
Business tax	15,020	34,725
Resource tax	2,468,910	2,341,723
Others	2,118,807	1,966,541
	22,703,637	(2,267,842)

24. OTHER UNPAID

	Group 31 December 2002 RMB	Group 31 December 2001 RMB
Compensation fee for mineral resources	15,067,122	17,743,599
Others	5,805	7,395
	15,072,927	17,750,994

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

Notes to the Financial Statements

For the year ended 31 December 2002
(Prepared in accordance with PRC GAAP and regulations)

25. 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 2002 RMB	31 December 2001 RMB
JCC	44,727,040	89,397,131

26. ACCRUED EXPENSES

	Group 31 December 2002 RMB	Group 31 December 2001 RMB	Reason for not settled
Freight	2,035,514	—	Invoice not received
Professional service fee	2,000,000	2,500,000	Invoice not received
	4,035,514	2,500,000	

27. LONG-TERM LIABILITIES DUE WITHIN ONE YEAR

	Group 31 December 2002 RMB	Group 31 December 2001 RMB
Long-term loans due within one year (Note 28)	375,810,000	172,000,000
Long-term payables due within one year (Note 29)	1,870,000	1,870,000
	377,680,000	173,870,000

Notes to the Financial Statements

For the year ended 31 December 2002
(Prepared in accordance with PRC GAAP and regulations)

28. LONG-TERM LOANS

	Group 31 December 2002 RMB	Group 31 December 2001 RMB
Credit loans	2,214,210,000	1,524,210,000
Guaranteed loans	424,710,000	484,710,000
Total	2,638,920,000	2,008,920,000
Less: Amount due within one year	375,810,000	172,000,000
Amount due after one year	2,263,110,000	1,836,920,000

Bank name	31 December 2002 RMB	Period	Annual Rate	Terms
ICBC, Yintan Branch,	35,000,000	1999.4.27-2003.4.26	5.58%	Credit loan
Jiangtong Office	20,000,000	1999.5.26-2004.2.25	5.58%	Credit loan
	21,000,000	1999.6.23-2003.6.22	5.58%	Credit loan
	78,400,000	2000.7.28-2005.7.27	5.58%	Credit loan
	90,000,000	2000.8.30-2004.8.29	5.58%	Credit loan
	44,810,000	2001.1.10-2003.7.10	5.49%	Credit loan
	20,000,000	2001.11.7-2003.11.6	5.49%	Credit loan
	15,000,000	2001.11.19-2006.9.29	5.58%	Credit loan
	60,000,000	2001.12.12-2003.12.11	5.49%	Credit loan
	55,000,000	2001.12.25-2004.12.24	5.49%	Credit loan
	30,000,000	2002.1.4-2004.1.3	5.94%	Credit loan
	40,000,000	2002.8.16-2007.9.29	5.58%	Credit loan
	30,000,000	2002.9.26-2005.9.25	5.49%	Credit loan
	50,000,000	2002.10.29-2005.10.28	5.49%	Credit loan
	95,000,000	2002.11.18-2007.11.17	5.58%	Credit loan
	40,000,000	2002.12.10-2005.12.9	5.49%	Credit loan
	40,000,000	2002.12.12-2005.12.11	5.49%	Credit loan
	60,000,000	2002.12.16-2005.12.15	5.49%	Credit loan
ICBC, Yanjiang Branch	50,000,000	2000.6.28-2003.6.27	5.49%	Guaranteed loan
Bank of China, Yintan Branch	28,000,000	1999.11.30-2004.11.30	5.58%	Guaranteed loan
	17,000,000	2000.2.13-2005.2.13	6.03%	Guaranteed loan
	30,000,000	2001.12.27-2003.12.27	5.49%	Credit loan
	18,000,000	2001.12.27-2004.12.27	5.49%	Credit loan
	20,000,000	2002.9.27-2005.9.26	5.05%	Credit loan
	30,000,000	2002.12.28-2005.12.17	5.05%	Credit loan

Notes to the Financial Statements

For the year ended 31 December 2002
(Prepared in accordance with PRC GAAP and regulations)

28. LONG-TERM LOANS (Continued)

Bank name	31 December 2002 RMB	Period	Annual Rate	Terms
China Construction Bank, Tongjidi Branch	109,710,000	1997.2.18-2008.12.30	5.76%	Guaranteed loan
	220,000,000	1997.3.31-2004.12.31	5.76%	Guaranteed loan
	82,000,000	1998.3.24-2004.12.31	5.76%	Credit loan
	210,000,000	1999.2.25-2009.11.30	5.76%	Credit loan
	217,000,000	1999.9.15-2009.9.14	5.76%	Credit loan
	30,000,000	2000.3.31-2003.3.31	5.49%	Credit loan
	43,000,000	2000.3.31-2004.3.31	5.49%	Credit loan
	50,000,000	2000.6.22-2006.6.21	5.76%	Credit loan
	85,000,000	2000.9.25-2003.9.24	5.49%	Credit loan
	50,000,000	2001.8.28-2004.8.27	5.49%	Credit loan
	50,000,000	2001.12.11-2007.4.28	6.21%	Credit loan
	40,000,000	2002.5.20-2005.5.19	5.49%	Credit loan
	45,000,000	2002.7.8-2007.4.28	5.58%	Credit loan
	60,000,000	2002.9.18-2008.3.17	5.76%	Credit loan
60,000,000	2002.12.5-2008.6.4	5.76%	Credit loan	
Agriculture Bank, Guixi Tongcheng Branch	170,000,000	2002.9.27-2005.9.26	5.04%	Credit loan
	30,000,000	2002.12.13-2005.12.12	5.04%	Credit loan
China Merchants Bank, Nanchang Branch	50,000,000	2001.12.14-2004.6.13	5.49%	Credit loan
Everbright Bank	20,000,000	2002.12.13-2005.12.13	4.94%	Credit loan
Total	2,638,920,000			

The guaranteed loans were all guaranteed by JCC. Please refer to Note 47 (5) (E) for details.

29. LONG-TERM PAYABLES

Items	Group 31 December 2002 RMB	Group 31 December 2001 RMB
Long-term payables	44,911,000	46,781,000
Less: Amount due within one year	1,870,000	1,870,000
Amount due after one year	43,041,000	44,911,000

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 installments of RMB 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 annual installment starting from 1 January 1998.

Notes to the Financial Statements

For the year ended 31 December 2002
(Prepared in accordance with PRC GAAP and regulations)

30. SPECIFIC ACCOUNT PAYABLE

	Group 31 December 2002 and 2001 RMB
Government grant	84,000,000

31. SHARE CAPITAL

The change of share capital of the Company from 1 January to 31 December 2002 is as follows:

	31 December 2001 (share)	Change during the year - listing (share)	31 December 2002 (share)
1. Unlisted 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
(2) Issued but not listed shares			
– A shares	230,000,000	(230,000,000)	—
Total unlisted shares	1,507,556,200	(230,000,000)	1,277,556,200
2. Listed shares			
– H shares	1,156,482,000	—	1,156,482,000
– A shares	—	230,000,000	230,000,000
Total listed shares	1,156,482,000	230,000,000	1,386,482,000
Total share capital	2,664,038,200	—	2,664,038,200

Notes to the Financial Statements

For the year ended 31 December 2002
(Prepared in accordance with PRC GAAP and regulations)

31. SHARE CAPITAL (Continued)

The change of share capital of the Company from 1 January to 31 December 2001 is as follows:

	31 December 2000 (share)	Change during the year - issue shares (share)	31 December 2001 (share)
1. Unlisted 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
(2) Issued but not listed shares			
– A shares	—	230,000,000	230,000,000
Total unlisted shares	1,277,556,200	230,000,000	1,507,556,200
2. Listed shares			
– H shares	1,156,482,000	—	1,156,482,000
Total share capital	2,434,038,200	230,000,000	2,664,038,200

The face value of the above shares is RMB 1.00.

32. CAPITAL RESERVES

The change of capital reserves from 1 January to 31 December 2002 is as follows:

	Group 31 December 2002 and 2001 RMB
Share premium	1,292,633,979
Revaluation reserve	113,063
	1,292,747,042

The change of capital reserves from 1 January to 31 December 2001 is as follows:

	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
	1,016,962,480	275,784,562	1,292,747,042

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

Notes to the Financial Statements

For the year ended 31 December 2002
(Prepared in accordance with PRC GAAP and regulations)

33. SURPLUS RESERVES

The change of surplus reserves of the Company from 1 January to 31 December 2002 is as follows:

	Group			
	Statutory surplus reserve RMB	Discretionary surplus reserve RMB	Statutory public welfare fund RMB	Total RMB
At 1 January 2002	82,249,004	158,414,185	62,328,331	302,991,520
Provision for the year	16,962,489	33,900,855	16,956,458	67,819,802
Utilization of statutory public welfare fund (Note 2)	—	11,979,817	(11,979,817)	—
At 31 December 2002	99,211,493	204,294,857	67,304,972	370,811,322

The change of surplus reserves of the Company from 1 January to 31 December 2001 is as follows:

	Group			
	Statutory surplus reserve RMB	Discretionary surplus reserve RMB	Statutory public welfare fund RMB	Total RMB
At 1 January 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	82,249,004	158,414,185	62,328,331	302,991,520

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 represent the income tax refund of RMB98,359 received by Xiaoshan Tongda for year 2000 according to the notice issued by Xiaohan Tax Bureau, Cheng Xiang Branch. The Company shares the refund by reference to interest in Xiaoshan Tongda.

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

34. UNAPPROPRIATED PROFITS

(1) Appropriations to statutory surplus reserve

Pursuant to the Provision 177 of Company Law and the Company's Article of Association, 10% of net profit (10% in 2001) 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) Appropriations 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 2001) as statutory public welfare fund, which is subject to be approved by next annual general meeting.

Notes to the Financial Statements

For the year ended 31 December 2002
(Prepared in accordance with PRC GAAP and regulations)

34. UNAPPROPRIATED PROFITS (Continued)

(3) Appropriations to discretionary surplus reserve

The board of directors proposed to appropriate 20% of the current year's net profit (20% in 2001) as discretionary surplus reserve, which is subject to be approved by next annual general meeting.

(4) Dividends

The board of directors proposed to issue cash dividend of RMB 0.03 per share (RMB 0.05 in 2001) to all the shareholders, which is subject to be approved by next annual general meeting.

35. NET REVENUE FROM PRINCIPAL OPERATIONS AND SEGMENT INFORMATION

Revenue by products	Group 2002 RMB	Group 2001 RMB
Cathode copper	1,827,731,304	1,855,764,937
Gold	662,577,231	492,241,075
Other (Silver, Sulphuric acid, etc.)	584,414,324	357,097,065
Tolling services	252,350,036	290,690,051
	3,327,072,895	2,995,793,128

Geographical Segments	Group 2002 RMB	Group 2001 RMB
PRC	3,096,038,736	2,925,823,945
India	90,944,923	32,267,353
Hong Kong	43,409,583	2,379,409
Taiwan	33,456,373	26,915,950
Australia	26,934,271	—
South Korea	20,688,165	—
Others	15,600,844	8,406,471
	3,327,072,895	2,995,793,128

Total sales of the five largest customers	Percentage in total sales
RMB1,454,009,707	43.7%

36. COST OF PRINCIPLE OPERATIONS

	Group 2002 RMB	Group 2001 RMB
Cost of domestic sales	2,501,484,920	2,265,354,101
Cost of export sales	176,245,866	43,394,918
	2,677,730,786	2,308,749,019

Notes to the Financial Statements

For the year ended 31 December 2002
(Prepared in accordance with PRC GAAP and regulations)

37. SALES TAX ON PRINCIPAL OPERATIONS

	Group 2002 RMB	Group 2001 RMB
Resource tax	34,434,877	31,695,301

38. INCOME FROM OTHER OPERATIONS

	Group 2002 RMB	Group 2001 RMB
Sales of auxiliary materials and spare parts		
– Revenue	68,537,219	81,469,178
– Expenses	(69,304,222)	(78,643,768)
	(767,003)	2,825,410
Sales of water and electricity		
– Revenue	35,511,285	35,230,135
– Expenses	(33,495,109)	(32,271,619)
	2,016,176	2,958,516
Gain (loss) on settlement of forward contract	17,482,100	(4,364,750)
Others	7,290,447	6,137,528
	26,021,720	7,556,704

39. FINANCIAL EXPENSES

	Group 2002 RMB	Group 2001 RMB
Interest expenses	156,821,430	163,067,225
Less: interest income	(5,327,749)	(9,942,592)
Exchange loss	333,337	106,269
Others	2,974,530	486,112
	154,801,548	153,717,014

Notes to the Financial Statements

For the year ended 31 December 2002
(Prepared in accordance with PRC GAAP and regulations)

40. INVESTMENT INCOME

	Group 2002 RMB	Group 2001 RMB
Income from short-term investment		
– Income from debt investment	1,906,773	1,999,302
– Income from stock investment	929,310	(179,322)
	2,836,083	1,819,980
	Company 2002 RMB	Company 2001 RMB
Income from short-term investment		
– Income from debt investment	1,906,773	1,999,302
– Income from stock investment	929,310	(179,322)
Income from long-term investment		
– Income recognized under equity method	120,611	183,237
	2,956,694	2,003,217

41. SUBSIDIES

	Group 2002 RMB	Group 2001 RMB
Income tax refunded	—	98,359

Please refer to Note 33(1) for details.

42. NON-OPERATING EXPENSES

	Group 2002 RMB	Group 2001 RMB
Education fee	14,632,472	15,169,103
Loss on disposal of fixed assets	21,934,253	—
Provision for impairment on fixed assets	3,347,208	8,359,916
Others	5,442,654	4,162,197
	45,356,587	27,691,216

Notes to the Financial Statements

For the year ended 31 December 2002
(Prepared in accordance with PRC GAAP and regulations)

43. INCOME TAX

	Group 2002 RMB	Group 2001 RMB
Income tax for the year (Note 1)	29,364,460	57,023,162
Income tax deductible (Note 2)	(25,711,543)	(57,023,162)
Income tax of subsidiaries	99,009	101,973
	3,751,926	101,973

Note 1: The income tax of RMB 29,364,460 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 12,673,831 and tax benefit for 2001 is RMB 13,037,712. The unutilized tax benefit for the year 2000 and 2001 is fully applied.

44. OTHER CASH PAID RELATING TO OPERATING ACTIVITIES

	Group 2002 RMB	Group 2001 RMB
Amount paid in respect to operating expenses and administrative expenses	227,797,872	111,589,279
Non-operating expenses paid	19,827,861	19,331,300
Amount paid to JCC	47,851,885	—
Other expenses paid	66,492,210	39,938,606
	361,969,828	170,859,185

45. CASH PAID FOR ACQUISITION OF WUSHAN MINE

On 30 November 2000, the Company entered into an agreement with JCC to acquire the Wushan Copper Mine. According to the agreement, 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 value 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. The acquisition was completed on 1 January 2002 with the total consideration of RMB 193,806,974, which has been all paid to JCC prior to 31 December 2002. For detail as below:

Notes to the Financial Statements

For the year ended 31 December 2002
(Prepared in accordance with PRC GAAP and regulations)

45. CASH PAID FOR ACQUISITION OF WUSHAN MINE (Continued)

Net assets acquired from Wushan Mine:	1 January 2002
	<i>RMB</i>
Current assets	18,402,934
Fixed assets	220,266,221
Construction under progress	17,753,831
Intangible assets (Mining rights)	20,261,560
Current liabilities	(37,877,572)
Long-term liabilities	(45,000,000)
Total	193,806,974
Including:	
Cash paid for acquisition	193,806,974
Less: Cash received from acquisition	2,739,987
Net cash outflow for acquisition of Wushan Mine	191,066,987

46. CASH AND CASH EQUIVALENTS

	Group 31 December 2002 <i>RMB</i>	Group 31 December 2001 <i>RMB</i>
Bank balances and cash (Note 6)	257,499,326	683,327,945
Less: Deposit for bank-accepted notes included in bank balances and cash (Note 6)	—	2,267,780
	257,499,326	681,060,165
	Company 31 December 2002 <i>RMB</i>	Company 31 December 2001 <i>RMB</i>
Bank balances and cash	253,619,886	682,754,028
Less: Deposit for bank-accepted notes included in bank balances and cash	—	2,267,780
	253,619,886	680,486,248

Notes to the Financial Statements

For the year ended 31 December 2002
(Prepared in accordance with PRC GAAP and regulations)

47. 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 protracting 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	At 31 December 2002 and 2001 RMB
JCC	3,896,060,000

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

Name	At 1 January 2002		Addition		Reduction		At 31 December 2002	
	RMB	%	RMB	%	RMB	%	RMB	%
JCC	1,275,556,200	47.9	-	-	-	-	1,275,556,200	47.9

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

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

Notes to the Financial Statements

For the year ended 31 December 2002
(Prepared in accordance with PRC GAAP and regulations)

47. 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:

	2002 RMB	2001 RMB
Transactions with JCC and its affiliate:		
Tolling fee and sales fee charged by the Group (note (a))	206,783,000	215,794,000
Sale of copper cathode and sulphuric acid by the Group (note(a))	150,384,000	181,063,000
Re-sales of auxiliary industrial products by the Group (note(a))	59,688,000	73,252,000
Sale of waste, filter residue and black cement copper by the Group (note(a))	12,230,000	13,629,000
Purchase of copper concentrates by the Group (note(a))	87,487,000	142,939,000
Purchase of scrap copper by the Group (note(a))	55,175,000	138,521,000
Purchase of auxiliary industrial Products by the Group (note(a))	144,772,000	159,590,000
License fee on railway transportation charged to the Group (note(b))	7,174,000	7,174,000
Railway transportation service provided to the Group (note(a))	10,709,000	11,757,000
Rental for land use rights charged to the Group (note(c))	15,000,000	15,000,000
Rentals for office premises (note(c))	3,325,000	4,007,000
Rentals for housing for the employees and use of common facilities charged to the Group (note(b))	9,870,000	13,893,000
Repair and maintenance service provided to the Group (note(a))	96,158,000	81,625,000
Construction service provided to the Group (note(a))	67,788,000	27,416,000
Vehicle transportation service provided to the Group (note(a))	49,848,000	42,271,000
Proceeds on disposal of property, plant and equipment received by the Group (at carrying amount)	2,766,000	—
Supply of water and transmission of electricity (note(b))	31,653,000	29,258,000
Industrial water supplied (note(b))	18,545,000	18,425,000
Brokerage agency service provided (note(a))	2,198,000	989,000
Environmental greenery services provided (note(b))	6,208,000	2,947,000
Office premises provided (note (c))	56,000	—
Social welfare and support services provided (note(b))		
– Welfare and medical services	43,339,000	26,738,000
– Primary and secondary education service	10,418,000	10,793,000
– Technical education service	4,801,000	4,376,000
– Internal telecommunications services	1,221,000	5,051,000
– Use of representative offices	2,649,000	2,063,000
Transactions with other two promoter shareholders		
Sales of copper cathode to Jiangxi Xinin (note(a))	155,104,000	142,954,000
Tolling fee received from Hubei Sanxin (note(a))	7,003,000	1,917,000
Purchase of copper concentrates from Hubei Sanxin (note(a))	18,077,000	14,502,000
Interest income from Hubei Sanxin (note (a))	1,420,000	—

Notes to the Financial Statements

For the year ended 31 December 2002
(Prepared in accordance with PRC GAAP and regulations)

47. 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)

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.

(B) Acquisition of Wushan Mine

The acquisition of Wushan Copper Mine was completed on 1 January 2002. For detail please refer to Note 45.

(C) Establish JCPC

On 25 March 2002, the Company invested jointly with JCC RMB 150,000,000 to establish JCPC, in which the Company contributed the amount of RMB 90,000,000 and covered 60% of registered capital.

(D) Amount due to or from related parties

Account	Name of related parties	2002 RMB	2001 RMB
Notes receivable	JCC and its affiliates	177,867	5,767,604
Accounts receivable	JCC and its affiliates	6,156,019	7,219,397
Other receivables	JCC and its affiliates	59,714,625	15,857,226
Prepayments	JCC and its affiliates	13,670,255	11,011,555
Prepayments	Hubei Sanxin	30,000,000	30,000,000
		109,718,766	69,855,782
Notes payable	JCC and its affiliates	31,230,000	23,001,128
Accounts payable	JCC and its affiliates	26,109,140	38,210,736
Advance from customers	JCC and its affiliates	140,894	1,119,824
Other payables	JCC and its affiliates	66,926,899	131,171,246
Long-term payables			
within one year	JCC and its affiliates	1,870,000	1,870,000
Long-term payables	JCC and its affiliates	43,041,000	44,911,000
		169,317,933	240,283,934

Notes to the Financial Statements

For the year ended 31 December 2002
(Prepared in accordance with PRC GAAP and regulations)

47. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

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

(E) Guarantee

Up to 31 December 2002, the Company has bank loan of RMB 424,710,000 guaranteed by JCC (2001: RMB 484,710,000).

(F) 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 56,474,000 (2001: RMB 33,551,000).

48. FORWARD CONTRACTS

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

	31 December 2002	31 December 2001
Forward sell contracts		
Quantities (in tonnes)	13,020	1,165
Average price per tonne (RMB)	15,598	14,358
	From January 2003 To May 2003	In April 2002
Delivery period		
Forward buy contracts		
Quantities (in tonnes)	Nil	700
Average price per tonne (RMB)	Nil	15,639
Delivery period	Nil	In January 2002

On 31 December 2002, the unrealised loss on the outstanding forward contracts amounted to approximately RMB 3,700,000 (2001: RMB 1,500,000) which was determined on the difference between contract price and closing price of Shanghai Metal Exchange at the balance sheet date.

Notes to the Financial Statements

For the year ended 31 December 2002
(Prepared in accordance with PRC GAAP and regulations)

49. COMMITMENTS

(1) Capital commitments

	2002 <i>RMB'000</i>	2001 <i>RMB'000</i>
Capital expenditure contracted for but not provided in the financial statements:		
– Commitment for acquisition of assets	574,277	617,315

(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:

	2002 <i>RMB'000</i>	2001 <i>RMB'000</i>
The minimum lease payments under non-cancelable operating leases:		
Within one year	15,806	15,000
In the second year	15,806	15,000
In the third year	15,806	15,000
Over three years	352,082	330,000
Total	399,500	375,000

The amount represents the balance due to JCC and Land & Resources Bureau of Jiangxi Province as the consideration for the rental of land use rights. The amount includes rental of land use right of Wushan Mine repayable in 50 annual installments of RMB 806,136 each starting from year 2002 to year 2052. The other portion is repayable in 30 annual installments of RMB 15,000,000 each starting from year 1997 to year 2027.

Supplemental Information

For the year ended 31 December 2002
(Prepared in accordance with PRC GAAP)

1. Difference between International Financial Reporting Standards (“IFRS”) and PRC GAAP

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

At balance sheet date, net profit and net assets were RMB 169,504,000 and RMB 4,662,383,000 respectively according to PRC GAAP. These figures can be reconciled to that under IFRS as follows:

	Net profit For the year ended 31 December 2002 <i>RMB'000</i>	Net assets at 31 December 2002 <i>RMB'000</i>
Per PRC GAAP	169,504	4,662,383
Adjustment according to IFRS:		
– Common shares dividend proposed by the board of directors subsequent to the balance sheet date which cannot be booked under IFRS	—	79,921
Per IFRS	169,504	4,742,304

2. Weighted average and fully diluted return on net assets and earning per share

Reporting profit	2002				2001			
	Return on net assets		Earning per share		Return on net assets		Earning per share	
	Fully diluted	Weighted average	Fully diluted	Weighted average	Fully diluted	Weighted average	Fully diluted	Weighted average
Profit from principal operations	13.19	13.20	0.23	0.23	14.33	16.18	0.25	0.27
Operating profits	4.51	4.52	0.08	0.08	7.06	7.98	0.12	0.13
Net profit	3.64	3.64	0.06	0.06	6.59	7.44	0.11	0.12
Net profit excluding non-recurring items	4.01	4.03	0.07	0.07	6.65	7.51	0.11	0.13

Supplemental Information

For the year ended 31 December 2002
(Prepared in accordance with PRC GAAP)

3. Provision for assets impairment at 31 December 2002

	Group & Company			At 31 December 2002
	At 1 January 2002	Additional	Write-back	
1. Bad debt provision	86,524,044	17,016,591	—	103,540,635
Including: Accounts receivable	69,109,399	7,387,131	—	76,496,530
Other receivables	17,414,645	9,629,460	—	27,044,105
2. Provision for impairment on short-term investments	179,322	213,285	179,322	213,285
Including: Stock investment	179,322	213,285	179,322	213,285
3. Provision for impairment on inventory	11,321,889	2,156,283	9,582,701	3,895,471
Including: Finished goods	3,597,878	2,156,283	3,477,357	2,276,804
Raw material	7,724,011	—	6,105,344	1,618,667
4. Provision for impairment on fixed assets	8,359,916	11,707,124	8,359,916	11,707,124
Including: Buildings	—	601,311	—	601,311
Equipment and machinery	6,613,252	10,134,677	6,613,252	10,134,677
Vehicles	1,746,664	971,136	1,746,664	971,136

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) Fixed assets under construction

The closing balance increased by 54% compared with the opening balance, which was mainly due to the addition of the new project Guixi Smelter Phase III.

- (2) Minority interests

The closing balance increased a lot compared with the opening balance, which was mainly due to the establishment of new subsidiary, Jiangxi Copper Products Co., Ltd.

Supplemental Information

For the year ended 31 December 2002
(Prepared in accordance with PRC GAAP)

Items in statement of income and profits appropriation:

(1) Income from other operations

The amount of current year increased a lot compared with that of prior year, which was mainly due to the great increase of gain on settlement of forward contract in this year.

(2) Administrative expenses

The amount of current year increased a lot compared with that of prior year, which was mainly due to the rise of salary and bonus as well as loss on bad debtor provision happened in this year.

(3) Non-operating expenses

The amount of current year increased a lot compared with that of prior year, which was mainly due to the increase in disposal of fixed assets in this year.

Auditors' Report

(Prepared in accordance with IFRS)

德勤·關黃陳方會計師行

Certified Public Accountants
26/F, Wing On Centre
111 Connaught Road Central
Hong Kong

香港中環干諾道中111號
永安中心26樓

**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 87 to 117 which have been prepared in accordance with International Financial Reporting Standards.

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 2002 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, 8 April 2003

Consolidated Income Statement

For the year ended 31 December 2002
(Prepared in accordance with IFRS)

	Notes	2002 RMB'000	2001 RMB'000
Turnover	3	3,327,073	2,995,793
Cost of sales and services	4	(2,710,844)	(2,342,509)
Gross profit		616,229	653,284
Other operating income	5	41,111	46,099
Distribution costs		(40,488)	(31,583)
Administrative expenses		(236,856)	(161,491)
Other operating expenses	6	(49,843)	(30,645)
Profit from operations	7	330,153	475,664
Finance costs	8	(156,816)	(163,067)
Profit before tax		173,337	312,597
Taxation	10	(3,752)	(102)
Profit after tax		169,585	312,495
Minority interests		(81)	(122)
Net profit for the year		169,504	312,373
Appropriations:			
Transfer to reserves	11	(67,819)	(120,652)
Profit for the year, retained		101,685	191,721
Dividends	12	79,921	133,202
Basic earnings per share	13	RMB0.064	RMB0.128

Consolidated Balance Sheet

At 31 December 2002

(Prepared in accordance with IFRS)

	Notes	2002 RMB'000	2001 RMB'000
Non-current assets			
Property, plant and equipment	14	6,570,074	5,725,070
Other assets	15	106,131	89,865
Other investments	17	5,610	5,610
		6,681,815	5,820,545
Current assets			
Inventories	18	1,510,878	1,576,283
Trade and other receivables	19	373,076	384,677
Taxation recoverable		797	4,693
Marketable securities	20	699	1,235
Pledged bank deposits		–	2,268
Bank balances and cash		257,499	681,060
		2,142,949	2,650,216
Current liabilities			
Trade and other payables	22	647,551	636,532
Taxation payable		43	34
Government subsidy received	23	84,000	84,000
Bank borrowings – amount due within one year	25	984,011	1,161,668
		1,715,605	1,882,234
Net current assets		427,344	767,982
		7,109,159	6,588,527
Capital and reserves			
Share capital	26	2,664,038	2,664,038
Reserves		2,078,266	2,041,964
		4,742,304	4,706,002
Minority interests		60,704	694
Non-current liabilities			
Bank borrowings – amount due after one year	25	2,263,110	1,836,920
Other payable – amount due after one year	28	43,041	44,911
		2,306,151	1,881,831
		7,109,159	6,588,527

The financial statements on pages 87 to 117 were approved and authorised for issue by the Board of Directors on 8 April 2003 and are signed on its behalf by:

He Changming
DIRECTOR

Du Xinmin
DIRECTOR

Balance Sheet

At 31 December 2002
(Prepared in accordance with IFRS)

	Notes	2002 RMB'000	2001 RMB'000
Non-current assets			
Property, plant and equipment	14	6,536,038	5,725,061
Other assets	15	106,131	89,865
Investments in subsidiaries	16	90,600	600
Other investments	17	5,610	5,610
		6,738,379	5,821,136
Current assets			
Inventories	18	1,510,773	1,576,228
Trade and other receivables	19	326,280	383,492
Taxation recoverable		797	4,693
Marketable securities	20	699	1,235
Pledged bank deposits		–	2,268
Bank balances and cash		253,620	680,486
		2,092,169	2,648,402
Current liabilities			
Trade and other payables	22	714,538	636,478
Government subsidy received	23	84,000	84,000
Bank borrowings – amount due within one year	25	984,011	1,161,668
		1,782,549	1,882,146
Net current assets		309,620	766,256
		7,047,999	6,587,392
Capital and reserves			
Share capital	26	2,664,038	2,664,038
Reserves	27	2,077,810	2,041,523
		4,741,848	4,705,561
Non-current liabilities			
Bank borrowings – amount due after one year	25	2,263,110	1,836,920
Other payable – amount due after one year	28	43,041	44,911
		2,306,151	1,881,831
		7,047,999	6,587,392

He Changming
DIRECTOR

Du Xinmin
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2002
(Prepared in accordance with IFRS)

	Share capital	Share premium	Capital reserve	Other reserve	Statutory surplus reserve	Statutory public welfare fund	Discretionary surplus reserve	Accumulated profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2001	2,434,038	1,016,849	70,546	(92,506)	52,092	34,345	95,902	311,856	3,923,122
New issue of A Shares	230,000	292,100	-	-	-	-	-	-	522,100
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 1 January 2002	2,664,038	1,281,696	70,546	(92,506)	82,248	62,328	158,415	479,237	4,706,002
Net profit for the year	-	-	-	-	-	-	-	169,504	169,504
Dividends paid – 2001 final	-	-	-	-	-	-	-	(133,202)	(133,202)
Appropriations to reserves	-	-	-	-	16,962	16,956	33,901	(67,819)	-
Reclassification	-	-	-	-	-	(11,980)	11,980	-	-
At 31 December 2002	2,664,038	1,281,696	70,546	(92,506)	99,210	67,304	204,296	447,720	4,742,304

Consolidated Cash Flow Statement

For the year ended 31 December 2002
(Prepared in accordance with IFRS)

	Note	2002 RMB'000	2001 RMB'000
Operating activities			
Profit before tax		173,337	312,597
Adjustments for:			
Interest income		(5,335)	(20,881)
Interest expense		156,816	163,067
Depreciation of property, plant and equipment		404,243	369,507
Amortisation of other assets		3,996	3,590
Loss on disposal of property, plant and equipment		25,411	–
Impairment loss recognised in respect of property, plant and equipment		–	13,810
Insurance claims recovered		–	(7,655)
Gain on disposal of marketable securities		(2,870)	(1,999)
Unrealised loss on marketable securities		213	179
Operating cash flows before movements in working capital		755,811	832,215
Decrease (increase) in inventories		77,433	(158,088)
Decrease in trade and other receivables		4,298	34,393
Decrease in trade and other payables		(71,859)	(68,581)
Cash generated by operations		765,683	639,939
Income tax refunded (paid)		153	(89)
Net cash from operating activities		765,836	639,850
Investing activities			
Interest received		5,335	9,943
Proceeds on disposal of property, plant and equipment		10,533	21
Decrease in pledged bank deposits		2,268	440
Purchase of property, plant and equipment		(1,021,170)	(631,562)
Insurance claims recovered received		–	7,655
Purchase of other investments		–	(5,610)
Purchase of marketable securities		(25,939)	(31,415)
Proceeds on disposal of marketable securities		29,132	32,000
Acquisition of Wushan Copper Mine	29	(191,067)	–
Net cash used in investing activities		(1,190,908)	(618,528)
Financing activities			
Interest paid		(182,817)	(180,366)
Dividend paid by the Company		(133,202)	(24,340)
Dividend paid by a subsidiary to minority shareholder		(71)	(68)
Proceeds on issue of A Shares (net of share issue expenses)		–	494,847
Interest on proceeds from issue of A Shares received		10,938	–
Capital contribution by minority shareholder of a subsidiary		60,000	–
Government subsidy received		–	84,000
New borrowings raised		1,900,956	1,757,478
Repayment of bank borrowings		(1,652,423)	(1,836,046)
Repayment of other payable		(1,870)	(1,870)
Net cash from financing activities		1,511	293,635
Net (decrease) increase in cash and cash equivalents		(423,561)	314,957
Cash and cash equivalents at beginning of the year		681,060	366,103
Cash and cash equivalents at end of the year			
– Bank balances and cash		257,499	681,060

Notes to the Financial Statements

For the year ended 31 December 2002
(Prepared in accordance with IFRS)

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. Its ultimate holding company is Jiangxi Copper Corporation ("JCC").

The Company's H Shares were listed on The Stock Exchange of Hong Kong Limited and London Stock Exchange Limited. The Company's A Shares were listed on the Shanghai Stock Exchange.

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 principal subsidiary is engaged in the trading of sulphuric acid.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention and in accordance with International Financial Reporting Standards ("IFRS").

The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries 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. Any excess (deficiency) of the cost of acquisition over (below) the fair values of the identifiable net assets acquired is recognised as goodwill (negative goodwill). 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 recognised impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Notes to the Financial Statements

For the year ended 31 December 2002
(Prepared in accordance with IFRS)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill and negative 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 straight-line basis over its estimated useful life.

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

Negative goodwill 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 the analysis of the circumstances from which the balance resulted. To the extent that the negative goodwill is attributable to losses or expenses anticipated at the date of acquisition, it is released to income in the period in which those losses or expenses arise. The remaining negative goodwill is recognised as income on a straight-line basis over the remaining average useful life of the identifiable acquired depreciable assets. To the extent that such negative goodwill exceeds the aggregate fair value of the acquired identifiable non-monetary assets, it is recognised as income immediately.

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.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

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 recognised 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 recognised 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, on the following basis:

Buildings	12 to 40 years
Plant, machinery and equipment	10 to 25 years
Motor vehicles	10 to 12 years

Notes to the Financial Statements

For the year ended 31 December 2002
(Prepared in accordance with IFRS)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

Used assets acquired as part of the reorganisation prior to the listing of the Company's H Shares in 1997 (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 recognised 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 recognised impairment loss. The cost of mining rights is amortised on a straight-line basis over their estimated useful lives of 13 to 50 years.

Inventories

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

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

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

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

Recoverable amount is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating 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.

Notes to the Financial Statements

For the year ended 31 December 2002
(Prepared in accordance with IFRS)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group has become a party to the contractual provisions of the instrument.

Trade receivables

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

Investments in securities

Marketable securities are recognised on a trade-date basis and are initially measured at cost, including transaction costs. They are held for trading purpose and are measured at market value at the subsequent 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.

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption, 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 payables

Trade payables are stated at their nominal value.

Equity instruments

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

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.

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 related to assets is recognised as income over the life of a depreciable asset by way of a reduced depreciation charge.

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

Notes to the Financial Statements

For the year ended 31 December 2002
(Prepared in accordance with IFRS)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

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. Deferred tax liabilities are generally 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.

The carrying amount of deferred tax assets is reviewed at each balance sheet and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

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.

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.

Notes to the Financial Statements

For the year ended 31 December 2002
(Prepared in accordance with IFRS)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 mainly 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 borrowing costs eligible for capitalisation.

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

Operating leases

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

Foreign currency translation

The Group maintains its books and records in Renminbi.

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

Notes to the Financial Statements

For the year ended 31 December 2002
(Prepared in accordance with IFRS)

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:

	2002 RMB'000	2001 RMB'000
Business segments		
Sales of goods	3,074,723	2,705,103
Tolling services	252,350	290,690
	3,327,073	2,995,793

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.

Over 90% of the Group's turnover are derived from the PRC. 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 RMB7,426,000 (2001: RMB4,040,000) and nil (2001: RMB6,105,000) relating to a reversal of allowance made to write down sulphur concentrate inventories to estimated net realisable value and allowance 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:

	2002 RMB'000	2001 RMB'000
Gain on settlement of forward contracts before their maturity dates	17,482	–
Interest income from banks	3,099	3,497
Interest income on proceeds from issue of A Shares	–	10,938
Other interest income	2,236	6,446
Insurance claims recovered	–	7,655
Others	18,294	17,563
	41,111	46,099

6. OTHER OPERATING EXPENSES

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

	2002 RMB'000	2001 RMB'000
Loss on disposal of property, plant and equipment	25,411	–
Impairment loss recognised in respect of property, plant and equipment	–	5,450
General education	14,632	15,169
Loss on settlement of forward contracts before their maturity dates	–	4,365
Others	9,800	5,661
	49,843	30,645

Notes to the Financial Statements

For the year ended 31 December 2002
(Prepared in accordance with IFRS)

7. PROFIT FROM OPERATIONS

	2002 RMB'000	2001 RMB'000
Profit from operations has been arrived at after charging:		
Allowance for bad and doubtful debts	19,335	–
Amortisation of mining rights and trademark (note a)	3,996	3,590
Auditors' remuneration	2,300	1,851
Depreciation of property, plant and equipment (note b)	404,243	369,507
Impairment loss recognised in respect of property, plant and equipment (note c)	–	13,810
Licence fee on railway transportation	7,174	7,174
Loss on disposal of property, plant and equipment	25,411	–
Minimum lease payments under operating leases in respect of:		
– land use rights	15,806	15,000
– machinery and vehicles	3,487	3,978
– office premises	3,928	4,354
– staff quarters and use of common facilities (note d)	20,654	14,645
Research and development expenses	5,238	5,142
Restoration, rehabilitation and environmental expenses	34,671	32,072
Staff costs, including directors' and supervisors' remuneration (note e)	341,859	224,438
and after crediting:		
Reversal of allowance for bad and doubtful debts	–	28,142

Notes:

- (a) The amount was included in administrative expenses.
- (b) Depreciation of approximately RMB401,106,000 (2001: RMB366,734,000) and RMB3,137,000 (2001: RMB2,773,000) were included in cost of sales and services and administrative expense respectively.
- (c) The impairment loss recognised in respect of property, plant and equipment in 2001 of approximately RMB8,360,000 and RMB5,450,000 were included in administrative expenses and other operating expenses respectively.
- (d) The amount was also included in staff costs disclosed above.
- (e) There were approximately 13,200 employees as at 31 December 2002 (2001: 11,200 employees).

8. FINANCE COSTS

	2002 RMB'000	2001 RMB'000
Interest on borrowings wholly repayable within five years	153,568	151,508
Interest on borrowings not wholly repayable within five years	29,249	28,858
Total borrowing costs	182,817	180,366
Less: Amount included in the cost of qualifying assets	(26,001)	(17,299)
	156,816	163,067

The capitalisation rate for general borrowings during the year was 5.5% (2001: 6.1%).

Notes to the Financial Statements

For the year ended 31 December 2002
(Prepared in accordance with IFRS)

9. DIRECTORS' AND SUPERVISORS' REMUNERATION

	2002 RMB'000	2001 RMB'000
Directors		
Fees:		
Executive	–	–
Independent non-executive	80	40
	80	40
Other emoluments (executive directors):		
Salaries and other benefits	1,054	945
Performance related bonus	220	220
Retirement benefits scheme contributions	243	206
	1,517	1,371
	1,597	1,411
Supervisors		
Fees	–	–
Other emoluments:		
Salaries and other benefits	487	414
Retirement benefits scheme contributions	122	98
	609	512
	609	512

The five highest paid individuals of the Group were all executive directors. Emoluments of each of the directors and supervisors are less than RMB1,000,000 for the years ended 31 December 2002 and 2001.

10. TAXATION

	2002 RMB'000	2001 RMB'000
Domestic income tax	3,752	102

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. Year 2001 was the last year of the three-year tax relief period and a reduced income tax rate of 16.5% therefore applied.

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 subject to a reduced income tax rate of 15% for a period of three years from year 2002 to year 2004.

Notes to the Financial Statements

For the year ended 31 December 2002
(Prepared in accordance with IFRS)

10. TAXATION (Continued)

Pursuant to a notice dated 14 January 2000 issued jointly by the Ministry of Finance and the State Tax Bureau, which was 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 can be carried forward for future application for a period of not more than five years from the year in which the plant and equipment are acquired. The Tax Benefit not utilised as at 31 December 2001 amounted to approximately RMB25.7 million (2002: nil).

Domestic income tax in the PRC for year 2002 is calculated at the rate of 33% (2001: 33%) on the estimated assessable profit of Xiaoshan Tungda (see note 16) for the year.

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

	2002 <i>RMB'000</i>	2001 <i>RMB'000</i>
Profit before tax	173,337	312,597
Tax at the domestic rates of 33% for the Group	57,241	99,576
Reduction of income tax in respect of reduced income tax rate of 15% (2001: 16.5%) for the Company	(31,168)	(49,737)
Tax effect of income that is not taxable in determining current year taxable profit	(18)	(30)
Tax effect of expenses that are not deductible in determining current year taxable profit	1,101	1,779
Tax effect of the allowance for doubtful debts that are not deductible in determining current year taxable profit	2,900	2,771
Tax effect of the (reversal of allowance) allowance to write down inventories to net realisable values that are not recognised as deferred tax asset	(1,114)	1,387
Tax effect of the write-down of property, plant and equipment that are not recognised as deferred tax asset	522	1,379
Reduction of income tax in respect of the Tax Benefit	(25,712)	(57,023)
Taxation	3,752	102

At 31 December 2002, the deductibility of the allowance 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 allowance for doubtful debts of approximately RMB104 million (2001: RMB86 million) could be deducted in determining taxable profits in the future. Accordingly, the potential deferred tax asset of approximately RMB16 million (2001: RMB28 million) has not been recognised in the financial statements.

Notes to the Financial Statements

For the year ended 31 December 2002
(Prepared in accordance with IFRS)

11. TRANSFER TO RESERVES

	2002 RMB'000	2001 RMB'000
The amount represents transfer to:		
Statutory surplus reserve	16,962	30,156
Statutory public welfare fund	16,956	30,150
Discretionary surplus reserve	33,901	60,346
	67,819	120,652

The amounts transferred to statutory surplus reserve and statutory public welfare fund for the year by a Company are each based on 10% (2001: 10%) of the Company's net profit for the year, prepared in accordance with the PRC accounting standards. The amount transferred to discretionary surplus reserve for the year by the Company is based on 20% (2001: 20%) of the Company's net profit for the year, prepared in accordance with the PRC accounting standards.

The amounts transferred to statutory surplus reserve and statutory public welfare fund for the year by a subsidiary are based on 10% (2001: 10%) and 20% (2001: 5%) respectively of the subsidiary's net profit for the year, prepared in accordance with the PRC accounting standards.

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

12. DIVIDENDS

	2002 RMB'000	2001 RMB'000
Proposed final dividend of RMB0.03 (2001: RMB0.05) per share	79,921	133,202

On 11 April 2002, a dividend of RMB0.05 per share (tax inclusive for A Shares) on 2,664,038,200 shares, in aggregate approximately RMB133,202,000, was paid to the shareholders as the final dividend for year 2001.

The directors propose to distribute a final dividend of RMB0.03 per share (tax inclusive for A Shares) for the year ended 31 December 2002. Total estimated dividend to be paid is approximately RMB79,921,000.

Dividends for H Shares will be paid, on 4 July 2003, to the shareholders on the register of shareholders of H Shares of the Company on 19 May 2003.

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 the shareholders at the annual general meeting to be convened on 11 June 2003.

13. BASIC EARNINGS PER SHARE

The calculation of basic earnings per share for the year is based on the net profit for the year of RMB169,504,000 (2001: RMB312,373,000) and on the weighted average number of 2,664,038,200 shares (2001: 2,440,969,707 shares) outstanding during the year.

No diluted earnings per share have been presented as these were no dilutive potential ordinary shares in issue in either 2002 and 2001.

Notes to the Financial Statements

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(Prepared in accordance with IFRS)

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant, machinery and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
THE GROUP					
COST					
At 1 January 2002	2,992,996	5,614,750	1,073,733	664,541	10,346,020
Additions	–	31,813	–	1,015,358	1,047,171
Acquired on acquisition of Wushan Copper Mine (note 29)	174,410	43,532	2,324	17,754	238,020
Reclassifications	592,663	73,370	7,271	(673,304)	–
Disposals	(2,213)	(109,168)	(93,526)	–	(204,907)
At 31 December 2002	3,757,856	5,654,297	989,802	1,024,349	11,426,304
DEPRECIATION AND IMPAIRMENT					
At 1 January 2002	801,694	3,178,163	641,093	–	4,620,950
Provided for the year	135,191	214,792	54,260	–	404,243
Eliminated on disposals	(882)	(84,749)	(83,332)	–	(168,963)
At 31 December 2002	936,003	3,308,206	612,021	–	4,856,230
CARRYING AMOUNT					
At 31 December 2002	2,821,853	2,346,091	377,781	1,024,349	6,570,074
At 31 December 2001	2,191,302	2,436,587	432,640	664,541	5,725,070
THE COMPANY					
COST					
At 1 January 2002	2,992,996	5,614,660	1,073,733	664,541	10,345,930
Additions	–	31,810	–	981,322	1,013,132
Acquired on acquisition of Wushan Copper Mine (note 29)	174,410	43,532	2,324	17,754	238,020
Reclassifications	592,663	73,370	7,271	(673,304)	–
Disposals	(2,213)	(109,168)	(93,526)	–	(204,907)
At 31 December 2002	3,757,856	5,654,204	989,802	990,313	11,392,175
DEPRECIATION AND IMPAIRMENT					
At 1 January 2002	801,694	3,178,082	641,093	–	4,620,869
Provided for the year	135,191	214,780	54,260	–	404,231
Eliminated on disposals	(882)	(84,749)	(83,332)	–	(168,963)
At 31 December 2002	936,003	3,308,113	612,021	–	4,856,137
CARRYING AMOUNT					
At 31 December 2002	2,821,853	2,346,091	377,781	990,313	6,536,038
At 31 December 2001	2,191,302	2,436,578	432,640	664,541	5,725,061

Notes to the Financial Statements

For the year ended 31 December 2002
(Prepared in accordance with IFRS)

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

	THE GROUP AND THE COMPANY	
	2002 RMB'000	2001 RMB'000
The buildings are situated on State-owned land in the PRC with rights to use the land obtained by:		
– JCC (note a)	2,639,868	2,191,302
– Other (note b)	181,985	–
	2,821,853	2,191,302

Notes:

- (a) Pursuant to a lease agreement dated 30 April 1997, the Company leases from JCC the rights to use the land 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.
- (b) Pursuant to a lease agreement, the Company leases the rights to use the land for a term of 50 years commencing from 1 January 2002, at an annual rental of approximately RMB806,000.

15. OTHER ASSETS

	Mining rights RMB'000	Trademark RMB'000	Total RMB'000
THE GROUP AND THE COMPANY			
COST			
At 1 January 2002	56,191	51,684	107,875
Acquired on acquisition of Wushan Copper Mine (note 29)	20,262	–	20,262
At 31 December 2002	76,453	51,684	128,137
AMORTISATION			
At 1 January 2002	9,410	8,600	18,010
Provided for the year	2,276	1,720	3,996
At 31 December 2002	11,686	10,320	22,006
CARRYING AMOUNT			
At 31 December 2002	64,767	41,364	106,131
At 31 December 2001	46,781	43,084	89,865

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.

During the year, the Company acquired the mining right (excluding mining rights to resources beneath the minus-400-metre level) of the Wushan Copper Mine from JCC. According to the mining right certificate, the Company has the right to mine in the Wushan Copper Mine for a period of 50 years.

The Company acquired the "Guiye" copper trademark from JCC as part of the Reorganisation.

Notes to the Financial Statements

For the year ended 31 December 2002
(Prepared in accordance with IFRS)

16. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2002 RMB'000	2001 RMB'000
Unlisted investments, at cost	90,600	600

Details of the Company's subsidiaries at 31 December 2002 are as follows:

Name of subsidiary	Paid up/ registered capital	Place of establishment and operation	Proportion of ownership interest	Principal activities
蕭山銅達化工有限公司 ("Xiaoshan Tungda")	RMB1,000,000	PRC*	60%	Trading of sulphuric acid
Jiangxi Copper Products Company Limited ("JCPC")	RMB150,000,000	PRC*	60%	Business of manufacturing and processing of oxygen- free copper rods and wires not yet commenced

* Established as limited liability company in the PRC.

17. 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.

18. INVENTORIES

	THE GROUP		THE COMPANY	
	2002 RMB'000	2001 RMB'000	2002 RMB'000	2001 RMB'000
Auxiliary materials and consumable supplies	67,227	116,352	67,227	116,352
Spare parts	337,579	418,309	337,579	418,309
Work in progress	1,014,519	939,741	1,014,519	939,741
Finished goods	91,553	101,881	91,448	101,826
	1,510,878	1,576,283	1,510,773	1,576,228

The balance of inventories of the Group and the Company at 31 December 2002 includes spare parts of approximately RMB5,045,000 (2001: RMB7,572,000) and finished goods of approximately RMB27,455,000 (2001: RMB41,197,000) which are carried at net realisable value.

Notes to the Financial Statements

For the year ended 31 December 2002
(Prepared in accordance with IFRS)

19. TRADE AND OTHER RECEIVABLES

	THE GROUP		THE COMPANY	
	2002 RMB'000	2001 RMB'000	2002 RMB'000	2001 RMB'000
Trade receivables – third parties	164,458	182,498	161,946	180,335
Other receivables – third parties	130,348	165,775	129,630	165,031
Amounts due from JCC and its affiliates – trade (note a)	30,130	36,206	30,130	36,206
Amounts due from JCC – non-trade (note b)	48,063	–	–	–
Amount due from minority shareholder of a subsidiary (note a)	77	198	–	–
Amount due from a subsidiary (note a)	–	–	4,574	1,920
	373,076	384,677	326,280	383,492

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

	THE GROUP		THE COMPANY	
	2002 RMB'000	2001 RMB'000	2002 RMB'000	2001 RMB'000
Trade receivables				
Within one year	147,009	152,426	144,540	150,303
Between one to two years	13,134	19,613	13,134	19,613
Between two to three years	4,161	5,693	4,118	5,653
Over three years	154	4,766	154	4,766
	164,458	182,498	161,946	180,335
Amounts due from JCC and its affiliates - trade				
Within one year	29,446	35,593	29,446	35,593
Between one to two years	204	613	204	613
Over three years	480	–	480	–
	30,130	36,206	30,130	36,206

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.

Notes:

- (a) The amounts are unsecured, non-interest bearing and repayable on demand.
- (b) The amount is unsecured, non-interest bearing and repayable on demand. It has been fully repaid after 31 December 2002. Maximum amount outstanding during the year amounted to RMB50,000,000.

Notes to the Financial Statements

For the year ended 31 December 2002
(Prepared in accordance with IFRS)

20. MARKETABLE SECURITIES

	THE GROUP AND THE COMPANY	
	2002	2001
	RMB'000	RMB'000
Fair value at 31 December	699	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.

21. 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 risk

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 their assessment of 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.

22. TRADE AND OTHER PAYABLES

	THE GROUP		THE COMPANY	
	2002	2001	2002	2001
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables – third parties	313,581	286,702	313,581	286,702
Other payables – third parties	207,693	157,064	207,584	157,010
Amounts due to JCC and its affiliates – trade (note)	124,407	190,896	124,407	190,896
Amount due to JCC – other (note 28)	1,870	1,870	1,870	1,870
Amount due to a subsidiary (note)	–	–	67,096	–
	647,551	636,532	714,538	636,478

Notes to the Financial Statements

For the year ended 31 December 2002
(Prepared in accordance with IFRS)

22. TRADE AND OTHER PAYABLES (Continued)

The aging analysis of trade payables and amounts due to JCC and its affiliates (excluding the other payable as set out in note 28) are as follows:

	THE GROUP		THE COMPANY	
	2002 RMB'000	2001 RMB'000	2002 RMB'000	2001 RMB'000
Trade payables				
Within one year	297,837	270,756	297,837	270,756
Between one to two years	5,949	9,759	5,949	9,759
Between two to three years	7,141	2,921	7,141	2,921
Over three years	2,654	3,266	2,654	3,266
	313,581	286,702	313,581	286,702
Amounts due to JCC and its affiliates – trade				
Within one year	124,122	187,011	124,122	187,011
Between one to two years	143	3,822	143	3,822
Between two to three years	56	46	56	46
Over three years	86	17	86	17
	124,407	190,896	124,407	190,896

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

23. GOVERNMENT SUBSIDY RECEIVED

The amount represents the government subsidy received for financing the expansion project of Guixi Smelter Phase III.

24. 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.

Notes to the Financial Statements

For the year ended 31 December 2002
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25. BANK BORROWINGS

	THE GROUP AND THE COMPANY	
	2002	2001
	RMB'000	RMB'000
Medium and long term bank loans	2,638,920	2,008,920
Short term bank loans	608,201	989,668
	3,247,121	2,998,588
Less: Amount due within one year included under current liabilities	(984,011)	(1,161,668)
Amount due after one year	2,263,110	1,836,920
Bank borrowings are repayable as follows:		
Within one year	984,011	1,161,668
Between one to two years	686,000	795,810
Between two to five years	1,020,400	521,400
Over five years	556,710	519,710
	3,247,121	2,998,588

All of the bank borrowings are unsecured and carry interest at rates ranging from 3.0% to 6.2% (2001: 4.5% to 6.2%) per annum. Majority of the bank borrowings are in Renminbi.

At 31 December 2002, bank borrowings amounting to approximately RMB424,710,000 (2001: RMB484,710,000) were supported by guarantees from JCC.

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

26. SHARE CAPITAL

	Registered, issued and fully paid 2002 & 2001
	RMB'000
Share of RMB1 each	
Balance at 1 January 2001	
– 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 1 January 2002 and 31 December 2002	2,664,038

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

Notes to the Financial Statements

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(Prepared in accordance with IFRS)

27. 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 COMPANY								
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
Dividend paid – 2000 final	-	-	-	-	-	-	(24,340)	(24,340)
Appropriations to reserves	-	-	-	30,144	30,144	60,287	(120,575)	-
Reclassification	-	-	-	-	(2,167)	2,167	-	-
At 1 January 2002	1,281,696	70,546	(92,506)	82,224	62,316	158,316	478,931	2,041,523
Net profit for the year	-	-	-	-	-	-	169,489	169,489
Dividends paid – 2001 final	-	-	-	-	-	-	(133,202)	(133,202)
Appropriations to reserves	-	-	-	16,950	16,950	33,901	(67,801)	-
Reclassification	-	-	-	-	(11,980)	11,980	-	-
At 31 December 2002	1,281,696	70,546	(92,506)	99,174	67,286	204,197	447,417	2,077,810

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 IFRS and the valuation of assets and liabilities performed by the PRC valuer in accordance with relevant PRC standards and regulations, which valuation was confirmed by the State Assets Administration Bureau.

Statutory surplus reserve represents the appropriation of 10% of profit after taxation calculated in accordance with PRC accounting standards and regulations and the Articles of Association of the Company and its subsidiaries. The appropriation may cease to apply if the balance of the statutory surplus reserve has reached 50% of the Company's and its subsidiaries' 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.

Notes to the Financial Statements

For the year ended 31 December 2002
(Prepared in accordance with IFRS)

27. RESERVES (Continued)

Statutory public welfare fund represents the appropriation of profit after taxation according to the requirements of the Company's and its subsidiaries' Articles of Association and the Companies Law in the PRC. According to the requirements, the Company and its subsidiaries each transfers 5% to 10% of profit after taxation calculated in accordance with PRC accounting standards and regulations which in aggregate amounted to approximately RMB16,956,000 for the year (2001: RMB30,150,000) 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 its subsidiaries. The statutory public welfare fund is not distributable to shareholders other than in liquidation. During the year, approximately RMB11,980,000 (2001: RMB2,167,000) 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 accounting standards and regulations and (b) the net after-tax profit determined in accordance with IFRS. 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 2002 was RMB334,940,888 (2001: RMB313,159,469) which represents accumulated profits as at 31 December 2002 determined in accordance with PRC accounting standards.

28. OTHER PAYABLE

	THE GROUP AND THE COMPANY	
	2002 RMB'000	2001 RMB'000
Portion bearing interest at 5.3% (2001: 4.9%) per annum, due within one year included as amount due to JCC – other under current liabilities (note 22)	1,870	1,870
Non-interest bearing portion, due after one year	43,041	44,911
	44,911	46,781
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
After five years	35,561	37,431
	44,911	46,781

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 instalments of RMB1,870,000 each and subject to payment of interest at a rate equal to the State lending rate for a one-year fixed term loan up to a maximum of 15% on each annual instalment starting from 1 January 1998. The interest paid during the year amounted to approximately RMB99,000 (2001: RMB91,000).

The directors estimate that the fair value of the other payable at 31 December 2002 was approximately RMB26,142,000 (2001: RMB26,721,000).

Notes to the Financial Statements

For the year ended 31 December 2002
(Prepared in accordance with IFRS)

29. ACQUISITION OF WUSHAN COPPER MINE

On 1 January 2002, the Company acquired 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 a consideration of approximately RMB193,807,000.

	2002 RMB'000
Net assets acquired:	
Property, plant and equipment	238,020
Mining rights	20,262
Inventories	12,028
Trade and other receivables	3,635
Bank balances and cash	2,740
Trade and other payables	(82,878)
	<hr/> 193,807 <hr/>
Satisfied by cash	193,807
Net cash outflow arising on acquisition:	
Cash consideration	(193,807)
Bank balances and cash acquired	2,740
	<hr/> (191,067) <hr/>

Notes to the Financial Statements

For the year ended 31 December 2002
(Prepared in accordance with IFRS)

30. RELATED PARTY TRANSACTIONS

During the year, the Group had the following significant transactions with (i) JCC and its affiliates and (ii) 江西鑫新實業股份有限公司 (“Jiangxi Xinxin”) and 湖北三鑫金銅股份有限公司 (“Hubei Sanxin”), both of which are promoters of the Company:

	2002 RMB'000	2001 RMB'000
(i) Transactions with JCC and its affiliates:		
Sale of copper cathode and sulphuric acid by the Group (note a)	150,384	181,063
Tolling fee and sales fee charged by the Group (note c)	206,783	215,794
Sale of waste, filter residue and black cement copper by the Group (note a)	12,230	13,629
Sale of auxiliary industrial products by the Group (note a)	59,688	73,252
Purchase of copper concentrates by the Group (note a)	87,487	142,939
Purchase of scrap copper by the Group (note b)	55,175	138,521
Purchase of auxiliary industrial products by the Group (note a)	144,772	159,590
Brokerage agency services provided to the Group (note a)	2,198	989
Construction services provided to the Group (note a)	67,788	27,416
Environmental greenery services provided to the Group (note b)	6,208	2,947
Industrial water supplied to the Group (note b)	18,545	18,425
Licence fee on railway transportation charged to the Group (note b)	7,174	7,174
Railway transportation services provided to the Group (note a)	10,709	11,757
Rentals for office premises received by the Group (note c)	56	-
Rentals for housing for the employees and use of common facilities charged to the Group (note b)	9,870	13,893
Rental for land use rights charged to the Group (note c)	15,000	15,000
Rentals for office premises charged to the Group (note c)	3,325	4,007
Repair and maintenance services provided to the Group (note a)	96,158	81,625
Retirement benefits contributions paid by the Group (note b)	56,474	33,551
Social welfare and support services provided to the Group (note b)		
- welfare and medical services	43,339	26,738
- primary and secondary education services	10,418	10,793
- technical education services	4,801	4,376
- internal telecommunications services	1,221	5,051
- use of representative offices	2,649	2,063
Supply of water and transmission of electricity by the Group (note b)	31,653	29,258
Vehicle transportation services provided to the Group (note a)	49,848	42,271
Proceeds on disposal of property, plant and equipment received by the Group (at carrying amount)	2,766	-

Notes to the Financial Statements

For the year ended 31 December 2002
(Prepared in accordance with IFRS)

30. RELATED PARTY TRANSACTIONS (Continued)

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

The Company 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.

On 30 November 2000, the Company entered into an agreement with JCC to acquire 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. Details of the acquisitions and the connected transactions 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 for an aggregate consideration of approximately RMB193,807,000 (as adjusted), in cash.

On 11 March 2002, the Company entered into a joint venture agreement ("JV Agreement") with JCC to establish a Sino-foreign equity joint venture, JCPC, to engage in the manufacturing and processing of oxygen-free copper rods and wires. The Company and JCC invested a sum of RMB90,000,000 and RMB60,000,000 respectively in cash during the year as capital contribution to JCPC according to the JV Agreement. JCPC is owned as to 60% by the Company and 40% by JCC.

(ii) Transactions with the promoters of the Company:

	2002 RMB'000	2001 RMB'000
Sales of copper cathode to Jiangxi Xinxin (note a)	155,104	142,954
Tolling fee received from Hubei Sanxin (note a)	7,003	1,917
Purchase of copper concentrates from Hubei Sanxin (note a)	18,077	14,502

In addition, the Group had made prepayment to Hubei Sanxin as at 31 December 2002 in respect of the purchase of copper concentrates amounting to RMB30,000,000 (2001: RMB30,000,000). Interest charged by the Group during the year in respect of the prepayment amounted to approximately RMB1,420,000 (2001: nil). Interest was determined with reference to the terms of the relevant agreement (including amendments thereto).

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.

Notes to the Financial Statements

For the year ended 31 December 2002
(Prepared in accordance with IFRS)

31. PLEDGE OF ASSETS

THE GROUP AND THE COMPANY

At 31 December 2001, bank deposits amounting to approximately RMB2,268,000 were pledged to secure the issue of bills by banks to certain of the Group's suppliers. There was no such arrangement at 31 December 2002.

32. OPERATING LEASE COMMITMENTS

At the balance sheet date, the Group and the Company had outstanding commitments under non-cancellable operating leases, which fall due as follows:

	THE GROUP AND THE COMPANY	
	2002 <i>RMB'000</i>	2001 <i>RMB'000</i>
Within one year	15,806	15,000
In the second to fifth year inclusive	63,225	60,000
After five years	320,470	300,000
	399,501	375,000

The above amounts mainly represent commitments under the non-cancellable operating leases in respect of land use rights as described in note 14.

33. CAPITAL COMMITMENTS

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

	THE GROUP		THE COMPANY	
	2002 <i>RMB'000</i>	2001 <i>RMB'000</i>	2002 <i>RMB'000</i>	2001 <i>RMB'000</i>
Commitments for the acquisition of property, plant and equipment:				
– contracted for but not provided in the financial statements	574,277	617,315	480,425	617,315
– authorised but not contracted for	932,088	1,329,349	896,496	1,329,349
	1,506,365	1,946,664	1,376,921	1,946,664

An analysis of the capital commitments is as follows:

Acquisitions of mines, including the Wushan Copper Mine	–	236,843	–	236,843
Expansion projects	1,461,130	1,676,310	1,331,686	1,676,310
Exploration projects	25,028	25,970	25,028	25,970
Other general projects	20,207	7,541	20,207	7,541
	1,506,365	1,946,664	1,376,921	1,946,664

Notes to the Financial Statements

For the year ended 31 December 2002
(Prepared in accordance with IFRS)

34. RETIREMENT BENEFITS SCHEME

The Group contributes mainly 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 mainly through JCC.

The total cost charged to the income statement of approximately RMB56,859,000 (2001: RMB34,503,000) represents contribution payable to the scheme by the Group at rates specified in the rules of the scheme.

35. FORWARD CONTRACTS

At the balance sheet date, the Group and the Company 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	
	2002	2001
Forward sell contracts:		
Quantities (in tonnes)	13,020	1,165
Average price per tonne (RMB)	15,598	14,358
Delivery period	From January 2003 to May 2003	In April 2002
Forward buy contracts:		
Quantities (in tonnes)	Nil	700
Average price per tonne (RMB)	Nil	15,639
Delivery period	Nil	In January 2002

At the balance sheet date, the unrealised loss on the outstanding forward contracts amounted to approximately RMB3.7 million (2001: RMB1.5 million).

Notes to the Financial Statements

For the year ended 31 December 2002
(Prepared in accordance with IFRS)

36. DIFFERENCES BETWEEN IFRS AND PRC ACCOUNTING STANDARDS AND REGULATIONS AS APPLICABLE TO THE GROUP

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

	2002 <i>RMB'000</i>	2001 <i>RMB'000</i>
Net assets as per financial statements prepared under IFRS	4,742,304	4,706,002
Proposed final dividend	(79,921)	(133,202)
Net assets as per financial statements prepared under PRC accounting standards and regulations	4,662,383	4,572,800

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

	2002 <i>RMB'000</i>	2001 <i>RMB'000</i>
Net profit for the year as per financial statements prepared under IFRS	169,504	312,373
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	169,504	301,435

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