

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2003
(Prepared in accordance with IFRS)

| | Notes | For the six months ended | |
|----------------------------|-------|-------------------------------------|-------------------------------------|
| | | 30.6.2003 RMB'000 (Unaudited) | 30.6.2002 RMB'000 (Unaudited) |
| Turnover | 3 | 2,389,073 | 1,561,675 |
| Cost of sales and services | | (1,970,719) | (1,281,945) |
| Gross profit | | 418,354 | 279,730 |
| Other operating income | | 22,337 | 18,547 |
| Distribution costs | | (20,551) | (15,094) |
| Administrative expenses | | (98,831) | (107,287) |
| Other operating expenses | | (7,989) | (14,874) |
| Profit from operations | | 313,320 | 161,022 |
| Finance costs | | (80,269) | (73,182) |
| Profit before taxation | | 233,051 | 87,840 |
| Taxation | 5 | (29,412) | (15,033) |
| Profit after taxation | | 203,639 | 72,807 |
| Minority interests | | (33) | (27) |
| Net profit for the period | | 203,606 | 72,780 |
| Dividends | 6 | — | — |
| Basic earnings per share | 7 | RMB0.0764 | RMB0.0273 |

CONDENSED CONSOLIDATED BALANCE SHEET

At 30 June 2003
(Prepared in accordance with IFRS)

| | Notes | 30.6.2003 RMB'000 (Unaudited) | 31.12.2002 RMB'000 (Audited) |
|--|-------|-------------------------------------|------------------------------------|
| Non-current assets | | | |
| Property, plant and equipment | 8 | 6,656,956 | 6,570,074 |
| Other assets | | 104,132 | 106,131 |
| Other investments | | 5,610 | 5,610 |
| | | 6,766,698 | 6,681,815 |
| Current assets | | | |
| Inventories | | 1,749,022 | 1,510,878 |
| Trade and other receivables | 9 | 584,696 | 373,076 |
| Taxation recoverable | | — | 797 |
| Marketable securities | | 18,524 | 699 |
| Bank balances and cash | | 296,210 | 257,499 |
| | | 2,648,452 | 2,142,949 |
| Current liabilities | | | |
| Trade and other payables | 10 | 598,271 | 647,551 |
| Taxation payable | | 28,588 | 43 |
| Government subsidy received | | 84,000 | 84,000 |
| Dividend payable | | 79,921 | — |
| Bank borrowings - amount due within one year | | 1,106,838 | 984,011 |
| | | 1,897,618 | 1,715,605 |
| Net current assets | | 750,834 | 427,344 |
| | | 7,517,532 | 7,109,159 |
| Capital and reserves | | | |
| Share capital | 11 | 2,664,038 | 2,664,038 |
| Reserves | | 2,201,951 | 2,078,266 |
| | | 4,865,989 | 4,742,304 |
| Minority interests | | 60,668 | 60,704 |
| Non-current liabilities | | | |
| Bank borrowings - amount due after one year | | 2,548,769 | 2,263,110 |
| Other payables - amount due after one year | 12 | 42,106 | 43,041 |
| | | 2,590,875 | 2,306,151 |
| | | 7,517,532 | 7,109,159 |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2003
(Prepared in accordance with IFRS)

| | Share capital RMB'000 | 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 |
|------------------------------------|-----------------------------|-----------------------------|-------------------------------|-----------------------------|--|---|--|-----------------------------------|------------------|
| 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 | — | — | — | — | 16,962 | 16,956 | 33,901 | (67,819) | — |
| Reclassification | — | — | — | — | — | (11,980) | 11,980 | — | — |
| At 1 January 2003 | 2,664,038 | 1,281,696 | 70,546 | (92,506) | 99,210 | 67,304 | 204,296 | 447,720 | 4,742,304 |
| Net profit for the period | — | — | — | — | — | — | — | 203,606 | 203,606 |
| Dividends declared - 2002 final | — | — | — | — | — | — | — | (79,921) | (79,921) |
| At 30 June 2003 | <u>2,664,038</u> | <u>1,281,696</u> | <u>70,546</u> | <u>(92,506)</u> | <u>99,210</u> | <u>67,304</u> | <u>204,296</u> | <u>571,405</u> | <u>4,865,989</u> |
| 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 period | — | — | — | — | — | — | — | 72,780 | 72,780 |
| Dividends declared - 2001 final | — | — | — | — | — | — | — | (133,202) | (133,202) |
| At 30 June 2002 | <u>2,664,038</u> | <u>1,281,696</u> | <u>70,546</u> | <u>(92,506)</u> | <u>82,248</u> | <u>62,328</u> | <u>158,415</u> | <u>418,815</u> | <u>4,645,580</u> |

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

*For the six months ended 30 June 2003
(Prepared in accordance with IFRS)*

| | For the six months ended | |
|--|---------------------------------|-------------|
| | 30.6.2003 | 30.6.2002 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Unaudited) |
| Net cash from operating activities | 15,189 | 399,909 |
| Net cash used in investing activities | (289,238) | (774,666) |
| Net cash from financing activities | 312,760 | 5,089 |
| Net increase (decrease) in cash and cash equivalents | 38,711 | (369,668) |
| Cash and cash equivalents at beginning of the period | 257,499 | 681,060 |
| Cash and cash equivalents at end of the period | 296,210 | 311,392 |

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2003
(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"). Its ultimate holding company is Jiangxi Copper Corporation ("JCC").

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

2. ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention, except for the revaluation of certain financial instruments, and in accordance with International Financial Reporting Standards ("IFRS"). The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2002.

3. SEGMENT INFORMATION

An analysis of the Group's turnover for the period, by business segment, is as follows:

| | For the six months ended | |
|--------------------------|--------------------------|----------------------|
| | 30.6.2003 RMB'000 | 30.6.2002 RMB'000 |
| <u>Business segments</u> | | |
| Sales of goods | 2,263,237 | 1,469,332 |
| Tolling services | 125,836 | 92,343 |
| | <u>2,389,073</u> | <u>1,561,675</u> |

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

| | For the six months ended | |
|-------------------------------------|--------------------------|----------------------|
| | 30.6.2003 RMB'000 | 30.6.2002 RMB'000 |
| <u>Geographical market segments</u> | | |
| PRC, other than Hong Kong | 2,117,549 | 1,485,919 |
| Others | 271,524 | 75,756 |
| | <u>2,389,073</u> | <u>1,561,675</u> |

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

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2003
(Prepared in accordance with IFRS)

4. DEPRECIATION AND AMORTISATION

During the period, depreciation of RMB200,131,000 (2002: RMB203,532,000) was charged in respect of the Group's property, plant and equipment and amortisation of RMB1,999,000 (2002: RMB1,998,000) was charged in respect of the Group's other assets.

5. TAXATION

| | For the six months ended | |
|---------------------|--------------------------|---------------|
| | 30.6.2003 | 30.6.2002 |
| | RMB'000 | RMB'000 |
| Domestic income tax | <u>29,412</u> | <u>15,033</u> |

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 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.

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 unutilised tax benefit in respect of the purchase of PRC produced machinery and equipment for Year 2002 is RMB47,633,700.

Domestic income tax in the PRC for the Company's subsidiaries for Year 2003 is calculated at the rate of 33% (2002: 33%) on the estimated assessable profit of 蕭山銅達化工有限公司 for the period.

At 30 June 2003, 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 RMB105 million (31.12.2002: RMB104 million) can be deducted in determining taxable profits in the future. Accordingly, the potential deferred tax asset of approximately RMB16 million (31.12.2002: RMB16 million) has not been recognised in the condensed financial statements.

6. DIVIDENDS

On 8 April 2003, a dividend of RMB0.03 per share (tax inclusive for A Shares) on 2,664,038,200 shares, in aggregate approximately RMB79,921,000, was proposed to be distributed to the shareholders as the final dividend for Year 2002. The proposal was approved by the shareholders in the 2002 annual general meeting held on 11 June 2003.

On 5 July 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 do not recommend the payment of an interim dividend for the six months ended 30 June 2003. No interim dividend was declared for the same period last year.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2003
(Prepared in accordance with IFRS)

7. BASIC EARNINGS PER SHARE

The calculation of basic earnings per share for the period is based on the net profit for the period of RMB203,606,000 (2002: RMB72,780,000) and on 2,664,038,200 shares (2002: 2,664,038,200 shares) outstanding during the period.

8. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately RMB287,018,000 (2002: RMB825,585,000) on the acquisition of property, plant and equipment.

9. TRADE AND OTHER RECEIVABLES

| | 30.6.2003 RMB'000 | 31.12.2002 RMB'000 |
|---|----------------------|-----------------------|
| Trade receivables - third parties | 269,306 | 164,458 |
| Other receivables - third parties | 296,125 | 130,348 |
| Amounts due from JCC and its affiliates - trade (note) | 18,957 | 30,130 |
| Amounts due from JCC - non-trade (note) | — | 48,063 |
| Amount due from a minority shareholder of a subsidiary (note) | 308 | 77 |
| | 584,696 | 373,076 |

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

| | 30.6.2003 RMB'000 | 31.12.2002 RMB'000 |
|--|----------------------|-----------------------|
| <u>Trade receivables</u> | | |
| Within one year | 256,411 | 147,009 |
| Between one to two years | 8,266 | 13,134 |
| Between two to three years | 4,629 | 4,161 |
| Over three years | — | 154 |
| | 269,306 | 164,458 |
| <u>Amounts due from JCC and its affiliates - trade</u> | | |
| Within one year | 17,746 | 29,446 |
| Between one to two years | 176 | 204 |
| Between two to three years | 1,035 | — |
| Over three years | — | 480 |
| | 18,957 | 30,130 |

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 a longer credit period will be allowed for major customers. Down payments or cash on delivery are normally required for new customers.

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

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2003
(Prepared in accordance with IFRS)

10. TRADE AND OTHER PAYABLES

| | 30.6.2003 RMB'000 | 31.12.2002 RMB'000 |
|--|----------------------|-----------------------|
| Trade payables - third parties | 301,233 | 313,581 |
| Other payables - third parties | 213,561 | 207,693 |
| Amounts due to JCC and its affiliates - trade (note) | 81,607 | 124,407 |
| Amount due to JCC - other (note 12) | 1,870 | 1,870 |
| | <u>598,271</u> | <u>647,551</u> |

The aged analyses of trade payables and amounts due to JCC and its affiliates at the reporting date are as follows:

| | 30.6.2003 RMB'000 | 31.12.2002 RMB'000 |
|--|----------------------|-----------------------|
| <u>Trade payables</u> | | |
| Within one year | 283,387 | 297,837 |
| Between one to two years | 6,128 | 5,949 |
| Between two to three years | 10,139 | 7,141 |
| Over three years | 1,579 | 2,654 |
| | <u>301,233</u> | <u>313,581</u> |
| <u>Amounts due to JCC and its affiliates - trade</u> | | |
| Within one year | 79,092 | 124,122 |
| Between one to two years | 1,034 | 143 |
| Between two to three years | 1,394 | 56 |
| Over three years | 87 | 86 |
| | <u>81,607</u> | <u>124,407</u> |

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

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2003
(Prepared in accordance with IFRS)

11. SHARE CAPITAL

| | Registered, issued and fully paid RMB'000 |
|---|---|
| Share of RMB1 each: | |
| Balance at 1 January 2002, 30 June 2002, 31 December 2002 and 30 June 2003 | |
| - 1,277,556,200 Domestic Shares | 1,277,556 |
| - 1,156,482,000 H Shares | 1,156,482 |
| - 230,000,000 A Shares | 230,000 |
| | <u>2,664,038</u> |

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

12. OTHER PAYABLES

| | 30.6.2003 RMB'000 | 31.12.2002 RMB'000 |
|--|----------------------|-----------------------|
| Portion bearing interest at 5.3% (31.12.2002: 5.3%) per annum, due within one year included as amount due to JCC - other under current liabilities (note 10) | 1,870 | 1,870 |
| Non-interest bearing portion, due after one year | 42,106 | 43,041 |
| | <u>43,976</u> | <u>44,911</u> |
| The amount is repayable as follows: | | |
| Within one year | 1,870 | 1,870 |
| Between one to two years | 1,870 | 1,870 |
| Between two to five years | 5,610 | 5,610 |
| Over five years | 34,626 | 35,561 |
| | <u>43,976</u> | <u>44,911</u> |

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 payable during the period amounted to approximately RMB50,000 (2002: RMB46,000).

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2003
(Prepared in accordance with IFRS)

13. RELATED PARTY TRANSACTIONS

During the period, 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.

(i) Transactions with JCC and affiliates:

| | For the six months ended | |
|---|--------------------------|-----------|
| | 30.6.2003 | 30.6.2002 |
| | RMB'000 | RMB'000 |
| Sale of copper cathode and sulphuric acid by the Group (note a) | 34,652 | 85,533 |
| Sale of raw copper sulphate by the Group (note a) | 4,665 | — |
| Tolling fee and sales fee charged by the Group (note c) | 96,276 | 67,040 |
| Sale of waste, filter residue and black cement copper by the Group (note a) | 1,858 | 2,558 |
| Re-sale of auxiliary industrial products by the Group (note a) | 29,897 | 26,823 |
| Purchase of copper concentrates by the Group (note a) | 55,717 | 27,177 |
| Purchase of scrap copper by the Group (note b) | 193,854 | 55,114 |
| Purchase of gold and silver bearing materials by the Group (note a) | 287 | — |
| Purchase of auxiliary industrial products by the Group (note a) | 120,714 | 78,280 |
| Construction services provided to the Group (note a) | 15,357 | 11,201 |
| Environmental greenery services provided to the Group (note b) | 3,052 | 3,193 |
| Industrial water supplied to the Group (note b) | 9,843 | 9,005 |
| Railway transportation services provided to the Group (note a) | 9,986 | 8,564 |
| Rental for housing for the employees and use of common facilities charged to the Group (note b) | 3,026 | 2,904 |
| Rental for land use rights charged to the Group (note c) | 7,500 | 7,500 |
| Rental for office premises charged to the Group (note c) | 1,456 | 1,501 |
| Rental for office premises charged by the Group (note c) | 28 | 28 |
| Repair and maintenance services provided to the Group (note a) | 39,830 | 22,610 |
| Retirement benefits contributions paid by the Group (note b) | 18,932 | 24,057 |
| Sale of gases by the Group (note c) | 483 | — |
| Agency fee for development and sale of gases paid by the Group (note c) | 819 | — |
| Social welfare and support services provided to the Group (note b) | | |
| - welfare and medical services | 15,042 | 17,161 |
| - primary and secondary education services | 4,259 | 4,578 |
| - technical education services | 240 | 925 |
| - internal telecommunications services | 1,511 | 1,336 |
| - use of representative offices | 1,047 | 1,893 |
| Supply of water and transmission of electricity by the Group (note b) | 19,866 | 18,015 |
| Vehicle transportation services provided to the Group (note a) | 29,051 | 24,716 |

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2003
(Prepared in accordance with IFRS)

13. RELATED PARTY TRANSACTIONS (continued)

(i) Transactions with JCC and affiliates: (continued)

In addition, bank borrowings of the Group at 30 June 2003 amounting to approximately RMB374,710,000 (31.12.2002: RMB424,710,000) were supported by guarantees from JCC.

On 11 March 2002, the Company entered into a joint venture agreement ("JV Agreement") with JCC to establish a Sino-foreign equity joint venture, Jiangxi Copper Products Company Limited ("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 ended 31 December 2002 as capital contribution to JCPC according to the JV Agreement. JCPC is owned as to 60% by the Company and 40% by JCC. JCPC has not commenced manufacturing operations at 30 June 2003.

On 3 April 2003, the Company entered into the following three agreements with JCC regarding (a) the sale of raw copper sulphate to JCC or its subsidiaries; (b) the purchase of gold and silver bearing materials from JCC or its subsidiaries; and (c) the engagement of JCC or its subsidiaries for the development and sale of oxygen, nitrogen and argon.

(ii) Transactions with the promoters of the Company:

| | For the six months ended | |
|--|--------------------------|-----------|
| | 30.6.2003 | 30.6.2002 |
| | RMB'000 | RMB'000 |
| Sale of copper cathode to Jiangxi Xinxin (note a) | 91,368 | 88,190 |
| Tolling fee received from Hubei Sanxin (note a) | 6,732 | 1,674 |
| Purchase of copper concentrates from Hubei Sanxin (note a) | 20,424 | 3,226 |

In addition, the Group had made prepayment to Hubei Sanxin as at 30 June 2003 in respect of the purchase of copper concentrates amounting to RMB20,000,000 (31.12.2002: RMB30,000,000). Interest charged by the Group during the period in respect of the prepayment amounted to approximately RMB558,000 (2002: RMB710,000). 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 CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2003
(Prepared in accordance with IFRS)

14. CAPITAL COMMITMENTS

At the reporting date, the Group had the following capital commitments:

| | 30.6.2003 RMB'000 | 30.6.2002 RMB'000 |
|--|------------------------------------|-----------------------------|
| Commitments for the acquisition of property, plant and equipment: | | |
| - contracted for but not provided in the condensed financial statements | 419,935 | 574,277 |
| - authorised but not contracted for | 935,425 | 932,088 |
| | <u>1,355,360</u> | <u>1,506,365</u> |
| An analysis of the capital commitments is as follows: | | |
| - expansion projects | 1,309,918 | 1,461,130 |
| - exploration projects | 25,028 | 25,028 |
| - other general projects | 20,414 | 20,207 |
| | <u>1,355,360</u> | <u>1,506,365</u> |

15. FORWARD CONTRACTS

At the reporting date, the Group had outstanding forward contracts of copper cathode for hedging against the Group's future production and the imported materials used in the Group's production, details of which are follows:

| | 30.6.2003 | 31.12.2002 |
|-------------------------------|---|--|
| Forward sell contracts: | | |
| Quantities (in tonnes) | <u>4,300</u> | <u>13,020</u> |
| Average price per tonne (RMB) | <u>17,200</u> | <u>15,598</u> |
| Delivery period | <u>From July 2003 to November 2003</u> | <u>From January 2003 to May 2003</u> |

At 30 June 2003, the unrealised gain on the outstanding forward contracts amounted to approximately RMB0.2 million (31.12.2002: unrealised loss of RMB3.7 million).

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2003
(Prepared in accordance with IFRS)

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

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

| | 30.6.2003 RMB'000 | 31.12.2002 RMB'000 |
|--|----------------------|-----------------------|
| Net assets as per condensed financial statements prepared under IFRS | 4,865,989 | 4,742,304 |
| Proposed final dividend | — | (79,921) |
| Net assets as per financial statements prepared under PRC accounting standards and regulations | <u>4,865,989</u> | <u>4,662,383</u> |

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

| | For the six months ended | |
|---|--------------------------|----------------------|
| | 30.6.2003 RMB'000 | 30.6.2002 RMB'000 |
| Net profit for the period as per condensed financial statements prepared under IFRS | 203,606 | 72,780 |
| Recognition of investment income | — | (500) |
| Net profit for the period as per financial statements prepared under PRC accounting standards and regulations | <u>203,606</u> | <u>72,280</u> |

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

BALANCE SHEET

At June 30, 2003
(Prepared in accordance with PRC GAAP and regulations)

| Notes | June 30, 2003 (Unaudited) | | December 31, 2002 (Audited) | | |
|---|---------------------------|----------------------|-----------------------------|----------------------|----------------------|
| | Group RMB | Company RMB | Group RMB | Company RMB | |
| ASSETS | | | | | |
| CURRENT ASSETS: | | | | | |
| Bank balances and cash | 6 | 296,209,642 | 244,816,785 | 257,499,326 | 253,619,886 |
| Short-term investments | 7 | 18,523,825 | 18,523,825 | 699,348 | 699,348 |
| Notes receivable | 8 | 61,245,516 | 60,595,516 | 37,066,148 | 35,566,148 |
| Accounts receivable | 9 | 226,579,449 | 227,814,143 | 151,567,467 | 149,834,045 |
| Other receivables | 10 | 88,531,720 | 89,624,319 | 103,177,451 | 55,041,834 |
| Prepayments | 11 | 208,339,146 | 208,339,146 | 80,435,551 | 80,435,551 |
| Inventories | 12 | 1,749,021,845 | 1,747,931,889 | 1,510,877,972 | 1,510,773,077 |
| TOTAL CURRENT ASSETS | | 2,648,451,143 | 2,597,645,623 | 2,141,323,263 | 2,085,969,889 |
| LONG-TERM INVESTMENTS: | | | | | |
| Long-term equity investments | 13 | 5,610,000 | 96,611,892 | 5,610,000 | 96,665,617 |
| FIXED ASSETS: | | | | | |
| Fixed assets at cost | 14 | 10,592,324,619 | 10,592,230,692 | 10,439,886,221 | 10,439,794,763 |
| Less: Accumulated depreciation | 14 | 5,040,344,718 | 5,040,250,791 | 4,882,454,625 | 4,882,363,167 |
| Fixed assets, net book value | | 5,551,979,901 | 5,551,979,901 | 5,557,431,596 | 5,557,431,596 |
| Less: Provision for impairment loss on fixed assets | 14 | — | — | 11,707,124 | 11,707,124 |
| Fixed assets, net value | 14 | 5,551,979,901 | 5,551,979,901 | 5,545,724,472 | 5,545,724,472 |
| Fixed assets under construction | 15 | 1,104,976,501 | 1,001,151,342 | 1,024,348,962 | 990,312,844 |
| TOTAL FIXED ASSETS | | 6,656,956,402 | 6,553,131,243 | 6,570,073,434 | 6,536,037,316 |
| INTANGIBLE ASSETS AND OTHER ASSETS: | | | | | |
| Intangible assets | 16 | 104,132,423 | 104,132,423 | 106,131,229 | 106,131,229 |
| TOTAL ASSETS | | 9,415,149,968 | 9,351,521,181 | 8,823,137,926 | 8,824,804,051 |

BALANCE SHEET

At June 30, 2003

(Prepared in accordance with PRC GAAP and regulations)

| | Notes | June 30, 2003 (Unaudited) | | December 31, 2002 (Audited) | |
|---|-------|---------------------------|----------------------|-----------------------------|----------------------|
| | | Group RMB | Company RMB | Group RMB | Company RMB |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | | | |
| CURRENT LIABILITIES: | | | | | |
| Short-term loans | 17 | 767,028,375 | 767,028,375 | 608,200,550 | 608,200,550 |
| Notes payable | 18 | 140,770,000 | 140,770,000 | 187,900,000 | 187,900,000 |
| Accounts payable | 19 | 213,929,673 | 213,903,165 | 182,552,049 | 182,552,049 |
| Advance from customers | 20 | 39,799,878 | 43,953,262 | 30,718,790 | 30,718,790 |
| Employee benefits payable | | 220,822 | 196,198 | 484,001 | 464,348 |
| Dividends payable | 21 | 79,921,146 | 79,921,146 | 79,921,146 | 79,921,146 |
| Taxes payable | 22 | 49,314,522 | 49,259,718 | 22,703,637 | 22,625,181 |
| Other unpaid | 23 | 16,031,217 | 16,026,869 | 15,072,927 | 15,067,122 |
| Other payables | 24 | 164,282,745 | 157,278,786 | 200,631,927 | 263,105,711 |
| Accrued expenses | 25 | 639,676 | 639,676 | 4,035,514 | 4,035,514 |
| Long-term liabilities due within one year | 26 | 341,680,000 | 341,680,000 | 377,680,000 | 377,680,000 |
| TOTAL CURRENT LIABILITIES | | 1,813,618,054 | 1,810,657,195 | 1,709,900,541 | 1,772,270,411 |
| LONG-TERM LIABILITIES: | | | | | |
| Long-term loans | 27 | 2,548,769,630 | 2,548,769,630 | 2,263,110,000 | 2,263,110,000 |
| Long-term payables | 28 | 42,106,000 | 42,106,000 | 43,041,000 | 43,041,000 |
| Specific account payable | 29 | 84,000,000 | 84,000,000 | 84,000,000 | 84,000,000 |
| TOTAL LONG-TERM LIABILITIES | | 2,674,875,630 | 2,674,875,630 | 2,390,151,000 | 2,390,151,000 |
| TOTAL LIABILITIES | | 4,488,493,684 | 4,485,532,825 | 4,100,051,541 | 4,162,421,411 |
| MINORITY INTERESTS | | 60,667,928 | — | 60,703,745 | — |
| SHAREHOLDERS' EQUITY: | | | | | |
| Share capital | 30 | 2,664,038,200 | 2,664,038,200 | 2,664,038,200 | 2,664,038,200 |
| Capital reserves | 31 | 1,292,747,042 | 1,292,747,042 | 1,292,747,042 | 1,292,747,042 |
| Surplus reserves | 32 | 370,811,322 | 370,656,510 | 370,811,322 | 370,656,510 |
| Including: Statutory public welfare fund | 32 | 67,304,972 | 67,253,368 | 67,304,972 | 67,253,368 |
| Unappropriated profits | | 538,391,792 | 538,546,604 | 334,786,076 | 334,940,888 |
| TOTAL SHAREHOLDERS' EQUITY | | 4,865,988,356 | 4,865,988,356 | 4,662,382,640 | 4,662,382,640 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | | 9,415,149,968 | 9,351,521,181 | 8,823,137,926 | 8,824,804,051 |

STATEMENT OF INCOME AND PROFITS APPROPRIATION

For the period ended June 30, 2003
(Prepared in accordance with PRC GAAP and regulations)

| | Notes | Six months period ended June 30 | | | |
|--|-------|---------------------------------|----------------|------------------|----------------|
| | | 2003 (Unaudited) | | 2002 (Unaudited) | |
| | | Group RMB | Company RMB | Group RMB | Company RMB |
| Net revenue from principle operations | 33 | 2,389,073,302 | 2,389,505,938 | 1,561,675,280 | 1,561,322,720 |
| Less: Cost of principle operations | 34 | 1,953,043,470 | 1,953,827,296 | 1,264,408,196 | 1,264,296,097 |
| Sales tax on principle operations | 35 | 17,675,793 | 17,675,793 | 17,536,744 | 17,525,488 |
| Income from principle operations | | 418,354,039 | 418,002,849 | 279,730,340 | 279,501,135 |
| Add: Income from other operations | 36 | 21,073,501 | 21,073,501 | 8,408,280 | 8,408,280 |
| Less: Operating expenses | | 20,550,940 | 20,461,586 | 15,093,955 | 15,093,955 |
| Administrative expenses | | 97,528,679 | 97,394,092 | 103,353,521 | 103,203,807 |
| Financial expenses | 37 | 80,647,555 | 80,649,696 | 70,782,757 | 70,785,377 |
| Operating profit | | 240,700,366 | 240,570,976 | 98,908,387 | 98,826,276 |
| Add: Investment income | 38 | — | 48,794 | 1,723,858 | 1,764,428 |
| Non-operating income | 39 | 339,874 | 339,874 | 1,225,809 | 1,206,999 |
| Less: Non-operating expenses | 40 | 7,989,468 | 7,989,468 | 14,517,458 | 14,517,458 |
| Profit before income tax | | 233,050,772 | 232,970,176 | 87,340,596 | 87,280,245 |
| Less: Income tax | 41 | 29,412,527 | 29,364,460 | 15,033,273 | 14,999,969 |
| Minority interests | | 32,529 | — | 27,047 | — |
| Net profit | | 203,605,716 | 203,605,716 | 72,280,276 | 72,280,276 |
| Add: Unappropriated profits at the beginning of the period | | 334,786,076 | 334,940,888 | 313,022,748 | 313,159,469 |
| Unappropriated profits at the end of the period | | 538,391,792 | 538,546,604 | 385,303,024 | 385,439,745 |

SUPPLEMENTAL INFORMATION:

| Item | Six months period ended June 30 (Unaudited) | |
|--|--|-----------------------------|
| | 2003 | 2002 |
| | Group and Company RMB | Group and Company RMB |
| Gains (loss) from disposal of fixed assets | 311,774 | (7,173,352) |

CASH FLOWS STATEMENT

For the period ended June 30, 2003
(Prepared in accordance with PRC GAAP and regulations)

| | Note | Six months period ended June 30 | | | |
|---|------|---------------------------------|----------------------|----------------------|----------------------|
| | | 2003 (Unaudited) | | 2002 (Unaudited) | |
| | | Group RMB | Company RMB | Group RMB | Company RMB |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| Cash received from sales of goods and rendering of services | | 3,084,830,299 | 3,083,887,780 | 2,170,046,076 | 2,238,356,364 |
| Other cash received relating to operating activities | | 17,159,456 | 949,154 | 2,561,690 | 2,542,880 |
| SUB-TOTAL OF CASH INFLOWS | | 3,101,989,755 | 3,084,836,934 | 2,172,607,766 | 2,240,899,244 |
| Cash paid for goods and services | | 2,499,397,802 | 2,497,639,363 | 1,376,206,686 | 1,324,394,693 |
| Cash paid to and on behalf of employees | | 92,105,647 | 92,058,360 | 93,342,585 | 93,185,644 |
| Payments of taxes | | 167,059,718 | 166,859,830 | 154,351,245 | 154,156,694 |
| Other cash paid relating to operating activities | 42 | 327,402,397 | 429,730,982 | 148,087,796 | 149,177,839 |
| SUB-TOTAL OF CASH OUTFLOWS | | 3,085,965,564 | 3,186,288,535 | 1,771,988,312 | 1,720,914,870 |
| NET CASH FLOWS FROM OPERATING ACTIVITIES | | 16,024,191 | (101,451,601) | 400,619,454 | 519,984,374 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| Cash received from disposal or withdrawal of investments | | 50,007,338 | 50,007,338 | — | — |
| Cash received from return on investments | | — | 102,519 | 1,544,536 | 1,544,536 |
| Net cash receipts from disposal of fixed assets, intangible assets and other long-term assets | | 316,811 | 316,811 | 9,552,006 | 9,552,006 |
| Other cash received relating to investing activities | | — | — | 2,079,797 | 2,077,024 |
| SUB-TOTAL OF CASH INFLOWS | | 50,324,149 | 50,426,668 | 13,176,339 | 13,173,566 |
| Cash paid to acquire fixed assets, intangible assets and other long-term assets | | 272,565,688 | 202,774,178 | 578,055,389 | 556,744,017 |
| Cash paid to acquire investments | | 67,831,815 | 67,831,815 | 19,431,653 | 109,431,653 |
| Cash paid for acquisition of Wushan Mine | | — | — | 191,066,987 | 191,066,987 |
| SUB-TOTAL OF CASH OUTFLOWS | | 340,397,503 | 270,605,993 | 788,554,029 | 857,242,657 |
| NET CASH FLOWS FROM INVESTING ACTIVITIES | | (290,073,354) | (220,179,325) | (775,377,690) | (844,069,091) |

CASH FLOWS STATEMENT

For the period ended June 30, 2003
(Prepared in accordance with PRC GAAP and regulations)

| | Six months period ended June 30 | | | |
|---|---------------------------------|----------------------|----------------------|----------------------|
| | 2003 (Unaudited) | | 2002 (Unaudited) | |
| | Group RMB | Company RMB | Group RMB | Company RMB |
| CASH FLOW FROM FINANCING ACTIVITIES | | | | |
| Cash received from borrowing | 1,511,219,391 | 1,511,219,391 | 814,018,489 | 814,018,489 |
| Cash received from investments by minority shareholders | — | — | 60,000,000 | — |
| Other cash received relating to financing activities | — | — | 10,937,654 | 10,937,654 |
| SUB-TOTAL OF CASH INFLOWS | 1,511,219,391 | 1,511,219,391 | 884,956,143 | 824,956,143 |
| Cash repayment of amounts borrowed | 1,102,731,936 | 1,102,731,936 | 789,169,672 | 789,169,672 |
| Cash paid for distribution of dividends on profits and for interest expenses | 94,792,976 | 94,724,630 | 89,761,666 | 89,248,241 |
| Including: dividends paid to minority shareholders in subsidiaries | 68,346 | — | 70,392 | — |
| Other cash paid relating to financing activities | 935,000 | 935,000 | 935,000 | 935,000 |
| SUB-TOTAL OF CASH OUTFLOWS | 1,198,459,912 | 1,198,391,566 | 879,866,338 | 879,352,913 |
| NET CASH FLOWS FROM FINANCING ACTIVITIES | 312,759,479 | 312,827,825 | 5,089,805 | (54,396,770) |
| EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH | — | — | — | — |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 38,710,316 | (8,803,101) | (369,668,431) | (378,481,487) |

CASH FLOWS STATEMENT

For the period ended June 30, 2003
(Prepared in accordance with PRC GAAP and regulations)

| | Six months period ended June 30 | | | |
|---|---------------------------------|----------------|------------------|----------------|
| | 2003 (Unaudited) | | 2002 (Unaudited) | |
| | Group RMB | Company RMB | Group RMB | Company RMB |
| SUPPLEMENTAL INFORMATION | | | | |
| 1. RECONCILIATION OF NET PROFIT TO CASH FLOWS FROM OPERATING ACTIVITIES: | | | | |
| NET PROFIT | 203,605,716 | 203,605,716 | 72,280,276 | 72,280,276 |
| Add: | | | | |
| Minority interests | 32,529 | — | 27,047 | — |
| Reversion for impairment losses of assets | (12,552,075) | (12,552,075) | (721,291) | (721,291) |
| Depreciation of fixed assets | 200,130,986 | 200,128,517 | 195,532,364 | 195,452,347 |
| Amortisation of intangible assets | 1,998,806 | 1,998,806 | 1,997,616 | 1,997,616 |
| Amortisation of long-term deferred expenses | — | — | 1,027,088 | 1,027,088 |
| Decrease in prepaid expenses (or deduct: increase) | — | — | 8,000,000 | 8,000,000 |
| Increase in accrued expense (or deduct: decrease) | (3,395,838) | (3,395,838) | (900,000) | (900,000) |
| Loss on disposal of fixed assets, intangible assets and other long-term assets (or deduct: gains) | 11,395,350 | 11,395,350 | 7,173,352 | 7,173,352 |
| Financial expenses | 80,271,327 | 80,271,327 | 71,101,877 | 70,661,617 |
| Losses arising from investments (or deduct: gains) | — | (48,794) | (1,544,536) | (1,585,106) |
| Decrease in inventories (or deduct: increase) | (235,867,069) | (234,882,008) | 169,670,294 | 169,939,073 |
| Decrease in operating receivables (or deduct: increase) | (213,881,067) | (266,927,399) | (63,102,732) | (12,847,366) |
| Increase in operating payables (or deduct: decrease) | (15,714,474) | (81,045,203) | (59,921,901) | 9,506,768 |
| Net cash flows from operating activities | 16,024,191 | (101,451,601) | 400,619,454 | 519,984,374 |
| 2. INVESTING AND FINANCING ACTIVITIES NOT INVOLVING IN CASH RECEIPTS AND PAYMENTS | | | | |
| | — | — | — | — |
| 3. NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | | | | |
| Cash and cash equivalents at the end of the period | 296,209,642 | 244,816,785 | 311,391,734 | 302,004,761 |
| Less: cash and cash equivalents at the beginning of the period | 257,499,326 | 253,619,886 | 681,060,165 | 680,486,248 |
| Net increase (decrease) in cash and cash equivalents | 38,710,316 | (8,803,101) | (369,668,431) | (378,481,487) |

NOTES TO THE FINANCIAL STATEMENTS

*For the period ended June 30, 2003
(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 January 24, 1997 by Jiangxi Copper Group 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’s 230,000,000 ordinary A shares were issued in December 2001 and listed on Shanghai Stock Exchange (“SSE”) in January 2002. The Company’s share capital is RMB 2,664,038,200.

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.

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 January 1 to December 31. The period of this financial statement is from January 1, 2003 to June 30, 2003.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended June 30, 2003
(Prepared in accordance with PRC GAAP and regulations)

(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 conversion 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

*For the period ended June 30, 2003
(Prepared in accordance with PRC GAAP and regulations)*

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.

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 period ended June 30, 2003
(Prepared in accordance with PRC GAAP and regulations)*

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

*For the period ended June 30, 2003
(Prepared in accordance with PRC GAAP and regulations)*

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 other operating revenue or other operating expense 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.

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 June 30 and December 31 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.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended June 30, 2003
(Prepared in accordance with PRC GAAP and regulations)

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 second 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 Xiaoshan Tongda Chemical Limited ("Xiaoshan Tongda") and Jiangxi Copper Industrial Material Co., Ltd. is 33%.

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 Chemical Limited | Hangzhou, Zhejiang Province | 1,000,000 | 60 | Sales of sulphuric acid | Company Limited | Yes |
| Jiangxi Copper Industrial Material Co., Ltd. | Guixi, Jiangxi Province | 150,000,000 | 60 | Produce and protracting of copper industrial materials | Company Limited | Yes |

The Xiaoshan Tongda and Jiangxi Copper Industrial Material Co., Ltd. have been included in the scope of consolidation. The Jiangxi Copper Industrial Material Co., Ltd. was invested jointly by the Company and JCC on March 25, 2002. Up to June 30, 2003, the Jiangxi Copper Industrial Material Co., Ltd. was still in construction period.

6. BANK BALANCES AND CASH

| | Group June 30, 2003 RMB | Group December 31, 2002 RMB |
|--------------|----------------------------------|--------------------------------------|
| Cash on hand | 141,919 | 207,221 |
| Cash in bank | 296,067,723 | 257,292,105 |
| | <u>296,209,642</u> | <u>257,499,326</u> |

NOTES TO THE FINANCIAL STATEMENTS

For the period ended June 30, 2003
(Prepared in accordance with PRC GAAP and regulations)

7. SHORT-TERM INVESTMENTS

| | Group June 30, 2003 | | | Group December 31, 2002 | | |
|-------------------|------------------------|---------------------------------------|---------------------|----------------------------|---------------------------------------|---------------------|
| | Cost RMB | Provision for impairment RMB | Net value RMB | Cost RMB | Provision for impairment RMB | Net value RMB |
| Stock investments | <u>18,737,110</u> | <u>213,285</u> | <u>18,523,825</u> | <u>912,633</u> | <u>213,285</u> | <u>699,348</u> |

Including in the stock investments are marketable shares amounting RMB 18,737,110 whose market value on June 30, 2003 were RMB 18,523,825.

The market value is calculated based on closing price of stock exchange on June 30, 2003.

8. NOTES RECEIVABLE

| | Group June 30, 2003 RMB | Group December 31, 2002 RMB |
|---------------------------------|----------------------------------|--------------------------------------|
| Bank-accepted notes - unpledged | <u>61,245,516</u> | <u>37,066,148</u> |

9. ACCOUNTS RECEIVABLE

The aging analysis of accounts receivable is as follows:

| | Group June 30, 2003 | | | |
|--------------------|------------------------|--------------|------------------------------|---------------------|
| | Amount RMB | % | Bad debt provision RMB | Net value RMB |
| Within one year | 196,840,172 | 64.3 | — | 196,840,172 |
| One to two years | 10,333,013 | 3.4 | 2,066,601 | 8,266,412 |
| Two to three years | 9,258,348 | 3.0 | 4,629,174 | 4,629,174 |
| Over three years | 89,638,601 | 29.3 | 72,794,910 | 16,843,691 |
| | <u>306,070,134</u> | <u>100.0</u> | <u>79,490,685</u> | <u>226,579,449</u> |

| | Group December 31, 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 |
| | <u>228,063,997</u> | <u>100.0</u> | <u>76,496,530</u> | <u>151,567,467</u> |

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.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended June 30, 2003
(Prepared in accordance with PRC GAAP and regulations)

Five largest debtors are as follows:

| Total amount of five largest debtors RMB | Percentage in total accounts receivable % |
|---|--|
| <u>143,805,109</u> | <u>47.0</u> |

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

| Shareholder | June 30, 2003 RMB | December 31, 2002 RMB |
|-------------|----------------------|--------------------------|
| JCC | <u>—</u> | <u>805,647</u> |

10. OTHER RECEIVABLES

The aging analysis of other receivables is as follows:

| | Group June 30, 2003 | | | |
|--------------------|------------------------|--------------|------------------------------|---------------------|
| | Amount RMB | % | Bad debt provision RMB | Net value RMB |
| Within one year | 82,068,944 | 72.0 | — | 82,068,944 |
| One to two years | 2,792,803 | 2.4 | 558,561 | 2,234,242 |
| Two to three years | 11,569,716 | 10.1 | 7,341,182 | 4,228,534 |
| Over three years | 17,582,060 | 15.5 | 17,582,060 | — |
| | <u>114,013,523</u> | <u>100.0</u> | <u>25,481,803</u> | <u>88,531,720</u> |

| | Group December 31, 2002 | | | |
|--------------------|----------------------------|--------------|------------------------------|---------------------|
| | Amount RMB | % | Bad debt provision RMB | Net value RMB |
| 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 | — |
| | <u>130,221,556</u> | <u>100.0</u> | <u>27,044,105</u> | <u>103,177,451</u> |

The Group's balance of forward contracts deposits is RMB 48,110,524 (December 31, 2002: RMB 24,612,567).

Five largest debtors are as follows:

| Total amount of five largest debtors RMB | Percentage in total other receivables % |
|---|--|
| <u>60,067,015</u> | <u>52.7</u> |

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

| Shareholder | June 30, 2003 RMB | December 31, 2002 RMB |
|-------------|----------------------|--------------------------|
| JCC | <u>—</u> | <u>48,194,520</u> |

NOTES TO THE FINANCIAL STATEMENTS

For the period ended June 30, 2003
(Prepared in accordance with PRC GAAP and regulations)

11. PREPAYMENTS

The aging analysis of prepayment is as follows:

| | Group June 30, 2003 | | Group December 31, 2002 | |
|--------------------|------------------------|--------------|----------------------------|--------------|
| | RMB | % | RMB | % |
| Within one year | 207,454,338 | 99.6 | 49,442,211 | 61.5 |
| One to two years | 66,588 | — | 30,191,588 | 37.5 |
| Two to three years | 818,220 | 0.4 | 801,752 | 1.0 |
| | <u>208,339,146</u> | <u>100.0</u> | <u>80,435,551</u> | <u>100.0</u> |

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

| Shareholder | June 30, 2003 RMB | December 31, 2002 RMB |
|-------------|----------------------|--------------------------|
| JCC | <u>—</u> | <u>475,542</u> |

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

12. INVENTORIES

| | Cost RMB | Group June 30, 2003 Provision for impairment RMB | Net value RMB |
|------------------|----------------------|---|----------------------|
| Raw materials | 377,838,479 | 1,618,667 | 376,219,812 |
| Work in progress | 1,257,897,313 | — | 1,257,897,313 |
| Finished goods | 114,904,720 | — | 114,904,720 |
| | <u>1,750,640,512</u> | <u>1,618,667</u> | <u>1,749,021,845</u> |

| | Cost RMB | Group December 31, 2002 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 |
| | <u>1,514,773,443</u> | <u>3,895,471</u> | <u>1,510,877,972</u> |

NOTES TO THE FINANCIAL STATEMENTS

For the period ended June 30, 2003
(Prepared in accordance with PRC GAAP and regulations)

13. LONG-TERM EQUITY INVESTMENTS

Group

| Item | June 30, 2003 and December 31, 2002 | | |
|------------------|-------------------------------------|---------------------------------------|---------------------|
| | Cost RMB | Provision for impairment RMB | Net value RMB |
| Stock Investment | 5,610,000 | — | 5,610,000 |

Company

| Items | June 30, 2003 | | | December 31, 2002 | | |
|------------------------------|-------------------|---------------------------------------|---------------------|-------------------|---------------------------------------|---------------------|
| | 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 | 91,001,892 | — | 91,001,982 | 91,055,617 | — | 91,055,617 |
| | <u>96,611,892</u> | <u>—</u> | <u>96,611,982</u> | <u>96,665,617</u> | <u>—</u> | <u>96,665,617</u> |

(1) Detail of long-term stock investment is as follows:

| Name of Investee | Shares | Percentage of total shares of company RMB | 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 | | |
|--|--------------------------|---------------------------------|---------------------------------------|--------------------------|-------------------------------------|---|----------------------|--------------------------|----------------------|
| | December 31, 2002 RMB | Addition during the year RMB | June 30, 2003 RMB | December 31, 2002 RMB | Gain or loss during the year RMB | Dividends received during the year RMB | June 30, 2003 RMB | December 31, 2002 RMB | June 30, 2003 RMB |
| Jiangxi Copper Industrial Material Co., Ltd. | 90,000,000 | — | 90,000,000 | — | — | — | — | 90,000,000 | 90,000,000 |
| Xiaoshan Tonda Chemical Limited | 1,082,289 | — | 1,082,289 | (26,672) | 48,794 | (102,519) | (80,397) | 1,055,617 | 1,001,892 |
| | <u>91,082,289</u> | <u>—</u> | <u>91,082,289</u> | <u>(26,672)</u> | <u>48,794</u> | <u>(102,519)</u> | <u>(80,397)</u> | <u>91,055,617</u> | <u>91,001,892</u> |

NOTES TO THE FINANCIAL STATEMENTS

For the period ended June 30, 2003
(Prepared in accordance with PRC GAAP and regulations)

14. FIXED ASSETS AND ACCUMULATED DEPRECIATION

| | Group | | | Total RMB |
|---|------------------|-----------------------------------|-----------------|----------------|
| | Buildings RMB | Equipment and machinery RMB | Vehicles RMB | |
| Cost | | | | |
| At January 1, 2003 | 3,758,939,310 | 5,688,062,327 | 992,884,584 | 10,439,886,221 |
| Additions during the period | 871,162 | 3,091,390 | — | 3,962,552 |
| Transfer from fixed assets under construction | 16,895,140 | 185,533,760 | — | 202,428,900 |
| Disposals | (1,083,378) | (49,776,255) | (3,093,421) | (53,953,054) |
| At June 30, 2003 | 3,775,622,234 | 5,826,911,222 | 989,791,163 | 10,592,324,619 |
| Accumulated depreciation | | | | |
| At January 1, 2003 | 936,485,012 | 3,331,836,605 | 614,133,008 | 4,882,454,625 |
| Provision for the period | 75,703,560 | 99,992,757 | 24,434,669 | 200,130,986 |
| Eliminated on disposal | (482,067) | (39,641,577) | (2,117,249) | (42,240,893) |
| At June 30, 2003 | 1,011,706,505 | 3,392,187,785 | 636,450,428 | 5,040,344,718 |
| Provision for impairment loss | | | | |
| January 1, 2003 | 601,311 | 10,134,677 | 971,136 | 11,707,124 |
| Additions | — | — | — | — |
| Reversal | (601,311) | (10,134,677) | (971,136) | (11,707,124) |
| At June 30, 2003 | — | — | — | — |
| Net book value | | | | |
| At January 1, 2003 | 2,821,852,987 | 2,346,091,045 | 377,780,440 | 5,545,724,472 |
| At June 30, 2003 | 2,763,915,729 | 2,434,723,437 | 353,340,735 | 5,551,979,901 |

15. FIXED ASSETS UNDER CONSTRUCTION

| Construction name | Budget RMB | Group | | | At June 30, 2003 RMB | % of completion RMB | Sources of funds |
|--|---------------|------------------------------|--------------------|------------------------------------|----------------------------|---------------------------|-----------------------|
| | | At January 1, 2003 RMB | Additions RMB | Transfer to fixed assets RMB | | | |
| Project of 90,000 ton per day Guixi Smelter Phase III | 1,200,000,000 | — | 34,131,823 | — | 34,131,823 | 98% | Loan and self-funding |
| Project of 150,000 ton copper wire per year | 1,500,000,000 | 774,870,761 | 105,391,998 | 202,428,900 | 677,833,859 | 59% | Proceeds and loan |
| Others | 161,509,700 | 34,036,118 | 69,789,041 | — | 103,825,159 | 64% | Loan and self-funding |
| | — | 215,442,083 | 73,743,577 | — | 289,185,660 | | Loan and Self-funding |
| Total | | <u>1,024,348,962</u> | <u>283,056,439</u> | <u>202,428,900</u> | <u>1,104,976,501</u> | | |
| Including: Capitalized borrowing cost | | <u>12,300,000</u> | <u>14,453,303</u> | <u>—</u> | <u>26,753,303</u> | | |

The rate for calculating interest capitalized amount in this period is 5.36%.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended June 30, 2003
(Prepared in accordance with PRC GAAP and regulations)

16. INTANGIBLE ASSETS

| | Group Trademarks RMB | Mining right RMB | Total RMB |
|--------------------------------------|----------------------------|---------------------|--------------|
| Cost: | | | |
| January 1, 2003 and June 30, 2003 | 51,683,900 | 76,452,560 | 128,136,460 |
| Accumulated Amortization: | | | |
| January 1, 2003 | 10,320,000 | 11,685,231 | 22,005,231 |
| Charge for the period | 860,000 | 1,138,806 | 1,998,806 |
| June 30, 2003 | 11,180,000 | 12,824,037 | 24,004,037 |
| Carrying amount: | | | |
| January 1, 2003 | 41,363,900 | 64,767,329 | 106,131,229 |
| June 30, 2003 | 40,503,900 | 63,628,523 | 104,132,423 |
| Acquired method | Transfer | Transfer | |
| Remaining of period | 23.5 years | 23.5-48.5 years | |

17. SHORT-TERM LOANS

| Category | Group June 30, 2003 RMB | Group December 31, 2002 RMB |
|--------------|----------------------------------|--------------------------------------|
| Credit loans | | |
| - RMB | 518,000,000 | 579,230,000 |
| - USD | 249,028,375 | 28,970,550 |
| | <u>767,028,375</u> | <u>608,200,550</u> |

Annual interest rate ranges from 2.07% to 5.04%.

18. NOTES PAYABLE

| | Group June 30, 2003 RMB | Group December 31, 2002 RMB |
|---|----------------------------------|--------------------------------------|
| Bank-accepted notes payable within one year | <u>140,770,000</u> | <u>187,900,000</u> |

19. ACCOUNTS PAYABLE

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

| Shareholder | June 30, 2003 RMB | December 31, 2002 RMB |
|-------------|----------------------|--------------------------|
| JCC | — | <u>4,049,846</u> |

20. ADVANCE FROM CUSTOMERS

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

| Shareholder | June 30, 2003 RMB | December 31, 2002 RMB |
|-------------|----------------------|--------------------------|
| JCC | — | <u>22,984</u> |

NOTES TO THE FINANCIAL STATEMENTS

For the period ended June 30, 2003
(Prepared in accordance with PRC GAAP and regulations)

21. DIVIDENDS PAYABLE

| | Group June 30, 2003 and December 31, 2002 RMB |
|---|---|
| JCC | 38,266,686 |
| International Copper Industry (China) Investment Ltd. | 15,000,000 |
| Hubei Sanxin Gold & Copper Company Ltd. | 15,000 |
| Jiangxi Xinxin Company Ltd. | 15,000 |
| Shenzhen Baoheng (Group) Company Ltd. | 30,000 |
| H share shareholders | 19,694,460 |
| A share shareholders | 6,900,000 |
| | <u>79,921,146</u> |

22. TAXES PAYABLE

| | Group June 30, 2003 RMB | Group December 31, 2002 RMB |
|--------------|----------------------------------|--------------------------------------|
| Income tax | 28,587,918 | (753,681) |
| VAT | 16,171,007 | 18,854,581 |
| Business tax | 4,214 | 15,020 |
| Resource tax | 3,082,579 | 2,468,910 |
| Others | 1,468,804 | 2,118,807 |
| | <u>49,314,522</u> | <u>22,703,637</u> |

23. OTHER UNPAID

| | Group June 30, 2003 RMB | Group December 31, 2002 RMB |
|--|----------------------------------|--------------------------------------|
| Compensation fee for mineral resources | 16,026,869 | 15,067,122 |
| Others | 4,348 | 5,805 |
| | <u>16,031,217</u> | <u>15,072,927</u> |

Compensation fee for mineral resources is collected in accordance with Order No.150 issued by the State Council and Order No.35 issued by government of Jiangxi Province.

Compensation fee = sales of mineral products x compensation rate x extracting coefficient rate.

Extracting coefficient rate = approved extracting rate/actual extracting rate

24. 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 | June 30, 2003 RMB | December 31, 2002 RMB |
|-------------|----------------------|--------------------------|
| JCC | <u>21,687,431</u> | <u>44,727,040</u> |

25. ACCRUED EXPENSES

| | Group June 30, 2003 RMB | Group December 31, 2002 RMB | Reason for not settled |
|--------------------------|----------------------------------|--------------------------------------|-------------------------------------|
| Freight | 639,676 | 2,035,514 | Not paid as invoice not received |
| Professional service fee | — | 2,000,000 | |
| | <u>639,676</u> | <u>4,035,514</u> | |

NOTES TO THE FINANCIAL STATEMENTS

For the period ended June 30, 2003
(Prepared in accordance with PRC GAAP and regulations)

26. LONG-TERM LIABILITIES DUE WITHIN ONE YEAR

| | Group June 30, 2003 RMB | Group December 31, 2002 RMB |
|---|----------------------------------|--------------------------------------|
| Long-term loans due within one year (Note 27) | 339,810,000 | 375,810,000 |
| Long-term payables due within one year (Note 28) | 1,870,000 | 1,870,000 |
| | <u>341,680,000</u> | <u>377,680,000</u> |

27. LONG-TERM LOANS

| | Group June 30, 2003 RMB | Group December 31, 2002 RMB |
|----------------------------------|----------------------------------|--------------------------------------|
| Credit loans | 2,513,869,630 | 2,214,210,000 |
| Guaranteed loans | 374,710,000 | 424,710,000 |
| Total | 2,888,579,630 | 2,638,920,000 |
| Less: Amount due within one year | 339,810,000 | 375,810,000 |
| Amount due after one year | <u>2,548,769,630</u> | <u>2,263,110,000</u> |

| Bank name | June 30, 2003 RMB | Period | Annual Rate | Terms |
|--|----------------------|-----------------------|-------------|-------------|
| ICBC, Yintan Branch, Jiangtong Office | 20,000,000 | 1999.5.26-2004.2.25 | 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 | 5.49% | 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 |
| | 25,000,000 | 2001.12.5-2004.12.4 | 5.49% | Credit loan |
| | 22,000,000 | 2001.12.7-2003.12.6 | 5.49% | Credit loan |
| | 22,000,000 | 2001.12.10-2003.12.9 | 5.49% | Credit loan |
| | 6,000,000 | 2001.12.12-2003.12.11 | 5.49% | Credit loan |
| | 10,000,000 | 2001.12.24-2003.12.23 | 5.49% | Credit loan |
| | 20,000,000 | 2001.12.25-2004.12.24 | 5.49% | Credit loan |
| | 10,000,000 | 2001.12.26-2004.12.25 | 5.49% | Credit loan |
| | 30,000,000 | 2002.1.4-2004.1.3 | 5.49% | 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 |
| | 30,000,000 | 2002.10.29-2007.10.28 | 5.58% | Credit loan |
| | 20,000,000 | 2002.11.15-2007.11.14 | 5.58% | Credit loan |
| | 15,000,000 | 2002.12.6-2007.12.5 | 5.58% | Credit loan |
| | 30,000,000 | 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 |
| | 30,000,000 | 2003.1.9-2008.1.8 | 5.58% | Credit loan |
| | 30,000,000 | 2003.2.13-2008.2.12 | 5.58% | Credit loan |
| | 20,000,000 | 2003.3.11-2008.3.10 | 5.58% | Credit loan |
| | 10,000,000 | 2003.4.10-2008.4.9 | 5.58% | Credit loan |
| | 15,000,000 | 2003.6.27-2008.6.26 | 5.58% | Credit loan |
| | 20,000,000 | 2003.6.25-2003.12.24 | 4.54% | Credit loan |

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For the period ended June 30, 2003
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| Bank name | June 30, 2003 RMB | Period | Annual Rate | Terms | |
|---|--------------------------------------|-----------------------|----------------------|-----------------|-------------|
| 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 | |
| | 25,659,630 | 2003.1.26-2003.7.26 | 2.43% | Credit loan | |
| Bank of China, Guixi Branch | 20,000,000 | 2003.3.25-2006.3.24 | 5.05% | Credit loan | |
| 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 | |
| | 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 | |
| | 73,000,000 | 2003.3.28-2006.3.27 | 4.94% | Credit loan | |
| | 20,000,000 | 2003.1.16-2008.7.15 | 5.76% | Credit loan | |
| | 20,000,000 | 2003.2.19-2008.8.18 | 5.76% | Credit loan | |
| | 30,000,000 | 2003.6.10-2008.6.9 | 5.58% | Credit loan | |
| | Agriculture Bank, Dayansuo Branch | 60,000,000 | 2002.9.10-2005.9.9 | 5.04% | Credit loan |
| | | 20,000,000 | 2002.9.27-2005.9.26 | 5.04% | Credit loan |
| | | 90,000,000 | 2002.10.10-2005.10.9 | 5.04% | Credit loan |
| 30,000,000 | | 2002.12.13-2005.12.12 | 5.04% | Credit loan | |
| 50,000,000 | | 2003.1.21-2006.1.20 | 5.04% | Credit loan | |
| 15,000,000 | | 2003.2.11-2006.2.10 | 5.04% | Credit loan | |
| China Merchants Bank, Nanchang Branch | 50,000,000 | 2001.12.14-2004.6.13 | 5.49% | Credit loan | |
| China Minsheng Banking CORP. LTD. | 50,000,000 | 2003.4.21-2006.4.21 | 4.94% | Credit loan | |
| Everbright Bank | 20,000,000 | 2002.12.13-2005.12.13 | 4.94% | Credit loan | |
| Total | <u>2,888,579,630</u> | | | | |

The guaranteed loans were all guaranteed by JCC. Please refer to Note 43 (5) (C) for details.

28. LONG-TERM PAYABLES

| | Group June 30, 2003 RMB | Group December 31, 2002 RMB |
|----------------------------------|----------------------------------|--------------------------------------|
| Long-term payables | 43,976,000 | 44,911,000 |
| Less: Amount due within one year | 1,870,000 | 1,870,000 |
| Amount due after one year | <u>42,106,000</u> | <u>43,041,000</u> |

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

NOTES TO THE FINANCIAL STATEMENTS

For the period ended June 30, 2003
(Prepared in accordance with PRC GAAP and regulations)

29. SPECIFIC ACCOUNT PAYABLE

| | Group June 30, 2003 and December 31, 2002 RMB |
|------------------|---|
| Government grant | <u>84,000,000</u> |

30. SHARE CAPITAL

The change of share capital of the Company from January 1, 2003 to June 30, 2003 is as follows:

| | Group June 30, 2003 and December 31, 2002 (share) |
|--|--|
| 1. Non-trading shares | |
| (1) Promoters shares | |
| - Domestic state-owned legal person shares | 1,275,556,200 |
| - Domestic other legal person shares | 2,000,000 |
| (2) Issued but not traded shares | |
| - A shares | — |
| Total non-trading shares | <u>1,277,556,200</u> |
| 2. Trading shares | |
| - H shares | 1,156,482,000 |
| - A shares | 230,000,000 |
| Total trading shares | <u>1,386,482,000</u> |
| Total share capital | <u>2,664,038,200</u> |

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

| | Group December 31, 2001 (share) | Issue shares (share) | December 31, 2002 (share) |
|--|--|-------------------------|---------------------------------|
| 1. Non-trading shares | | | |
| (1) Promoters shares | | | |
| - Domestic state-owned legal person shares | 1,275,556,200 | — | 1,275,556,200 |
| - Domestic other legal person shares | 2,000,000 | — | 2,000,000 |
| (2) Issued but not traded shares | | | |
| - A shares | 230,000,000 | (230,000,000) | - |
| Total non-trading shares | <u>1,507,556,200</u> | <u>(230,000,000)</u> | <u>1,277,556,200</u> |
| 2. Trading shares | | | |
| - H shares | 1,156,482,000 | — | 1,156,482,000 |
| - A shares | — | 230,000,000 | 230,000,000 |
| Total trading shares | <u>1,156,482,000</u> | <u>230,000,000</u> | <u>1,386,482,000</u> |
| Total share capital | <u>2,664,038,200</u> | <u>—</u> | <u>2,664,038,200</u> |

The face value of the above shares is RMB 1.00.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended June 30, 2003
(Prepared in accordance with PRC GAAP and regulations)

31. CAPITAL RESERVES

| | Group June 30, 2003 and December 31, 2002 RMB |
|---------------------|--|
| Share premium | 1,292,633,979 |
| Revaluation reserve | 113,063 |
| | <u>1,292,747,042</u> |

32. SURPLUS RESERVES

The change of surplus reserves of the Company from January 1 to June 30, 2003 is as follows:

| | Group Statutory surplus reserve RMB | Discretionary surplus reserve RMB | Statutory public welfare fund RMB | Total RMB |
|---|--|--|--|----------------------|
| At January 1, 2003 and June 30, 2003 | <u>99,211,493</u> | <u>204,294,857</u> | <u>67,304,972</u> | <u>370,811,322</u> |

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

| | Group Statutory surplus reserve RMB | Discretionary surplus reserve RMB | Statutory public welfare fund RMB | Total RMB |
|---|--|--|--|----------------------|
| At January 1, 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) | — | 11,979,817 | (11,979,817) | — |
| At December 31, 2002 | <u>99,211,493</u> | <u>204,294,857</u> | <u>67,304,972</u> | <u>370,811,322</u> |

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

Note: The utilization of statutory public welfare fund represents the amount used in the capital expenditure on staff welfare facilities in 2002.

33. NET REVENUE FROM PRINCIPAL OPERATIONS AND SEGMENT INFORMATION

| Revenue by products | Group Six months period ended June 30 | |
|--------------------------------------|--|----------------------|
| | 2003 RMB | 2002 RMB |
| Cathode copper | 1,669,561,343 | 956,946,374 |
| Gold | 325,902,019 | 254,849,220 |
| Other (Silver, Sulphuric acid, etc.) | 267,773,545 | 257,536,523 |
| Tolling services | 125,836,395 | 92,343,163 |
| | <u>2,389,073,302</u> | <u>1,561,675,280</u> |

NOTES TO THE FINANCIAL STATEMENTS

For the period ended June 30, 2003
(Prepared in accordance with PRC GAAP and regulations)

| Geographical Segments | Group | |
|----------------------------|---------------------------------|----------------------|
| | Six months period ended June 30 | |
| | 2003 | 2002 |
| | RMB | RMB |
| PRC mainland and Hong Kong | 2,205,973,305 | 1,510,719,544 |
| Taiwan | 116,096,867 | 25,959,777 |
| Korea | 40,462,190 | — |
| India | 25,019,448 | 23,472,154 |
| Others | 1,521,492 | 1,523,805 |
| | <u>2,389,073,302</u> | <u>1,561,675,280</u> |

| Total sales of the five largest customers | Percentage in total sales |
|---|---------------------------|
| RMB | % |
| <u>904,105,566</u> | <u>37.8</u> |

34. COST OF PRINCIPLE OPERATIONS

| | Group | |
|------------------------|---------------------------------|----------------------|
| | Six months period ended June 30 | |
| | 2003 | 2002 |
| | RMB | RMB |
| Cost of domestic sales | 1,716,374,488 | 1,220,087,411 |
| Cost of export sales | 236,668,982 | 44,320,785 |
| | <u>1,953,043,470</u> | <u>1,264,408,196</u> |

35. SALES TAXES ON PRINCIPAL OPERATIONS

| | Group | |
|--------------|---------------------------------|-------------------|
| | Six months period ended June 30 | |
| | 2003 | 2002 |
| | RMB | RMB |
| Resource tax | <u>17,675,793</u> | <u>17,536,744</u> |

36. INCOME FROM OTHER OPERATIONS

| | Group | |
|--|---------------------------------|------------------|
| | Six months period ended June 30 | |
| | 2003 | 2002 |
| | RMB | RMB |
| Sales of auxiliary materials and spare parts | | |
| - Revenue | 26,848,895 | 39,489,642 |
| - Expenses | (24,219,083) | (38,434,744) |
| | <u>2,629,812</u> | <u>1,054,898</u> |
| Sales of water and electricity | | |
| - Revenue | 23,438,134 | 18,010,228 |
| - Expenses | (22,070,576) | (16,844,863) |
| | <u>1,367,558</u> | <u>1,165,365</u> |
| Gain on settlement of forward contract | 10,751,250 | 5,003,750 |
| Others | 6,324,881 | 1,184,267 |
| | <u>21,073,501</u> | <u>8,408,280</u> |

NOTES TO THE FINANCIAL STATEMENTS

For the period ended June 30, 2003
(Prepared in accordance with PRC GAAP and regulations)

37. FINANCIAL EXPENSES

| | Group | |
|-----------------------|--|-------------------|
| | Six months period ended June 30 2003 RMB | 2002 RMB |
| Interest expenses | 80,271,327 | 73,181,674 |
| Less: Interest income | (923,323) | (2,079,797) |
| Exchange (gain) loss | (2,584) | 1,429 |
| Others | 1,302,135 | (320,549) |
| | <u>80,647,555</u> | <u>70,782,757</u> |

38. INVESTMENT INCOME

| | Six months period ended June 30 | |
|---|---------------------------------|------------------|
| | 2003 RMB | 2002 RMB |
| Income from short-term investment | | |
| - Income from debt investment | — | 1,544,536 |
| - Reversal of provision for impairment of short term investment | — | 179,322 |
| | <u>—</u> | <u>1,723,858</u> |

| Company | Six months period ended June 30 | |
|---|---------------------------------|------------------|
| | 2003 RMB | 2002 RMB |
| Income from short-term investment | | |
| - Income from debt investment | — | 1,544,536 |
| - Reversal of provision for impairment of short-term investment | — | 179,322 |
| Income from long-term investment | | |
| - Income recognized under equity method | 48,794 | 40,570 |
| | <u>48,794</u> | <u>1,764,428</u> |

39. NON-OPERATING INCOME

| | Group | |
|----------------------------------|--|------------------|
| | Six months period ended June 30 2003 RMB | 2002 RMB |
| Gain on disposal of fixed assets | 311,774 | 117,725 |
| Others | 28,100 | 1,108,084 |
| | <u>339,874</u> | <u>1,225,809</u> |

NOTES TO THE FINANCIAL STATEMENTS

For the period ended June 30, 2003
(Prepared in accordance with PRC GAAP and regulations)

40. NON-OPERATING EXPENSES

| | Group | |
|----------------------------------|--|-------------------|
| | Six months period ended June 30 2003 RMB | 2002 RMB |
| Education fee | 6,989,543 | 6,968,938 |
| Loss on disposal of fixed assets | — | 7,291,077 |
| Others | 999,925 | 257,443 |
| | <u>7,989,468</u> | <u>14,517,458</u> |

41. INCOME TAX

| | Group | |
|------------------------------------|--|-------------------|
| | Six months period ended June 30 2003 RMB | 2002 RMB |
| Income tax for the period (Note 1) | 32,980,086 | 14,999,969 |
| Income tax deductible (Note 2) | (3,615,626) | — |
| Income tax of subsidiaries | 48,067 | 33,304 |
| | <u>29,412,527</u> | <u>15,033,273</u> |

Note 1: The income tax RMB 32,980,086, which is calculated based on taxable income.

Note 2: Pursuant to the notice Cai Shui Zi [2002], the Company obtained the approval of the State Tax Bureau of Jiangxi Province. The approved amount of exemption from income tax for the current and the subsequent years arose from the purchases of domestic machinery and equipment occurred during the period from January to June of the year 2003 and the year 2002 are RMB 25,210,732 and RMB 47,633,700 respectively. For the period from January, 2003 to June, 2003, the income tax payable of the Company exceed the amount of income tax for the year 2002 but below the income tax for the year 2001, therefore the approved amount of exemption from income tax for 2002, RMB 47,633,700, is temporarily not allowed to be used for the exemption of the income tax of the year 2003. However, the exceeded amount from the approved amount of exemption from income tax for the period from January, 2003 to June, 2003 over the income tax payable for 2002, which is RMB 3,615,625, can be used for the exemption of the income tax of the current period.

42. OTHER CASH PAID RELATING TO OPERATING ACTIVITIES

| | Group | |
|--|--|--------------------|
| | Six months period ended June 30 2003 RMB | 2002 RMB |
| Amount paid in respect to operating expenses and administrative expenses | 113,202,776 | 50,523,918 |
| Non-operating expenses paid | 7,989,468 | 7,226,381 |
| Other expenses paid | 206,210,153 | 90,337,497 |
| | <u>327,402,397</u> | <u>148,087,796</u> |

NOTES TO THE FINANCIAL STATEMENTS

For the period ended June 30, 2003
(Prepared in accordance with PRC GAAP and regulations)

43. 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 | Non-ferrous metal non-metal mining, smelting, refining and protecting colored metal | Holding company | State-owned | He Changming |

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

| Name | At June 30, 2003 and December 31, 2002 RMB |
|------|---|
| JCC | <u>3,896,060,000</u> |

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

| Name | At June 30, 2003 and December 31, 2002 RMB | % |
|------|---|-------------|
| JCC | <u>1,275,556,200</u> | <u>47.9</u> |

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the period ended June 30, 2003

(Prepared in accordance with PRC GAAP and regulations)

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

- (A) Significant transactions entered with the Company and (i) JCC and its affiliates, (ii) Jiangxi Xinxin and Hubei Sanxin in current period:

| | Six months period ended June 30 | |
|--|---------------------------------|-------------|
| | 2003 RMB | 2002 RMB |
| Transactions with JCC and its affiliate: | | |
| Tolling fee and sales fee charged by the Group (note (a)) | 96,276,000 | 67,040,000 |
| Sale of copper cathode and sulphuric acid by the Group (note(a)) | 34,652,000 | 85,533,000 |
| Sales of raw copper sulphate by the Group (note (a)) | 4,665,000 | — |
| Sales of gases by the Group (note (b)) | 483,000 | — |
| Re-sales of auxiliary industrial products by the Group (note(a)) | 29,897,000 | 26,823,000 |
| Sale of waste, filter residue and black cement copper by the Group (note(a)) | 1,858,000 | 2,558,000 |
| Purchase of copper concentrates by the Group (note(a)) | 55,717,000 | 27,177,000 |
| Purchase of scrap copper by the Group (note(a)) | 193,854,000 | 55,114,000 |
| Purchase of gold and silver bearing materials (note (a)) | 287,000 | — |
| Purchase of auxiliary industrial products by the Group (note(a)) | 120,714,000 | 78,280,000 |
| Railway transportation service provided to the Group (note(a)) | 9,986,000 | 8,564,000 |

NOTES TO THE FINANCIAL STATEMENTS

For the period ended June 30, 2003
(Prepared in accordance with PRC GAAP and regulations)

| | Six months period ended June 30 | |
|---|---------------------------------|-------------|
| | 2003 RMB | 2002 RMB |
| Rentals for land use rights charged to the Group (note(c)) | 7,500,000 | 7,500,000 |
| Rentals for office premises charged by the group (note (c)) | 28,000 | 28,000 |
| Rentals for office premises charged to the group (note(c)) | 1,456,000 | 1,501,000 |
| Rentals for housing for the employees and use of common facilities charged to the Group (note(b)) | 3,026,000 | 2,904,000 |
| Repair and maintenance service provided to the Group (note(a)) | 39,830,000 | 22,610,000 |
| Construction service provided to the Group (note(a)) | 15,357,000 | 11,201,000 |
| Vehicle transportation service provided to the Group (note(a)) | 29,051,000 | 24,716,000 |
| Agency fee paid by the Group (note (c)) | 819,000 | - |
| Supply of water and transmission of electricity (note(b)) | 19,866,000 | 18,015,000 |
| Industrial water supplied (note(b)) | 9,843,000 | 9,005,000 |
| Environmental greenery services provided (note(b)) | 3,052,000 | 3,193,000 |
| Social welfare and support services provided (note(b)) | | |
| - Welfare and medical services | 15,042,000 | 17,161,000 |
| - Primary and secondary education service | 4,259,000 | 4,578,000 |
| - Technical education service | 240,000 | 925,000 |
| - Internal telecommunications services | 1,511,000 | 1,336,000 |
| - Use of representative offices | 1,047,000 | 1,893,000 |
| Sales of copper cathode to Jiangxi Xinxin (note(a)) | 91,368,000 | 88,190,000 |
| Tolling fee received from Hubei Sanxin (note(a)) | 6,732,000 | 1,674,000 |
| Purchase of copper concentrates from Hubei Sanxin (note(a)) | 20,424,000 | 3,226,000 |

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 agreements.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended June 30, 2003
(Prepared in accordance with PRC GAAP and regulations)

(B) Amount due to or from related parties

| Account | Name of related parties | June 30, 2003 RMB | December 31, 2002 RMB |
|---------------------------------------|-------------------------|-------------------------|-----------------------------|
| Notes receivable | JCC and its affiliates | — | 177,867 |
| Accounts receivable | JCC and its affiliates | 2,567,827 | 6,156,019 |
| Other receivables | JCC and its affiliates | 10,944,242 | 59,714,625 |
| Prepayments | Hubei Sanxin | 20,000,000 | 30,000,000 |
| | JCC and its affiliates | 7,955,349 | 13,670,255 |
| | | 41,467,418 | 109,718,766 |
| Notes payable | JCC and its affiliates | 15,560,000 | 31,230,000 |
| Accounts payable | JCC and its affiliates | 38,321,356 | 26,109,140 |
| Advance from customers | JCC and its affiliates | 1,913,552 | 140,894 |
| Other payables | JCC and its affiliates | 25,812,358 | 66,926,899 |
| Long-term payables within one year | JCC and its affiliates | 1,870,000 | 1,870,000 |
| Long-term payables | JCC and its affiliates | 42,106,000 | 43,041,000 |
| | | 125,583,266 | 169,317,933 |

(C) Guarantee

Up to June 30, 2003, the Company has bank loan of RMB 374,710,000 guaranteed by JCC (December 31, 2002: RMB 424,710,000).

(D) Others

In accordance with an agreement signed between the Company and JCC, JCC manages a defined contribution pension scheme on behalf of the Company. The Company makes contribution to the scheme through JCC. The total cost charged to the income statement is approximately RMB 18,932,000 (2002: RMB 24,057,000).

NOTES TO THE FINANCIAL STATEMENTS

For the period ended June 30, 2003
(Prepared in accordance with PRC GAAP and regulations)

44. FORWARD CONTRACTS

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

| | June 30, 2003 | December 31, 2002 |
|-------------------------------|------------------------------------|----------------------------------|
| Forward sell contracts: | | |
| Quantities (in tonnes) | 4,300 | 13,020 |
| Average price per tonne (RMB) | 17,200 | 15,598 |
| Delivery period | From July 2003 to November 2003 | From January 2003 to May 2003 |

On June 30, 2003, the unrealised gain on the outstanding forward contracts amounted to approximately RMB 200,000 (the unrealised loss on December 31, 2002 is RMB 3,700,000) which was determined on the difference between contract price and closing price of Shanghai Metal Exchange at the balance sheet date.

45. COMMITMENTS

(1) Capital commitments

| | June 30, 2003 RMB'000 | December 31, 2002 RMB'000 |
|--|-----------------------------|---------------------------------|
| Capital expenditure contracted for but not provided in the financial statements: - Commitment for acquisition of assets | <u>419,935</u> | <u>574,277</u> |

(2) Lease commitments

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

| | June 30, 2003 RMB'000 | December 31, 2002 RMB'000 |
|---|-----------------------------|---------------------------------|
| The minimum lease payments under non-cancelable operating leases: | | |
| Within one year | 15,806 | 15,806 |
| In the second year | 15,806 | 15,806 |
| In the third year | 15,806 | 15,806 |
| Over three years | 344,179 | 352,082 |
| Total | <u>391,597</u> | <u>399,500</u> |

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 period ended June 30, 2003
(Prepared in accordance with PRC GAAP and regulations)

1. DIFFERENCE BETWEEN INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”) AND PRC GAAP

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

At balance sheet date, net profit and net assets were RMB 203,606,000 and RMB 4,865,988,000 respectively according to PRC GAAP. These figures can be reconciled to that under IFRS as follows:

| | Net profit for the period ended June 30, 2003 RMB'000 | Net assets at June 30, 2003 RMB'000 |
|------------------------------|---|--|
| Per PRC GAAP | 203,606 | 4,865,988 |
| Adjustment according to IFRS | — | — |
| Per IFRS | <u>203,606</u> | <u>4,865,988</u> |

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

| Reporting profit | From January 1, 2003 to June 30, 2003 | | | | From January 1, 2002 to June 30, 2002 | | | |
|--|---------------------------------------|---------------------|----------------------|---------------------|---------------------------------------|---------------------|----------------------|---------------------|
| | 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 | 8.60 | 8.78 | 0.16 | 0.16 | 6.02 | 6.07 | 0.11 | 0.11 |
| Operating profits | 4.95 | 5.05 | 0.09 | 0.09 | 2.13 | 2.15 | 0.04 | 0.04 |
| Net profit | 4.18 | 4.27 | 0.08 | 0.08 | 1.56 | 1.57 | 0.03 | 0.03 |
| Net profit excluding non-recurring items | 4.18 | 4.27 | 0.08 | 0.08 | 1.71 | 1.73 | 0.03 | 0.03 |

SUPPLEMENTAL INFORMATION

For the period ended June 30, 2003
(Prepared in accordance with PRC GAAP and regulations)

3. PROVISION FOR ASSETS IMPAIRMENT AT JUNE 30, 2003

| Items | At January 1, 2003 Group & Company RMB | Additional Group & Company RMB | Write-back Group & Company RMB | At June 30, 2003 Group & Company RMB |
|--|--|--------------------------------------|--------------------------------------|--|
| 1. Bad debt provision | 103,540,635 | 2,994,155 | 1,562,302 | 104,972,488 |
| Including: Accounts receivable | 76,496,530 | 2,994,155 | — | 79,490,685 |
| Other receivables | 27,044,105 | — | 1,562,302 | 25,481,803 |
| 2. Provision for impairment on short-term investments | 213,285 | — | — | 213,285 |
| Including: Stock investment | 213,285 | — | — | 213,285 |
| 3. Provision for impairment on inventory | 3,895,471 | — | 2,276,804 | 1,618,667 |
| Including: Finished goods | 2,276,804 | — | 2,276,804 | — |
| Raw material | 1,618,667 | — | — | 1,618,667 |
| 4. Provision for impairment on fixed assets | | | | |
| Including: Buildings | 11,707,124 | — | 11,707,124 | — |
| Equipment and machinery | 601,311 | — | 601,311 | — |
| Vehicles | 10,134,677 | — | 10,134,677 | — |
| | 971,136 | — | 971,136 | — |