

Principal businesses

The Company is principally engaged in copper mining, milling, smelting and refining as well as producing copper cathode and by-products including pyrite concentrates, sulphuric acid, gold and silver. The Company also processes materials provided by customers and arranges and provides smelting and refining services. The subsidiaries of the Company are principally engaged in smelting of pyrite concentrates into blister copper, producing processed copper rod and wire as well as selling of sulphuric acid.

Capital expenditure during the reporting period

The Company's capital expenditure during the year amounted to approximately RMB702,930,000, mainly due to various projects such as the technological renovation project of Guixi Smelter Phase III and the Fujiauwu Copper Mine exploitation project. The funds for the Company's capital expenditure were mainly sourced by loans with subsidy on interest from treasury note and commercial loans, the Company's working capital balance, etc.

- (1) The Company's capital expenditure for the technological renovation project of Guixi Smelter Phase III during the year amounted to RMB236,870,000. Aggregate investment for the project was RMB1,019,120,000. The project was completed successfully at the end of the year. The production capacity of 400,000 tonnes of copper cathode was fully achieved.
- (2) The Company's capital expenditure for the Fujiauwu Copper Mine exploitation project during the year amounted to RMB24,790,000. Aggregate investment for the project was RMB143,820,000. The project is in steady progress as planned. At present, the road connecting Fujiauwu Mine to Dexing Copper Mine's ore zone has been constructed, thus laying a foundation for large-scale exploitation of the mine.
- (3) On 28 November 2003, the Company and JCC entered into a connected transaction agreement, pursuant to which the parties agreed to increase the capital investment in JCPC in accordance with the original shareholding ratio to complement the shortfall in working capital. The Company will contribute an additional amount of RMB45,000,000. Following the increase in the registered capital, JCPC will have a registered capital of RMB225,000,000. As at the end of the year, the construction of JCPC had been completed and operation had been commenced.
- (4) On 10 September 2003, the Company acquired a stake of 40 per cent in aggregate held by Sichuan Liangshan State-owned Asset Management Company Limited, Ganzizhou State-owned Asset Management Company Limited and Sichuan Nationality Investment Company in Kangtong for a cash consideration of RMB40,000,000. Kangtong is a limited liability company established in the city of Xichang, Sichuan, the PRC on 3 September 1996 with a registered capital of RMB100,000,000. It is principally engaged in smelting and sale of copper concentrates. Its major product is blister copper with an annual output of approximately 20,000 tonnes. By-products include gold and silver contained in blister copper and sulphuric acid. Other than sulphuric acid products which are sold domestically, other major and by-products are sold to the Company.

Daily work of the Board

- **During the year, the Company has convened 9 Board meetings**

On 13 March 2003, the Board of the Company, by way of written resolutions, has considered and approved an authority to the Hong Kong Stock Exchange (the "Hong Kong Stock Exchange"), in which upon request of the Hong Kong Stock Exchange, it will submit relevant stipulated documents to the Hong Kong Securities and Futures Commission for filing on behalf of the Company, and authorized any director of the Company to execute authorization thereof on behalf of the Company.

On 3 April 2003, the Board of the Company, by way of written resolutions, has considered and approved the resolutions in relation to Raw Copper Sulphate Agreement, Gold and Silver-bearing Materials Agreement, Agency Agreement for the Development and Sales of Oxygen, Nitrogen and Argon entered into between the Company and JCC.

On 8 April 2003, the Company convened a Board meeting which considered and approved the Company's PRC and overseas financial auditing report for the year of 2002, Annual Report and its extracts for the year of 2002, Report of the Directors, Chairman Statement and Management Discussions and Analysis; approved the Chinese and English scripts of the Result Announcement for the year of 2002 and announced relevant matters; the expiration of the terms of the Second Board and matters in relation to changes of directors, and will propose at the Annual General Meeting 2002 to re-appoint directors to form the third Board ; the expiration of the terms of the Second Supervisory Committee and matters related to the formation of the Third Supervisory Committee; Proposal of the remuneration for executive directors, annual bonus of directors and senior management and allowance of independent non-executive directors for the year of 2002; annual remuneration and the increment thereof for the executive directors of the Third Board and members of Supervisory Committee, the bonus of executive directors and senior management, and allowance of independent non-executive directors; the consent to propose and procure to re-appoint Deloitte Touche Tohmatsu Certified Public Accountants Ltd. and Deloitte Touche Tohmatsu as the Company's PRC and international auditors at the Annual General Meeting for the year of 2002; the profit distribution plan for the year of 2002; considered and approved the production operation plan of the Company for the year of 2003; approved relevant matters relating to the register for the share interests and short positions of major shareholders, and register for the interests and short positions of directors and top executives; matters relating to the confirmation of the convening of Annual General Meeting.

On 23 April 2003, the Board of the Company, by way of written resolutions, considered and approved the Company's unaudited first quarter report for the year of 2003 prepared in accordance with PRC accounting standard and accounting principle.

On 11 June 2003, the Company convened a Board meeting which considered and approved the election of Mr. He Changming as the chairman of the Third Board.

On 19 August 2003, the Company convened a Board meeting which approved the formal script of half year interim report for the year of 2003 and its extracts, the half year financial report for the year of 2003 and the half year profit distribution plan for the year of 2003.

On 21 October 2003, the Board of the Company, by way of written resolution, considered and approved the Company's unaudited third quarter report for the year of 2003 prepared in accordance with PRC accounting standard and accounting principles.

On 28 November 2003, the Board of the Company, by way of written resolutions, considered and approved such related matters as the proposed amendment of article 13 of the articles of association; the salary for PRC and overseas accountants' interim review and annual auditing for the year of 2003; the Agreement for the Purchase and Sales of Blister Copper as well as Blister Copper and Scrap Copper Processing Agreement proposed to be entered into between the Company and JCC; the Consolidated Supply Agreement proposed to be entered into between Jiangxi Copper Products Company Limited (JCC Copper Company) and JCC, the Consolidated Supply and Service Agreement proposed to be entered into between JCC Copper Company and JCC; matters related to the capital increase and changes of shareholders of JCC Copper Company; the general mandate for the proposed issuance of share of the Company, the confirmation of convening the Extraordinary General Meeting.

On 31 December 2003, the Board of the Company, by way of written resolutions, considered and consented the relevant matters relating to the Company's execution of the Agreement for the Processing of Pyrite Concentrates, Blister Copper and Scrap Copper after expiration date of the waiver of disclosure in accordance with the listing rules of the Hong Kong Stock Exchange.

- **The execution of the resolutions passed at the general meeting by the Board**

During the year, the Board of the Company fully exercised the rights vested at the General Meeting and strictly implemented the terms of reference as vested by the Company's Articles of Associations and Company Law, and have fully implemented the resolutions passed at the General Meeting.

Profit Distribution Plan

Upon completion of the audit, both the net profit of the Company calculated according to the PRC GAAP and regulations and IFRS for the year ended 31 December 2003 and the profit for the year were RMB505,243,124.

In accordance with the Company Law and the Articles of Association of the Company, the Board proposed to contribute the profit after taxation calculated according to PRC GAAP and regulations as follows: 10% to the statutory surplus reserve, 10% to the statutory public welfare funds; and 15% to the discretionary surplus reserve, totaling RMB176,857,314;

The Board proposed payment of a final dividend of RMB1.2 (tax inclusive) per ten shares for the year of 2003 to the shareholders whose names appear on the Company's register registered by the methods of registration mentioned below. For this profit distribution, no conversion of surplus reserve into share capital increase will be made.

Dividends for shareholders of H Shares will be distributed on Monday, 7 June 2004 to shareholders whose names appear on the Company's register of holders of H Shares on Tuesday, 27 April 2004. Further announcement on the registration of holders of A Shares and the date of dividend payment will be made according to the relevant requirements after the application therefore has been accepted by the China Securities Clearing and Registration Company, Shanghai Branch.

For this dividend distribution, dividends for A Shares will be distributed and paid in Renminbi while dividends for H shares will be declared and distributed in Renminbi and paid in Hong Kong dollars (the exchange rate of Renminbi against Hong Kong dollars will be based on the mean of the average value of the exchange rate of Renminbi against Hong Kong dollars as announced by the People's Bank of China one calendar week prior to 20 May 2004).

The register of holders of H Shares will be closed from Tuesday, 20 April 2004 to Thursday, 20 May 2004 (both days inclusive) during which period no transfer of shares will be registered.

This profit distribution plan will be subject to the consideration and approval by the Annual General Meeting to be held on Thursday, 20 May 2004.

Taxation

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

According to the document Cai Shui Zi [2000] No. 49, the Company had been approved by the Jiangxi Provincial Tax Bureau that the unutilized tax benefit in respect of investment for acquiring the PRC produced plant and machinery in 2000 was RMB47,633,700, which can be applied to set off against income tax in 2002 and the subsequent years. In 2003, the tax benefit in respect of investment for acquiring the PRC produced plant and machinery was RMB54,603,932. As at 31 December 2003, the tax benefit which could be used to set off against income tax amounted to RMB49,720,539.

Major Customers and Suppliers

The purchases attributable to the five largest suppliers	RMB1,375.33 million
Accounting for the total purchases	25.65%
The sales attributable to the five largest customers	RMB1,733.49 million
Accounting for the total sales	31.98%

The purchases attributable the five largest suppliers of the Company accounted for less than 30% of the total purchases of the year. The turnover attributable to the Company's largest customer represented 11.77% of the total turnover for the year. The five largest customers of the company accounted for 31.98% of the total turnover of the Company. JCC and Jiangxi Xinxin are two of the Company's five largest customers. All transactions between the Company and the customers concerned as mentioned above were carried out on normal commercial terms.

Connected Transactions

The details of the connected transactions of the Company during the year are set out in part 6 of "Disclosure of Significant Events".

Share Capital

The details of movements during the year in the registered and issued share capital of the Company are set out in note 30 to the financial statements prepared under PRC GAAP and regulations and in note 27 to the financial statements prepared under IFRS.

Donations

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

Report of Directors

Corporate Governance

The Company has complied throughout the year ended 31 December 2003 with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of the Hong Kong Stock Exchange.

Auditors

Messrs. Deloitte Touche Tohmatsu Certified Public Accountants Ltd. and Messrs. Deloitte Touche Tohmatsu have acted as the auditors of the Company for the PRC and international reporting purposes respectively. These auditors have been providing auditing services successively for the Company for eight years.

A resolution will be submitted to the Annual General Meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu Certified Public Accountants Ltd. and Messrs. Deloitte Touche Tohmatsu.

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

	2003	2002
	RMB'000	RMB'000
Fees for annual audit and interim review	3,170	3,082
Others (traveling and accommodation expenses)	202	166

By order of the Board
He Changming
Chairman

Hong Kong, 11 March 2004