

Auditors' Report

For the year ended 31 December 2003
(Prepared in accordance with PRC GAAP and regulations)

德勤华永会计师事务所有限公司

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**Deloitte
Touche
Tohmatsu**

To the Shareholders of Jiangxi Copper Company Limited

We have audited the accompanying balance sheets of the Company and the Group as of 31 December 2003 and the related statements of income and cash flows of the Company and the Group for the year then ended. The preparation of these financial statements is the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We planned and performed our audit in accordance with China's Independent Auditing Standards to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant accounting estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements on pages 53 to 94 present fairly, in all material respects, the financial position of the Company and the Group as of 31 December 2003 and the results of their operations and cash flows for the year then ended in accordance with the requirements of the Accounting Standards for Business Enterprises and the Accounting System for Business Enterprises promulgated by the State.

Deloitte Touche Tohmatsu
Certified Public Accountants Ltd.

Chinese Certified Public Accountant

Hu Fan
Zhang Ying

Shanghai China

11 March 2004

The auditors' report and the accompanying financial statements are English translations of the Chinese auditors' report and statutory financial statements prepared under accounting principles and practices generally accepted in the People's Republic of China. These financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in other countries and jurisdictions. In case the English version does not conform to the Chinese version, the Chinese version prevails.

Balance Sheet

At 31 December 2003

(Prepared in accordance with PRC GAAP and regulations)

ASSETS	Notes	31 December 2003		31 December 2002	
		Group	Company	Group	Company
		RMB	RMB	RMB	RMB
CURRENT ASSETS:					
Bank balances and cash	6	306,137,680	255,397,221	257,499,326	253,619,886
Short-term investments	7	7,231,909	7,231,909	699,348	699,348
Notes receivable	8	59,859,735	43,828,142	37,066,148	35,566,148
Accounts receivable	9	253,546,813	131,781,543	151,567,467	149,834,045
Other receivables	10	143,732,509	144,153,906	103,177,451	55,041,834
Prepayments	11	113,783,992	88,378,085	80,435,551	80,435,551
Inventories	12	2,307,655,455	2,216,540,793	1,510,877,972	1,510,773,077
TOTAL CURRENT ASSETS		3,191,948,093	2,887,311,599	2,141,323,263	2,085,969,889
LONG-TERM INVESTMENTS:					
Long-term equity investments	13	19,195,489	183,756,283	5,610,000	96,665,617
FIXED ASSETS:					
Fixed assets - cost	14	11,646,399,647	11,495,350,079	10,439,886,221	10,439,794,763
Less: Accumulated depreciation	14	5,285,189,462	5,223,836,845	4,882,454,625	4,882,363,167
Fixed assets - net		6,361,210,185	6,271,513,234	5,557,431,596	5,557,431,596
Less: Impairment	14	15,033,458	15,033,458	11,707,124	11,707,124
Fixed assets - net book value	14	6,346,176,727	6,256,479,776	5,545,724,472	5,545,724,472
Fixed assets under construction	15	508,792,981	346,415,979	1,024,348,962	990,312,844
TOTAL FIXED ASSETS		6,854,969,708	6,602,895,755	6,570,073,434	6,536,037,316
INTANGIBLE ASSETS AND OTHER ASSETS:					
Intangible assets	16	102,133,787	102,133,787	106,131,229	106,131,229
Long-term deferred expenses	17	1,007,623	—	—	—
TOTAL INTANGIBLE ASSETS AND OTHER ASSETS		103,141,410	102,133,787	106,131,229	106,131,229
TOTAL ASSETS		10,169,254,700	9,776,097,424	8,823,137,926	8,824,804,051

Balance Sheet

At 31 December 2003

(Prepared in accordance with PRC GAAP and regulations)

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	31 December 2003		31 December 2002	
		Group	Company	Group	Company
		RMB	RMB	RMB	RMB
CURRENT LIABILITIES:					
Short-term loans	18	1,007,051,310	857,051,310	608,200,550	608,200,550
Notes payable	19	182,860,000	182,860,000	187,900,000	187,900,000
Accounts payable	20	284,043,400	226,572,115	182,552,049	182,552,049
Advances from customers	21	37,276,323	27,541,163	30,718,790	30,718,790
Salaries and wages payable		844,626	—	—	—
Employee benefits payable		1,222,862	385,081	484,001	464,348
Taxes payable	22	(7,318,540)	(2,733,194)	22,703,637	22,625,181
Other fees payable	23	18,816,490	18,734,220	15,072,927	15,067,122
Other payables	24	346,157,971	315,909,965	200,631,927	263,105,711
Accrued expenses	25	2,100,000	2,000,000	4,035,514	4,035,514
Long-term liabilities due within one year	26	334,870,000	334,870,000	377,680,000	377,680,000
TOTAL CURRENT LIABILITIES		2,207,924,442	1,963,190,660	1,629,979,395	1,692,349,265
LONG-TERM LIABILITIES:					
Long-term loans	27	2,520,110,000	2,520,110,000	2,263,110,000	2,263,110,000
Long-term payables	28	41,171,000	41,171,000	43,041,000	43,041,000
Specific accounts payable	29	—	—	84,000,000	84,000,000
TOTAL LONG-TERM LIABILITIES		2,561,281,000	2,561,281,000	2,390,151,000	2,390,151,000
TOTAL LIABILITIES		4,769,205,442	4,524,471,660	4,020,130,395	4,082,500,265
MINORITY INTERESTS		148,423,494	—	60,703,745	—
SHAREHOLDERS' EQUITY:					
Paid-in capital	30	2,664,038,200	2,664,038,200	2,664,038,200	2,664,038,200
Capital reserves	31	1,376,747,042	1,376,747,042	1,292,747,042	1,292,747,042
Surplus reserves	32	547,668,636	547,491,603	370,811,322	370,656,510
Including: Statutory public welfare fund	32	117,836,691	117,777,680	67,304,972	67,253,368
Cash dividend proposed after the balance sheet date	33	319,684,584	319,684,584	79,921,146	79,921,146
Unappropriated profits	34	343,487,302	343,664,335	334,786,076	334,940,888
TOTAL SHAREHOLDERS' EQUITY		5,251,625,764	5,251,625,764	4,742,303,786	4,742,303,786
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		10,169,254,700	9,776,097,424	8,823,137,926	8,824,804,051

The accompanying notes are part of the financial statements.

Statement of Income and Profits Appropriation

For the year ended 31 December 2003
(Prepared in accordance with PRC GAAP and regulations)

	Notes	Year ended 31 December 2003		Year ended 31 December 2002	
		Group	Company	Group	Company
		RMB	RMB	RMB	RMB
Revenue	35	5,420,890,784	5,407,713,912	3,327,072,895	3,324,666,874
Less: Cost of Sales	36	4,308,647,662	4,304,698,189	2,677,730,786	2,676,571,749
Sales tax	37	35,790,537	35,369,509	34,434,877	34,434,877
Gross profit		1,076,452,585	1,067,646,214	614,907,232	613,660,248
Add: Other operating (loss) profit	38	(39,345,750)	(39,390,976)	26,021,720	26,021,720
Less: Operating expenses		61,977,067	61,540,284	40,487,805	39,900,232
General and administrative expenses		239,681,348	236,989,810	235,145,204	234,763,161
Financial costs	39	164,288,389	163,876,782	154,801,548	154,805,397
Profit from operation		571,160,031	565,848,362	210,494,395	210,213,178
Add: Investment (loss) income	40	(1,749,807)	535,313	2,836,083	2,956,694
Non-operating income		754,279	751,279	5,362,718	5,343,908
Less: Non-operating expenses	41	32,516,295	32,505,553	45,356,587	45,356,587
Profit before tax		537,648,208	534,629,401	173,336,609	173,157,193
Less: Income tax	42	29,100,853	29,386,277	3,751,926	3,652,917
Minority interests		3,304,231	—	80,407	—
Net profit for the year		505,243,124	505,243,124	169,504,276	169,504,276
Add: Unappropriated profits at the beginning of the year		334,786,076	334,940,888	313,022,748	313,159,469
Profits available for appropriation		840,029,200	840,184,012	482,527,024	482,663,745
Less: Appropriations to statutory surplus reserve	34(1)	50,539,126	50,524,312	16,962,489	16,950,428
Appropriations to statutory public welfare fund	34(2)	50,531,719	50,524,312	16,956,458	16,950,428
Profits available for appropriation to shareholders		738,958,355	739,135,388	448,608,077	448,762,889
Less: Appropriations to discretionary surplus reserve	34(3)	75,786,469	75,786,469	33,900,855	33,900,855
Cash dividends proposed after the balance sheet date	34(4)	319,684,584	319,684,584	79,921,146	79,921,146
Unappropriated profits at the end of the year		343,487,302	343,664,335	334,786,076	334,940,888

Statement of Income and Profits Appropriation

For the year ended 31 December 2003
(Prepared in accordance with PRC GAAP and regulations)

SUPPLEMENTAL INFORMATION:

ITEMS	Group and Company	Group and Company
	2003	2002
1. Gain (loss) on disposal of fixed assets	700,119	(21,934,253)
2. Others	17,428,677	3,729,310

The accompanying notes are part of the financial statements.

Cash Flow Statement

For the year ended 31 December 2003
(Prepared in accordance with PRC GAAP and regulations)

	Notes	Year ended 31 December 2003		Year ended 31 December 2002	
		Group	Company	Group	Company
		RMB	RMB	RMB	RMB
1. Cash Flows from Operating Activities:					
Cash received from sales of goods and rendering of services		6,413,357,467	6,468,162,425	5,096,390,411	5,093,496,841
Other cash received relating to operating activities		111,891,473	58,377,359	12,710,982	12,688,322
Sub-total of cash inflows		6,525,248,940	6,526,539,784	5,109,101,393	5,106,185,163
Cash paid for goods and services		5,258,864,727	5,135,716,802	3,300,150,132	3,296,436,568
Cash paid to and on behalf of employees		295,203,985	281,722,916	292,588,064	292,586,721
Tax payments		381,182,831	355,749,517	381,258,150	380,977,467
Cash paid relating to other operating activities	44	244,752,682	384,312,611	361,969,828	250,569,309
Sub-total of cash outflows		6,180,004,225	6,157,501,846	4,335,966,174	4,220,570,065
Net Cash Flows from Operating Activities		345,244,715	369,037,938	773,135,219	885,615,098
2. Cash Flows from Investing Activities:					
Cash received from disposal of investments		57,757,953	57,757,953	26,440,495	26,440,495
Cash received from return on investments		—	102,519	2,870,046	2,975,634
Net cash receipts from disposal of fixed assets, intangible assets and other long-term assets		3,341,105	3,341,105	10,667,206	10,667,206
Sub-total of cash inflows		61,099,058	61,201,577	39,977,747	40,083,335
Cash paid to acquire fixed assets, intangible assets and other long-term assets		596,980,891	467,285,176	1,021,173,395	987,134,776
Cash paid to acquire investments		65,948,388	110,948,386	25,938,753	115,938,753
Cash paid for acquisition of Wushan Mine		—	—	191,066,987	191,066,987
Cash paid for acquisition of Kangxi Copper	43	24,062,423	40,000,000	—	—
Sub-total of cash outflows		686,991,702	618,233,562	1,238,179,135	1,294,140,516
Net Cash Flows from Investing Activities		(625,892,644)	(557,031,985)	(1,198,201,388)	(1,254,057,181)

Cash Flow Statement

For the year ended 31 December 2003
(Prepared in accordance with PRC GAAP and regulations)

	Year ended 31 December 2003		Year ended 31 December 2002	
	Group	Company	Group	Company
	RMB	RMB	RMB	RMB
3. Cash Flows from Financing Activities:				
Cash received from investors	30,000,000	—	60,000,000	—
Including: Cash received from minority investors	30,000,000	—	60,000,000	—
Cash received from borrowings	2,654,788,986	2,544,788,987	1,900,956,096	1,900,956,096
Cash receipts relating to other financing activities	—	—	10,937,654	10,937,654
Sub-total of cash inflows	2,684,788,986	2,544,788,987	1,971,893,750	1,911,893,750
Repayments of borrowings	2,081,748,226	2,081,748,227	1,652,423,789	1,652,423,789
Dividends paid, profit distributed or interests paid	271,884,477	271,399,378	316,094,631	316,024,240
Including: dividends paid to minority shareholders in subsidiaries	68,346	—	70,391	—
Cash payment relating to other financing activities	1,870,000	1,870,000	1,870,000	1,870,000
Sub-total of cash outflows	2,355,502,703	2,355,017,605	1,970,388,420	1,970,318,029
Net Cash Flows from Financing Activities	329,286,283	189,771,382	1,505,330	(58,424,279)
4. Effect Of Foreign Exchange Rate Changes on Cash and Cash Equivalents	—	—	—	—
5. Net (Decrease) Increase in Cash and Cash Equivalents	48,638,354	1,777,335	(423,560,839)	(426,866,362)

Cash Flow Statement

For the year ended 31 December 2003
(Prepared in accordance with PRC GAAP and regulations)

	Year ended 31 December 2003		Year ended 31 December 2002	
	Group	Company	Group	Company
	RMB	RMB	RMB	RMB
SUPPLEMENTAL INFORMATION				
1. Reconciliation of Net Profit to Cash Flows from Operating Activities:				
Net profit	505,243,124	505,243,124	169,504,276	169,504,276
Add:				
Minority interests	3,304,231	—	80,407	—
Impairment losses on assets	18,640,731	14,056,682	12,971,344	12,971,344
Depreciation of fixed assets	414,856,003	412,342,164	396,242,371	396,230,930
Amortization of intangible assets	3,997,442	3,997,442	3,995,231	3,995,231
Amortization of long-term deferred expenses	—	—	1,371,495	1,371,495
Decrease in prepaid expenses	—	—	8,000,000	8,000,000
(Decrease) increase in accrued expenses	(1,935,514)	(2,035,514)	1,535,514	1,535,514
Gains (losses) on disposal of fixed assets, intangible assets and other long-term assets	(700,119)	(700,119)	21,934,253	21,934,253
Financial expenses	162,305,114	161,888,361	156,821,430	156,821,430
Losses (gains) arising from investments	1,755,307	(529,813)	(2,870,046)	(2,990,657)
(Increase) decrease in inventories	(776,222,542)	(703,490,912)	84,859,121	84,909,166
Increase in receivables under operating activities	(183,587,433)	(88,569,626)	(16,911,629)	33,272,231
Decrease (increase) in payables under operating activities	197,588,371	66,836,149	(64,398,548)	(1,940,115)
Net cash flows from operating activities	345,244,715	369,037,938	773,135,219	885,615,098
2. Investing and Financing Activities that do not Involve Cash Receipt and Payments				
Specific accounts payable transferred to capital reserves	84,000,000	84,000,000	—	—
3. Net Increase in Cash and Cash Equivalents				
Cash and cash equivalents at the end of the year	306,137,680	255,397,221	257,499,326	253,619,886
Less: cash and cash equivalents at the beginning of the year	257,499,326	253,619,886	681,060,165	680,486,248
Net (increase) decrease in cash and cash equivalents	48,638,354	1,777,335	(423,560,839)	(426,866,362)

The accompanying notes are part of the financial statements.

Notes to the Financial Statements

For the year ended 31 December 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 24 January 1997 by Jiangxi Copper Corporation ("JCC"), International Copper Industry (China) Investment Limited, Shenzhen Baoheng (Group) Company Limited, Jiangxi Xinxin Company Limited and Hubei Sanxin Gold & Copper Company Limited. The Company's H Shares were listed on the Stock Exchange of Hong Kong Limited ("SEHK") and London Stock Exchange ("LSE") in June 1997. The Company has allotted 230,000,000 ordinary A shares of RMB 1.00 each at the price of RMB 2.27 per share on 21 December 2001 and were listed on Shanghai Stock Exchange ("SSE") on 11 January 2002. The Company's share capital increased to RMB 2,664,038,200 after the issue of A shares.

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

2. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

Accounting System and Accounting Standards Adopted

The Company has adopted the "Accounting Standards for Business Enterprises", the "Accounting System for Business Enterprises" and the supplementary regulations thereto.

Basis of Accounting and Principle of Measurement

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

Accounting Year

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

Recording Currency

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

Foreign Currency Translation

Transactions denominated in foreign currencies (currencies other than the recording currency) are translated into Renminbi at the applicable rate 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 specific borrowing for the acquisition or construction of a fixed asset are capitalized as part of the cost of fixed asset; exchange gains or losses arising on the pre-operating period are recorded as long-term deferred expenses, other exchange gains or losses are dealt with as finance costs.

Notes to the Financial Statements

For the year ended 31 December 2003
(Prepared in accordance with PRC GAAP and regulations)

2. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

Basis of Consolidation

(1) Scope of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year. A subsidiary is an enterprise in which the Company, directly or indirectly, holds more than half of the equity, or whose operating activities are controlled by the Company through other mechanisms.

(2) Accounting for consolidation

The accounting policies used by subsidiaries conform to those used by the Company.

The operating results and cash flows of subsidiaries acquired during the year are included in the consolidated income statement and consolidated cash flow statement respectively from the effective dates of acquisition, as appropriate.

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

Cash Equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk on change in value.

Accounting for Bad Debts

(1) Criteria for recognition of bad debts

Bad debts are recognized in the following circumstances:

The irrecoverable amount of a bankrupt debtor after pursuing the statutory procedures;

The irrecoverable amount of a debtor who has deceased and has insufficient estate to repay;

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

(2) Accounting treatment for bad debt losses

Bad debt is accounted for using the 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, based on aging analysis, as follows:

Age of Receivables	Percentage of bad debt provision
Within 1 year	—
1-2 years	20%
2-3 years	50%
Over 3 years	100%

Notes to the Financial Statements

For the year ended 31 December 2003
(Prepared in accordance with PRC GAAP and regulations)

2. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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 materials, work in progress and finished goods.

Inventories are accounted for using the 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.

Low-value consumables are written-off in full when issued for use.

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 a 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 the 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 that are included in the acquisition cost are accounted for separately as receivable items.

Cash dividends or interest on short-term investments, 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 short-term 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.

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.

Notes to the Financial Statements

For the year ended 31 December 2003
(Prepared in accordance with PRC GAAP and regulations)

2. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

Long-term Investments

(1) Accounting treatment for long-term equity investments

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

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

When the cost method is adopted, the amount of investment income recognized is limited to the amount distributed out of accumulated net profits of the investee enterprise that has arisen after the investment was 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 the current period is recognized according to the 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". An excess of the initial investment cost over the Company's share of owners' equity of the investee enterprise is debited to "long-term equity investment - equity investment difference" and amortised 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, it is amortized over a period of not more than 10 years. A shortfall of the initial investment cost below the Company's share of owners' equity of the investee enterprise arising before the issuance of Caikuai [2003] 10, is credited to "long-term equity investment - 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, it is amortized over a period of not less than 10 years. The shortfall of the initial investment cost below the Company's share of owners' equity of the investee enterprise arising after the issuance of Caikuai [2003] 10 is credited to "capital surplus - provision for equity investment".

(2) Accounting treatment for long-term debt investments

A long-term debt investment is initially recorded at its investment cost which is the actual total price paid less any interest receivable due but unpaid. The difference between the actual cost of a long-term bond investment (as reduced by any bond interest due but unpaid and accrued bond interest and any related taxes included therein) and the par value of the bond is treated as investment premium or discount. The premium or discount is amortized using the straight-line method over the period between the acquisition date and the maturity date, and charged to the income statement in the period when the relevant bond interest is recognized as income.

Interest income on long-term debt investments is calculated periodically. Interest income on long-term bond investments is calculated according to the par value and the coupon rate and recognized as income after adjusting for the amortization of the premium or discount.

Notes to the Financial Statements

For the year ended 31 December 2003
(Prepared in accordance with PRC GAAP and regulations)

2. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

Long-term Investments (Continued)

(3) Impairment of long-term investments

At the end of each period, the Company determines whether an impairment loss should be recognized for a long-term investment by considering the indications that such a loss may have occurred. Where the recoverable amount of any long-term investment is lower than its carrying amount, an impairment loss on the long-term investment is recognized for the difference.

Fixed Assets and Depreciation

Fixed assets are tangible assets that, (a) are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; (b) have a useful life of more than one year; and (c) have a relatively high unit 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, useful life and annual depreciation rate of each category of fixed assets are as follows:

Categories of fixed assets	Residual value	Useful life	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 of Fixed Assets

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

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 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 is other evidence indicating a decline in value of the fixed asset under construction, an impairment loss is recognized for the shortfall of the recoverable amount of the fixed asset under construction below its carrying amount.

Notes to the Financial Statements

For the year ended 31 December 2003
(Prepared in accordance with PRC GAAP and regulations)

2. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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.

Land use rights purchased or acquired by payment of land transfer fees before the adoption of the "Accounting System for Business Enterprises", are accounted for as intangible assets and are amortized over the periods as stated below. Those purchased or acquired after the adoption of the "Accounting System for Business Enterprises", are accounted for as intangible assets before construction work for own-use purpose or development commences and are amortized over the periods as stated below. Upon using the land to construct fixed assets for own use, the carrying amount of the land use right is transferred to the cost of fixed assets under construction.

The cost of an intangible asset is amortized evenly over its expected useful life from the month in which it is obtained.

Impairment Loss on Intangible Assets

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

Long-term Deferred Expenses

Unless related to the acquisition or construction of fixed assets, all expenditure incurred during the pre-operating period is recognized as an expense in the month in which the enterprise commences operation.

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 that they are incurred before the fixed asset has reached the working condition for its intended use and limited to the amount calculated by applying the capitalization rate to the weighted average amount of accumulated expenditure for the fixed asset. Other borrowing costs are recognized as expenses and included as finance costs in the period in which they are incurred.

Government Grant

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.

Notes to the Financial Statements

For the year ended 31 December 2003
(Prepared in accordance with PRC GAAP and regulations)

2. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

Revenue Recognition

Revenue from Sales of goods:

Revenue 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.

Revenue from Rendering of Services:

When the provision of services is started and completed within the same accounting year, revenue is recognized at the time of completion of the services. When the provision of services is started and completed in different accounting years and the outcome of a transaction involving the rendering of services can be estimated reliably, revenue is recognized at the balance sheet date by the use of the percentage of completion method. Revenue is otherwise recognized at the balance sheet date only to the extent of the costs 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 recovered, revenue is not recognized.

Interest Income:

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

Notes to the Financial Statements

For the year ended 31 December 2003
(Prepared in accordance with PRC GAAP and regulations)

3. CHANGES IN ACCOUNTING POLICIES

The Company changed the following accounting policies this year:

According to the MOF Caikui [2003] 10, major overhaul costs are written off directly in the current period where they will not result in expected future economic benefits, in excess of those originally assessed, flowing to the Company; whereas such costs were accrued in advance and deferred in prior years. This change in accounting policy is adopted prospectively. The remaining balance of major overhaul costs arising from the accrual and deferred method is still accounted for under the prior year's accounting policy until it diminishes.

According to the MOF's notice re issuance of the CAS-Events Occurring after the Balance Sheet Date (Caikui [2003]12), a profit distribution to investors proposed in a profit distribution plan declared by the board of directors between the balance sheet date and the date on which the financial statements are authorized for issuance, is presented as a separate component of equity on the balance sheet, whereas such profit distribution was regarded as an adjusting event and recognized as dividends payable on the balance sheet date in prior years. This change in accounting policy is adopted retrospectively.

	Shareholders' equity Cash dividend proposed after the balance sheet date
	<i>RMB</i>
At 1 January 2002	
Before retrospective adjustments	—
Cash dividend proposed after the balance sheet date	133,201,910
At 1 January 2002	
After retrospective adjustments	133,201,910
At 31 December 2002	
Before retrospective adjustments	—
Cash dividend proposed after the balance sheet date	79,921,146
At 31 December 2002	
After retrospectively adjustments	79,921,146

Above changes in accounting policies have no effect on current year's profit and loss.

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 year ended 31 December 2003
(Prepared in accordance with PRC GAAP and regulations)

4. TAXATION (Continued)

Income tax

1. Company income tax

Pursuant to circular of Guo Shui Fa [1999] No.172 issued by 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.

2. Subsidiary Income Tax

Sichuan Kangxi Copper Limited Company ("Sichuan Kangxi"). Pursuant to a notice issued jointly by the Ministry of Finance, the State Tax Bureau and customs regarding income tax preference for the China West Development, the local tax bureau of Sichuan Province approved the income tax rate of Sichuan Kangxi is 15%.

The income tax rate for the Company's subsidiary, Xiaoshan Tongda Chemical Limited ("Xiaoshan Tongda") is 33%.

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 respectively levied at RMB 1.05 per ton in Wushan Copper Mine, RMB 0.98 per ton in Yongping Copper Mine and RMB 0.91 per ton in Dexing Copper Mine respectively.

Notes to the Financial Statements

For the year ended 31 December 2003
(Prepared in accordance with PRC GAAP and regulations)

5. SCOPE OF CONSOLIDATION AND SUBSIDIARIES

Name of subsidiary	Place of registration	Registered Capital RMB	Equity directly held by the company %	Principal Business	Type of enterprise	Consolidated or not
Xiaoshan Tongda Chemical Limited ("Xiaoshan Tongda")	Hangzhou, Zhejiang Province	1,000,000	60	Sales of sulphuric acid	Company Limited	Yes
Jiangxi Copper Products Company Limited ("JCPC")	Guixi, Jiangxi Province	225,000,000	60	Produce and protracting of copper industrial materials	Company Limited	Yes
Sichuan Kangxi Copper Company Limited ("Kangxi Copper")	Xichuang, Sichuan	100,000,000	40	Sales of copper materials, precious metal materials and sulphuric acid	Company Limited	Yes

The above subsidiaries have been included in the scope of consolidation.

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

In November 2003, JCC transferred its 40% interest (RMB 60,000,000) in JCPC to a wholly-owned subsidiary, Jiangxi Copper Group Products Company Limited ("JXPC") and the Company entered into a joint venture capital increase agreement ("JV Capital Increase Agreement") with JCC and JXPC, pursuant to which the Company, JCC and JXPC agreed to increase the registered capital of JCPC from RMB 150,000,000 to RMB 225,000,000 by an additional registered capital in the amount of RMB 75,000,000. The Company invested a sum of RMB 45,000,000 in cash during the year as a result of the change of shareholder and capital increase in JCPC, the Company contributed the amount of RMB 135,000,000 representing 60% of registered capital. Up to 31 December 2003, JCPC was still in construction period.

In September 2003, the Company bought 40% interest (RMB 40,000,000) in Sichuan Kangxi Copper Company Limited ("Kangxi Copper") from third parties.

Sichuan Kangxi Copper Limited is a new subsidiary acquired and included in the scope of consolidation this year. Its operating result and cash flow from the effective date of acquisition have been included in the consolidated income statement and cash flows statement, respectively. Refer to note 43 for the financial position of Kangtong at the effective date of acquisition, and its operating results for the period from the date of acquisition to 31 December 2003.

This interest of Kangtong which the Company is less than 50%, but the Company made an agreement with another investor that the Company has the power to govern the financial and operating policies of Kongtong. Thus, Kangtong is included in the scope of consolidation.

Notes to the Financial Statements

For the year ended 31 December 2003
(Prepared in accordance with PRC GAAP and regulations)

6. BANK BALANCES AND CASH

	Group 31 December 2003			Group 31 December 2002		
	Foreign currency	Exchange Rate	RMB Equivalent	Foreign currency	Exchange Rate	RMB Equivalent
Cash on hand						
RMB	—	—	56,910	—	—	26,842
USD	5,788	8.2767	47,907	21,792	8.2773	180,379
Cash in bank						
RMB	—	—	278,437,138	—	—	248,826,669
USD	436,796	8.2767	3,615,227	53,285	8.2773	441,059
HKD	22,457,855	1.0678	23,980,498	7,517,685	1.0674	8,024,377
			306,137,680			257,499,326

7. SHORT-TERM INVESTMENTS

	Group 31 December 2003			Group 31 December 2002		
	Cost RMB	Provision for impairment RMB	Net value RMB	Cost RMB	Provision for impairment RMB	Net value RMB
Stock investments	6,439,694	207,785	6,231,909	912,633	213,285	699,348
Bond investment	1,000,000	—	1,000,000	—	—	—
	7,439,694	207,785	7,231,909	912,633	213,285	699,348

Including in the current investment are marketable shares amounting RMB 6,439,694 whose market value on 31 December 2003 were RMB 6,231,909.

The market value is calculated based on closing price of stock exchange on 31 December 2003.

8. NOTES RECEIVABLE

	Group 31 December 2003 RMB	Group 31 December 2002 RMB
Bank-accepted notes - unpledged	59,859,735	37,066,148

Notes to the Financial Statements

For the year ended 31 December 2003
(Prepared in accordance with PRC GAAP and regulations)

9. ACCOUNTS RECEIVABLE

The aging analysis of accounts receivable is as follows:

	Group 31 December 2003				Group 31 December 2002			
	Amount RMB	(%)	Bad debt Provision RMB	Net book value RMB	Amount RMB	(%)	Bad debt Provision RMB	Net book value RMB
Within 1 year	226,306,393	67.4	—	226,306,393	115,226,422	50.5	—	115,226,422
1 to 2 years	5,859,987	1.7	513,398	5,346,589	19,321,295	8.5	5,775,948	13,545,347
2 to 3 years	10,100,279	3.0	5,050,139	5,050,140	11,904,013	5.2	5,952,006	5,952,007
Over 3 years	93,766,815	27.9	76,923,124	16,843,691	81,612,267	35.8	64,768,576	16,843,691
	336,033,474	100.0	82,486,661	253,546,813	228,063,997	100.0	76,496,530	151,567,467

	Group 31 December 2003				Group 31 December 2002			
	Amount RMB	(%)	Bad debt Provision RMB	Net book value RMB	Amount RMB	(%)	Bad debt Provision RMB	Net book value RMB
Within 1 year	104,954,029	49.9	—	104,954,029	113,536,274	50.2	—	113,536,274
1 to 2 years	5,825,251	2.8	889,110	4,936,141	19,321,295	8.5	5,775,948	13,545,347
2 to 3 years	10,095,364	4.8	5,047,682	5,047,682	11,817,464	5.2	5,908,731	5,908,733
Over 3 years	89,344,935	42.5	72,501,244	16,843,691	81,655,542	36.1	64,811,851	16,843,691
	210,219,579	100.0	78,438,036	131,781,543	226,330,575	100.0	76,496,530	149,834,045

A lawsuit about collection of RMB 16,843,691 from a debtor which is due more than three years, has been sentenced by the court in favor of the Company. The sentence is in process of execution and the court grants liens on legal person shares of a listed company held by a debtor. As such, no bad debt provision was made.

Five largest debtors are as follows:

Total amount of five largest debtors	Percentage in total accounts receivable
RMB97,831,154	29.1%

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

Shareholder	31 December 2003 RMB	31 December 2002 RMB
JCC	9,534	805,647

Notes to the Financial Statements

For the year ended 31 December 2003
(Prepared in accordance with PRC GAAP and regulations)

10. OTHER RECEIVABLES

The aging analysis of other receivables is as follows:

	Group 31 December 2003				Group 31 December 2002			
	Amount RMB	(%)	Bad debt Provision RMB	Net book value RMB	Amount RMB	(%)	Bad debt Provision RMB	Net book value RMB
Within 1 year	142,049,800	83.2	—	142,049,800	98,423,608	75.6	—	98,423,608
1 to 2 years	6,755,213	4.0	6,247,932	507,281	3,127,743	2.4	815,549	2,312,194
2 to 3 years	2,350,855	1.4	1,175,427	1,175,428	11,004,410	8.4	8,562,761	2,441,649
Over 3 years	19,520,192	11.4	19,520,192	—	17,665,795	13.6	17,665,795	—
	170,676,060	100.0	26,943,551	143,732,509	130,221,556	100.0	27,044,105	103,177,451

	Group 31 December 2003				Group 31 December 2002			
	Amount RMB	(%)	Bad debt Provision RMB	Net book value RMB	Amount RMB	(%)	Bad debt Provision RMB	Net book value RMB
Within 1 year	142,773,271	83.7	—	142,773,271	50,287,991	61.3	—	50,287,991
1 to 2 years	6,754,213	4.0	6,247,732	506,481	3,127,743	3.8	815,549	2,312,194
2 to 3 years	1,748,309	1.0	874,155	874,154	11,004,410	13.4	8,562,761	2,441,649
Over 3 years	19,286,240	11.3	19,286,240	—	17,665,795	21.5	17,665,795	—
	170,562,033	100.0	26,408,127	144,153,906	82,085,939	100.0	27,044,105	55,041,834

The Group's balance of forward contracts deposits is RMB 109,495,067 (31 December 2002: RMB 24,612,567).

Five largest debtors are as follows:

Total amount of five largest debtors	Percentage in total other receivables
RMB122,105,159	71.5%

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

Shareholder	31 December 2003 RMB	31 December 2002 RMB
JCC	191,598	48,194,520

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(Prepared in accordance with PRC GAAP and regulations)

11. PREPAYMENTS

The aging analysis of prepayment is as follows:

	Group 31 December 2003		Group 31 December 2002	
	RMB	%	RMB	%
Within 1 year	113,717,952	99.9	49,442,211	61.5
1 to 2 years	66,040	0.1	30,191,588	37.5
2 to 3 years	—	—	801,752	1.0
	113,783,992	100.0	80,435,551	100.0

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

Shareholder	31 December 2003 RMB	31 December 2002 RMB
JCC	1,142,988	475,542

12. INVENTORIES

	Group 31 December 2003			Group 31 December 2002		
	Cost RMB	Provision for impairment RMB	Net value RMB	Cost RMB	Provision for impairment RMB	Net value RMB
Raw material	426,615,255	1,618,667	424,996,588	406,424,381	1,618,667	404,805,714
Work in progress	1,734,450,701	—	1,734,450,701	1,014,519,360	—	1,014,519,360
Finished goods	148,208,166	—	148,208,166	93,829,702	2,276,804	91,552,898
	2,309,274,122	1,618,667	2,307,655,455	1,514,773,443	3,895,471	1,510,877,972

Included in the inventories as at 31 December 2003 are loan pledged finished goods amounting RMB 16,704,973.

13. LONG-TERM EQUITY INVESTMENTS

Group:

Items	31 December 2003			31 December 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
Other equity investment	10,000,000	—	10,000,000	—	—	—
Equity investment difference	3,585,489	—	3,585,489	—	—	—
Total	19,195,489	—	19,195,489	5,610,000	—	5,610,000

Notes to the Financial Statements

For the year ended 31 December 2003
(Prepared in accordance with PRC GAAP and regulations)

13. LONG-TERM EQUITY INVESTMENTS (Continued)

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

Name of Investee	Number of shares	Share in the registered capital of the investee RMB	Initial cost of investment RMB	Impairment loss RMB	Net book value RMB
Kebang Telecom (Group) Company Limited	2,000,000	0.4%	5,610,000	—	5,610,000

Above stock held by the Company is unlisted.

(2) Detail of other equity investment is as follows:

Name of Investee	Number of shares	Share in the registered capital of the investee RMB	Initial cost of investment RMB	Impairment loss RMB	Net book value RMB
Liangshan Mining Company Limited	10,000,000	6.67%	10,000,000	—	10,000,000

Above stock held by the Company's subsidiary, Kangxi Copper, is promoters shares.

(3) Detail of equity investment difference is as follows:

Name of investee	Initial cost of investment RMB	Amortization period of equity investment difference	Addition during the year RMB	Amortization during the year RMB	Book value at 31 December 2003 RMB	Cause
Kangxi Copper	3,677,424	10 years	3,677,424	(91,935)	3,585,489	Equity purchasing

Company:

	31 December 2003			31 December 2002		
	Amount RMB	Provision for impairment RMB	Net value RMB	Amount RMB	Provision for impairment RMB	Net value RMB
Stock investment (Note)	5,610,000	—	5,610,000	5,610,000	—	5,610,000
Investments in Subsidiaries	174,560,794	—	174,560,794	91,055,617	—	91,055,617
Equity investment difference (Note)	3,585,489	—	3,585,489	—	—	—
Total	183,756,283	—	183,756,283	96,665,617	—	96,665,617

Note: The figure of Company level is in accordance with that of group level.

Notes to the Financial Statements

For the year ended 31 December 2003
(Prepared in accordance with PRC GAAP and regulations)

13. LONG-TERM EQUITY INVESTMENTS (Continued)

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

Name of Investee	Cost		Adjustment of investment gain or loss				Book value		
	31 December 2002 RMB	Addition during the year RMB	31 December 2003 RMB	31 December 2002 RMB	Gain or loss during the year RMB	Dividends received during the year RMB	31 December 2003 RMB	31 December 2002 RMB	31 December 2003 RMB
JCPC	90,000,000	45,000,000	135,000,000	—	—	—	—	90,000,000	135,000,000
Xiaoshan Tonda	1,082,289	—	1,082,289	(26,672)	148,139	(102,519)	18,948	1,055,617	1,101,237
Kangxi Copper	—	36,322,576	36,322,576	—	2,136,981	—	2,136,981	—	38,459,557
	91,082,289	81,322,576	172,404,865	(26,672)	2,285,120	(102,519)	2,155,929	91,055,617	174,560,794

14. FIXED ASSETS AND ACCUMULATED DEPRECIATION

	Group			
	Buildings RMB	Equipment and machinery RMB	Vehicles RMB	Total RMB
Cost				
1 January 2003	3,758,939,310	5,688,062,327	992,884,584	10,439,886,221
Acquired on acquisition of Kangxi Copper	57,820,637	88,112,194	4,678,070	150,610,901
Additions during the year	929,162	6,909,644	210,377	8,049,183
Transfer from fixed assets under construction	204,431,802	927,186,232	4,462,372	1,136,080,406
Reclassification	7,107,032	(8,080,692)	973,660	—
Disposals	(4,147,467)	(75,728,685)	(8,350,912)	(88,227,064)
31 December 2003	4,025,080,476	6,626,461,020	994,858,151	11,646,399,647
Accumulated depreciation				
1 January 2003	936,485,012	3,331,836,605	614,133,008	4,882,454,625
Acquired on acquisition of Kangxi Copper	15,075,465	41,485,328	2,186,526	58,747,319
Charge for the year	152,162,481	216,783,258	45,910,264	414,856,003
Eliminated on disposal	(535,687)	(64,579,290)	(5,753,508)	(70,868,485)
31 December 2003	1,103,187,271	3,525,525,901	656,476,290	5,285,189,462
Impairment loss				
1 January 2003	601,311	10,134,677	971,136	11,707,124
Additions	217,413	8,729,621	6,086,424	15,033,458
Reversals	(601,311)	(10,134,677)	(971,136)	(11,707,124)
31 December 2003	217,413	8,729,621	6,086,424	15,033,458
Net value				
At 1 January 2003	2,821,852,987	2,346,091,045	377,780,440	5,545,724,472
At 31 December 2003	2,921,675,792	3,092,205,498	332,295,437	6,346,176,727
Including:				
Fixed assets pledged as collateral at 31 December 2003 - net	—	22,453,950	—	22,453,950

Notes to the Financial Statements

For the year ended 31 December 2003
(Prepared in accordance with PRC GAAP and regulations)

15. FIXED ASSETS UNDER CONSTRUCTION

Construction name	Budget RMB	At 1 January 2003 RMB	Additions RMB	Group Transfer to fixed assets RMB	At 31 December 2003 RMB	% of completion RMB	Sources of funds
Guixi Smelter Phase III Project of 150,000 Ton copper wire per year	1,065,000,000	774,870,761	236,870,585	952,525,500	59,215,846	95%	Proceeds and loan
Fujjawu Mine Development	849,450,000	119,031,828	24,789,219	—	143,821,047	17%	Proceeds and self-funding
Others	—	96,410,255	230,523,737	183,554,906	143,379,086	—	Loan and self-funding
Total		1,024,348,962	620,524,425	1,136,080,406	508,792,981		
Including: Capitalized borrowing cost		12,300,000	29,589,871	33,834,896	8,054,975		

The rate for calculating interest capitalized amount in this year is 5.7%.

16. INTANGIBLE ASSETS

	Group		Total RMB
	Trademarks RMB	Mining right RMB	
Cost:			
1 January 2003	51,683,900	76,452,560	128,136,460
Accumulated amortization:			
1 January 2003	10,320,000	11,685,231	22,005,231
Charge for the year	1,720,000	2,277,442	3,997,442
31 December 2003	12,040,000	13,962,673	26,002,673
Carrying amount:			
1 January 2003	41,363,900	64,767,329	106,131,229
31 December 2003	39,643,900	62,489,887	102,133,787
Acquired method	Transfer	Transfer	
Remaining of period	23 years	23-48 years	

Notes to the Financial Statements

For the year ended 31 December 2003
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17. LONG-TERM DEFERRED EXPENSES

Category	1 January 2003 RMB	Group	
		Additions RMB	31 December 2003 RMB
Pre-operating expenses — JCPC	—	1,007,623	1,007,623

18. SHORT-TERM LOANS

Category	Group 31 December 2003 RMB	Group 31 December 2002 RMB
	Secured loans — RMB	40,000,000
Credit loans — RMB	693,660,350	579,230,000
— USD	273,390,960	28,970,550
	1,007,051,310	608,200,550

Annual interest rate ranges from 2.07% to 5.84 %. For the categories and amount of the assets pledged for the secured loans, refer to Note 12 and 14.

19. NOTES PAYABLE

	Group 31 December 2003 RMB	Group 31 December 2002 RMB
Bank-accepted notes payable within one year	182,860,000	187,900,000

20. ACCOUNTS PAYABLE

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

Shareholder	31 December 2003 RMB	31 December 2002 RMB
JCC	131,931	4,049,846

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21. ADVANCES FROM CUSTOMERS

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

Shareholder	31 December 2003 RMB	31 December 2002 RMB
JCC	—	22,984

22. TAXES PAYABLE

	Group 31 December 2003 RMB	Group 31 December 2002 RMB
Income tax	7,691,889	(753,681)
Value added tax	(18,889,782)	18,854,581
Business tax	3,230	15,020
Resource tax	1,237,493	2,468,910
Others	2,638,630	2,118,807
	(7,318,540)	22,703,637

23. OTHER FEES PAYABLE

	Group 31 December 2003 RMB	Group 31 December 2002 RMB
Compensation fee for mineral resources	18,734,219	15,067,122
Others	82,271	5,805
	18,816,490	15,072,927

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

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

Extracting coefficient rate = approved extracting rate/actual extracting rate

Notes to the Financial Statements

For the year ended 31 December 2003
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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	31 December 2003 RMB	31 December 2002 RMB
JCC	81,398,369	44,727,040

25. ACCRUED EXPENSES

	Group 31 December 2003 RMB	Group 31 December 2002 RMB	Reason for not settled
Freight	—	2,035,514	Not paid as invoice not received
Professional service fee	2,100,000	2,000,000	
	2,100,000	4,035,514	

26. LONG-TERM LIABILITIES DUE WITHIN ONE YEAR

	Group 31 December 2003 RMB	Group 31 December 2002 RMB
Long-term loans due within one year (Note 27)	333,000,000	375,810,000
Long-term payables due within one year (Note 28)	1,870,000	1,870,000
	334,870,000	377,680,000

27. LONG-TERM LOANS

	Group 31 December 2003 RMB	Group 31 December 2002 RMB
Credit loans	2,698,400,000	2,214,210,000
Guaranteed loans	154,710,000	424,710,000
Total	2,853,110,000	2,638,920,000
Less: Amount due within one year	333,000,000	375,810,000
Amount due after one year	2,520,110,000	2,263,110,000

Notes to the Financial Statements

For the year ended 31 December 2003
(Prepared in accordance with PRC GAAP and regulations)

27. LONG-TERM LOANS (Continued)

Bank name	31 December 2003 RMB	Period	Annual Rate	Terms
ICBC, Yingtan Branch Jangtong Office	20,000,000	1999.05.26-2004.02.25	5.58%	Credit Loan
	78,400,000	2000.07.28-2005.07.27	5.58%	Credit Loan
	30,000,000	2002.01.04-2004.01.03	5.94%	Credit Loan
	55,000,000	2001.12.25-2004.12.24	5.49%	Credit Loan
	30,000,000	2002.09.26-2005.09.25	5.49%	Credit Loan
	50,000,000	2002.10.29-2005.10.28	5.49%	Credit Loan
	40,000,000	2002.12.10-2005.12.09	5.49%	Credit Loan
	40,000,000	2002.12.12-2005.12.11	5.49%	Credit Loan
	60,000,000	2002.12.18-2005.12.17	5.49%	Credit Loan
	60,000,000	2003.08.06-2006.08.05	4.94%	Credit Loan
	80,000,000	2003.12.09-2006.12.08	4.94%	Credit Loan
	15,000,000	2001.11.19-2006.09.29	5.58%	Credit Loan
	40,000,000	2002.08.16-2007.09.29	5.58%	Credit Loan
	95,000,000	2002.11.18-2007.11.17	5.58%	Credit Loan
	30,000,000	2003.01.09-2008.01.08	5.58%	Credit Loan
	30,000,000	2003.02.13-2008.02.12	5.58%	Credit Loan
	20,000,000	2003.03.11-2008.03.10	5.58%	Credit Loan
	10,000,000	2003.04.10-2008.04.09	5.58%	Credit Loan
	15,000,000	2003.06.27-2008.06.26	5.58%	Credit Loan
	15,000,000	2003.08.11-2008.08.10	5.58%	Credit Loan
30,000,000	2003.10.09-2008.10.08	5.58%	Credit Loan	
Bank of China, Yingtan Branch	28,000,000	1999.11.30-2004.11.30	5.58%	Guaranteed Loan
	17,000,000	2000.02.13-2005.02.13	6.03%	Guaranteed Loan
	18,000,000	2001.12.27-2004.12.27	5.49%	Credit Loan
	20,000,000	2002.09.27-2005.09.26	5.05%	Credit Loan
	30,000,000	2002.12.28-2005.12.17	5.05%	Credit Loan
	20,000,000	2003.03.25-2006.03.24	5.05%	Credit Loan
	30,000,000	2003.12.24-2006.12.24	4.94%	Credit Loan
China Construction Bank, Tongjidi Branch	109,710,000	1997.02.18-2008.12.30	5.76%	Guaranteed Loan
	82,000,000	1998.03.24-2004.12.31	5.76%	Credit Loan
	210,000,000	1999.02.25-2009.11.30	5.76%	Credit Loan
	217,000,000	1999.09.15-2009.09.14	5.76%	Credit Loan
	50,000,000	2000.06.22-2006.06.21	5.76%	Credit Loan
	50,000,000	2001.08.28-2004.08.27	5.49%	Credit Loan
	40,000,000	2002.05.20-2005.05.19	5.49%	Credit Loan
	73,000,000	2003.03.28-2006.03.27	4.94%	Credit Loan
	20,000,000	2003.12.16-2006.12.15	4.94%	Credit Loan
	50,000,000	2001.12.11-2007.04.28	6.21%	Credit Loan
	45,000,000	2002.07.08-2007.04.28	5.58%	Credit Loan
	60,000,000	2002.09.18-2008.03.17	5.76%	Credit Loan
	60,000,000	2002.12.05-2008.06.04	5.76%	Credit Loan
	20,000,000	2003.01.16-2008.07.15	5.76%	Credit Loan
	20,000,000	2003.02.19-2008.08.18	5.76%	Credit Loan
	30,000,000	2003.06.10-2008.06.10	5.58%	Credit Loan
	40,000,000	2003.07.07-2008.07.06	5.58%	Credit Loan
	15,000,000	2003.09.10-2008.09.09	5.58%	Credit Loan
30,000,000	2003.11.05-2008.11.04	5.58%	Credit Loan	
30,000,000	2003.12.03-2008.12.02	5.58%	Credit Loan	

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27. LONG-TERM LOANS (Continued)

Bank name	31 December 2003 RMB	Period	Annual Rate	Terms
Agriculture Bank, Guixi	170,000,000	2002.09.27-2005.09.26	5.04%	Credit Loan
Tongcheng Branch	30,000,000	2002.12.13-2005.12.12	5.04%	Credit Loan
	65,000,000	2003.02.11-2006.02.10	5.04%	Credit Loan
	30,000,000	2003.11.05-2006.11.04	5.04%	Credit Loan
	40,000,000	2003.12.15-2006.12.15	4.94%	Credit Loan
	100,000,000	2003.12.29-2006.12.29	4.94%	Credit Loan
China Merchants Bank, Nanchang Branch	50,000,000	2001.12.14-2004.06.13	5.49%	Credit Loan
	50,000,000	2003.12.29-2006.12.29	4.94%	Credit Loan
Minsheng Bank	50,000,000	2003.04.21-2006.04.21	4.94%	Credit Loan
Guixi Country Credit Union	10,000,000	2003.07.23-2006.07.22	4.94%	Credit Loan
Total	2,853,110,000			

The guaranteed loans were all guaranteed by JCC. Please refer to Note 45 (5) (c) for details.

28. LONG-TERM PAYABLES

Items	Group 31 December 2003 RMB	Group 31 December 2002 RMB
Long-term payables	43,041,000	44,911,000
Less: Long-term payable due within 1 year	1,870,000	1,870,000
Long-term payables due after 1 year	41,171,000	43,041,000

The amount represents the balance due to JCC as the consideration for the transfer of the mining rights. The amount is repayable in 30 annual installments of RMB 1,870,000 each year and subject to payment of interest at a rate equal to the state-lending rate for a one-year fixed term loan up to a maximum of 15% on annual installment starting from 1 January 1998.

29. SPECIFIC ACCOUNTS PAYABLE

	Group 31 December 2003 RMB	Group 31 December 2002 RMB
Government grant	—	84,000,000

Detail please refer to Note 31.

Notes to the Financial Statements

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(Prepared in accordance with PRC GAAP and regulations)

30. PAID-IN CAPITAL

The change of share capital of the Company from 1 January to 31 December 2003 is as follows:

	Group		
	Addition or 1 January 2003 (share)	Reduction (share)	31 December 2003 (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	—	—	—
Total non-trading shares	1,277,556,200	—	1,277,556,200
2. Trading shares			
— H shares	1,156,482,000	—	1,156,482,000
— A shares	230,000,000	—	230,000,000
Total trading shares	1,386,482,000	—	1,386,482,000
3. Total share capital	2,664,038,200	—	2,664,038,200

The face value of the above shares is RMB 1.00.

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

	Group		
	1 January 2002 (share)	Issue shares (share)	31 December 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	1,507,556,200	(230,000,000)	1,277,556,200
2. Trading shares			
— H shares	1,156,482,000	—	1,156,482,000
— A shares	—	230,000,000	230,000,000
Total trading shares	1,156,482,000	230,000,000	1,386,482,000
3. Total share capital	2,664,038,200	—	2,664,038,200

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For the year ended 31 December 2003
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31. CAPITAL RESERVES

The change of capital reserves from 1 January to 31 December 2003 is as follows:

	Group		
	1 January 2003 RMB	Additions RMB	31 December 2003 RMB
Share premium	1,292,633,979	—	1,292,633,979
Revaluation reserve	113,063	—	113,063
Specific accounts payables transferred in	—	84,000,000	84,000,000
	1,292,747,042	84,000,000	1,376,747,042

No fluctuation in capital reserve is noted in 2002. The addition in capital reserves in this year is proceeds from government subsidy transfer from specific account payable when Guixi phase III project is almost completed.

32. SURPLUS RESERVES

The change of surplus reserves of the Company from 1 January to 31 December 2003 is as follows:

	Group			
	Statutory surplus reserve RMB	Discretionary surplus reserve RMB	Statutory public welfare fund RMB	Total RMB
At 1 January 2003	99,211,493	204,294,857	67,304,972	370,811,322
Current year's appropriations	50,539,126	75,786,469	50,531,719	176,857,314
At 31 December 2003	149,750,619	280,081,326	117,836,691	547,668,636

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

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

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.

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For the year ended 31 December 2003
(Prepared in accordance with PRC GAAP and regulations)

33. CASH DIVIDEND PROPOSED AFTER THE BALANCE SHEET DATE

	Year ended 31 December 2003 RMB	Year ended 31 December 2002 RMB
At 1 January (Re-stated, refer to Note 3)	79,921,146	133,201,910
Less: Transfer to dividend payable	79,921,146	133,201,910
Add: Cash dividend for the current year proposed after the balance sheet date	319,684,584	79,921,146
At 31 December	319,684,584	79,921,146

Cash dividend distribution for year 2002 was approved by annual general meeting in June 2003 and was all paid to the shareholders in year 2003.

The board of directors proposed to issue cash dividend of RMB 0.12 per share (RMB 0.03 in 2002) to all the shareholders, which is subject to be approved by next annual general meeting.

34. UNAPPROPRIATED PROFITS

(1) Appropriation of statutory surplus reserve

Pursuant to the Provision 177 of Company Law and the Company's Article of Association, 10% of net profit (10% in 2002) is appropriated as statutory surplus reserve.

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

(2) Appropriation to statutory public welfare fund

Pursuant to the Provision 177 of Company Law and the Company's Article of Association, the board of directors proposed to appropriate 10% of the current year's net profit (10% in 2002) as statutory public welfare fund, which is subject to be approved by next annual general meeting.

(3) Appropriation to discretionary surplus reserve

The board of directors proposed to appropriate 15% of the current year's net profit (20% in 2002) as discretionary surplus reserve, which is subject to be approved by next annual general meeting.

(4) Proposed dividend

Detail please refer to Note 33.

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35. REVENUE

Revenue by products	Group Year ended 31 December 2003 RMB	Group Year ended 31 December 2002 RMB
Cathode copper	3,509,714,710	1,827,731,304
Gold	946,619,809	662,577,231
Other (Silver, Sulphuric acid, etc.)	626,162,354	584,414,324
Tolling services	338,393,911	252,350,036
	5,420,890,784	3,327,072,895

Geographical Segments	Group Year ended 31 December 2003 RMB	Group Year ended 31 December 2002 RMB
PRC	4,852,103,592	3,096,038,736
India	25,019,365	90,944,923
Hong Kong	162,599,750	43,409,583
Taiwan	291,094,587	33,456,373
Australia	—	26,934,271
South Korea	69,524,852	20,688,165
Others	20,548,638	15,600,844
	5,420,890,784	3,327,072,895

Total sales of the five largest customers	Percentage in total sales
RMB1,732,492,000	32.0%

36. COST OF SALES

	Group Year ended 31 December 2003 RMB	Group Year ended 31 December 2002 RMB
Cost of domestic sales	3,812,471,637	2,501,484,920
Cost of export sales	496,176,025	176,245,866
	4,308,647,662	2,677,730,786

Notes to the Financial Statements

For the year ended 31 December 2003
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37. SALES TAXES

	Group Year ended 31 December 2003 RMB	Group Year ended 31 December 2002 RMB
Resource tax	35,369,509	34,434,877
City construction tax and education fee	421,028	—
	35,790,537	34,434,877

38. OTHER OPERATING (LOSS) PROFIT

	Group Year ended 31 December 2003 RMB	Group Year ended 31 December 2002 RMB
Sales of auxiliary materials and spare parts		
- Revenue	73,194,101	68,537,219
- Expenses	(70,154,128)	(69,304,222)
	3,039,973	(767,003)
Sales of water and electricity		
- Revenue	52,257,640	35,511,285
- Expenses	(45,486,689)	(33,495,109)
	6,770,951	2,016,176
(Loss) gain on settlement of forward contract	(61,513,550)	17,482,100
Others	12,356,876	7,290,447
	(39,345,750)	26,021,720

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39. FINANCIAL COSTS

	Group Year ended 31 December 2003 RMB	Group Year ended 31 December 2002 RMB
Interest expenses	162,305,114	156,821,430
Less: interest income	1,860,086	5,327,749
Exchange (gain) loss	(507,653)	333,337
Others	4,351,014	2,974,530
	164,288,389	154,801,548

40. INVESTMENT (LOSS) INCOME

Group	Year ended 31 December 2003 RMB	Year ended 31 December 2002 RMB
Short-term investment income:		
- Gain on debt investment	—	1,906,773
- (Loss) gain on share investment	(1,657,872)	929,310
Long-term investment income		
- Amortization of long-term equity investment difference	(91,935)	—
	(1,749,807)	2,836,083

Company	Year ended 31 December 2003 RMB	Year ended 31 December 2002 RMB
Short-term investment income:		
- Gain on debt investment	—	1,906,773
- (Loss) gain on share investment	(1,657,872)	929,310
Long-term investment income		
- Share of investee's profit recognized under equity method	2,285,120	120,611
- Amortization of long-term equity investment difference	(91,935)	—
	535,313	2,956,694

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41. NON-OPERATING EXPENSES

	Year ended 31 December 2003 RMB	Year ended 31 December 2002 RMB
Education expenditures	16,336,529	14,632,472
Loss on disposal of fixed assets	—	21,934,253
Provision for impairment on fixed assets	15,033,458	3,347,208
Others	1,146,308	5,442,654
	32,516,295	45,356,587

42. INCOME TAX

	Group 31 December 2003 RMB	Group 31 December 2002 RMB
Income tax for the year (Note 1)	81,898,370	29,364,460
Income tax deductible (Note 2)	(52,512,093)	(25,711,543)
Income tax of subsidiaries	(285,424)	99,009
	29,100,853	3,751,926

Note 1: The income tax of RMB 81,898,370 which is calculated based on taxable income.

Note 2: Pursuant to a notice issued jointly by the Ministry of Finance and the State Tax Bureau (Cai Shui Zi [2000] No.49) and written approval from the state tax bureau of Jiangxi Province, the unutilized tax benefit in respect to the purchase of domestic machinery and equipment for the year 2002 is RMB 47,633,700 and tax benefit for 2003 is RMB 54,603,932. By the 31 December 2003, the unutilized tax benefit for the year 2002 and 2003 is RMB 8,689,471 and RMB 41,036,068 respectively. Since the Company's annual income tax inspection has not been completed, the amount of tax benefit will be adjusted according to the income tax inspection report from tax bureau.

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43. ACQUISITION OF SUBSIDIARY

In September 2003, the company acquired 40% of Kangxi Copper's share of equity with RMB 40,000,000. Details refer to Note 5.

The financial position of the subsidiary at the effective date of acquisition is as follows:

	Group 30 September 2003 RMB
Current assets	55,194,290
Long-term investments	10,000,000
Fixed assets	91,863,582
Current liabilities	(66,251,432)
Net assets	90,806,440
Minority interests	(54,483,864)
The Company's share of net assets (40%)	36,322,576
Equity investment difference	3,677,424
Total	40,000,000
Consideration:	
Cash	40,000,000
Net cash outflow from acquisition of subsidiary:	
Cash consideration	40,000,000
Cash and bank balances of the acquired subsidiary	(15,937,577)
	24,062,423

The operating results of the subsidiary for the period from the effective date of acquisition to 31 December 2003 are as follows:

	From the effective date of acquisition to 31 December 2003 RMB
Revenue	68,246,884
Profit from operations	7,775,027
Profit before tax	4,932,778
Income tax	(409,675)
Net profit	5,342,453

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44. CASH PAID RELATING TO OTHER OPERATING ACTIVITIES

	Group Year ended 31 December 2003 RMB	Group Year ended 31 December 2002 RMB
Amount paid in respect to operating expenses and general and administrative expenses	190,408,200	227,797,872
Non-operating expenses paid	17,482,837	19,827,861
Amount paid to JCC	—	47,851,885
Other expenses paid	36,861,645	66,492,210
	244,752,682	361,969,828

45. SIGNIFICANT RELATED PARTY TRANSACTIONS

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

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

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

Name	1 January 2003 and 31 December 2003 RMB
JCC	3,896,060,000

(3) For the related parties where a control relationship exist, the proportion of equity interest held by the related party and changes therein are as follows:

	1 January 2003 and 31 December 2003	
JCC	RMB1,275,556,200	47.9%

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45. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

- (4) Nature of relationship with related parties where a control relationship does not exist:

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

- (5) Significant transactions between the Company above related parties in the current year:

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

	Year ended 31 December 2003 RMB'000	Year ended 31 December 2002 RMB'000
Transactions with JCC and its affiliates:		
Tolling fee and sales fee charged by the Group (note (a))	263,692	206,783
Sale of copper cathode and sulphuric acid by the Group (note(a))	415,304	150,384
Re-sales of auxiliary industrial products by the Group (note(a))	72,131	59,688
Sale of waste, filter residue and black cement copper by the Group (note(a))	5,311	12,230
Purchase of copper concentrates by the Group (note(a))	110,191	87,487
Purchase of scrap copper by the Group (note(a))	497,215	55,175
Purchase of auxiliary industrial Products by the Group (note(a))	224,411	144,772
License fee on railway transportation charged to the Group (note(b))	7,200	7,174
Railway transportation service provided to the Group (note(a))	11,976	10,709
Rental for land use rights charged to the Group (note(c))	15,000	15,000
Rentals for office premises (note(c))	3,626	3,325
Rentals for housing for the employees and use of common facilities charged to the Group (note(b))	14,761	9,870
Repair and maintenance service provided to the Group (note(a))	104,267	96,158
Construction service provided to the Group (note(a))	101,787	67,788
Vehicle transportation service provided to the Group (note(a))	62,365	49,848
Proceeds on disposal of property, plant and equipment received by the Group (at carrying amount)	839	2,766

Notes to the Financial Statements

For the year ended 31 December 2003
(Prepared in accordance with PRC GAAP and regulations)

45. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(5) Significant transactions between the Company above related parties in the current year (Continued):

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

	Year ended 31 December 2003 RMB'000	Year ended 31 December 2002 RMB'000
Supply of water and transmission of electricity (note(b))	44,623	31,653
Electricity supply provided to the Group (note b)	1,506	—
Industrial water supplied (note(b))	19,671	18,545
Brokerage agency service provided (note(a))	3,048	2,198
Environmental greenery services provided (note(b))	7,034	6,208
Office premises provided (note (c))	56	56
Processing fee received by the Company re Blister Copper (Note c)	1,036	—
Sales of raw copper sulphuric (note a)	14,050	—
Sales of copper rod and wire and processing of copper cathode into copper rod and wire (note a)	120,278	—
Purchase of gold and silver bearing materials by the Group (note a)	27,985	—
Purchase of copper cathode (note a)	127,751	—
Agency fee for development and sale of gases paid by the Group (note c)	2,434	—
Sale of gases by the Group (note c)	1,557	—
Management fee paid (note c)	2,290	—
Net book value of property, plant and equipment exchange with JCC (note c)	3,010	—
Social welfare and support services provided (note(b))		
- Welfare and medical services	47,478	43,339
- Primary and secondary education service	12,411	10,418
- Technical education service	3,926	4,801
- Internal telecommunications services	1,352	1,221
- Use of representative offices	2,808	2,649
Transactions with other two promoter shareholders		
Sales of copper cathode to Jiangxi Xinin (note(a))	235,353	155,104
Sale of low oxygen copper rods and wires to Jiangxi Xinin (note a)	1,801	—
Tolling fee received from Hubei Sanxin (note(a))	12,605	7,003
Purchase of copper concentrates from Hubei Sanxin (note(a))	30,864	18,077
Interest income from Hubei Sanxin (note (a))	905	1,420

Notes:

- (a) The pricing of the transactions was determined with reference to comparable market prices.
- (b) The pricing of the transactions was determined with reference to actual costs.
- (c) The pricing of the transactions was determined with reference to the terms of lease agreements.

Notes to the Financial Statements

For the year ended 31 December 2003
(Prepared in accordance with PRC GAAP and regulations)

45. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(5) Significant transactions between the Company above related parties in the current year (Continued):

(B) Amount due from or to related parties

Account	Name of related parties	31 December 2003 RMB	31 December 2002 RMB
Notes receivable	JCC and its affiliates	—	177,867
Accounts receivable	JCC and its affiliates	13,134,458	6,156,019
Other receivables	JCC and its affiliates	873,627	59,714,625
Prepayments	Hubei Sanxin	10,000,000	30,000,000
	JCC and its affiliates	14,916,504	13,670,255
		38,924,589	109,718,766
Notes payable	JCC and its affiliates	50,000	31,230,000
Accounts payable	JCC and its affiliates	12,546,799	26,109,140
Advance from customers	JCC and its affiliates	8,239,561	140,894
Other payables	JCC and its affiliates	92,074,677	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	41,171,000	43,041,000
		155,952,037	169,317,933

(C) Guarantee

Up to 31 December 2003, the Company has bank loan of RMB 154,710,000 guaranteed by JCC (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 53,293,000 (2002: RMB 56,474,000).

Notes to the Financial Statements

For the year ended 31 December 2003
(Prepared in accordance with PRC GAAP and regulations)

46. COMMITMENTS

(1) Capital commitments

	2003 RMB	2002 RMB
Capital expenditure contracted for but not provided in the financial statements:		
- Commitment for acquisition of assets	216,129	574,277

(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:

	2003 RMB	2002 RMB
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	336,276	352,082
Total	383,694	399,500

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.

(3) Other commitments

At the balance sheet date, the Company had commitment for sales of copper cathode, details of which are as follows:

	31 December 2003	31 December 2002
Quantities (in tonnes)	30,240	13,020
Average price per tonne (RMB)	20,394	15,598
Delivery period	From February 2004 to August 2004	From January 2003 to May 2003

Supplement Information

For the year ended 31 December 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 those prepared according to IFRS.

At balance sheet date, net profit and net assets were RMB 505,243,000 and RMB 5,251,626,000 respectively according to PRC GAAP. These figures can be reconciled to that under IFRS as follows:

	Net profit For the year ended 31 December 2003 RMB'000	Net assets at 31 December 2003 RMB'000
Per PRC GAAP	505,243	5,251,626
Adjustment according to IFRS:		
- Specific accounts payable transferred to capital reserves which cannot be booked under IFRS	—	(84,000)
Per IFRS	505,243	5,167,626

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

Reporting profit	2003			
	Return on net assets (%)		Earning per share (RMB)	
	Fully diluted	Weighted average	Fully diluted	Weighted average
Profit from principal operations	20.50	21.66	0.40	0.40
Operating profits	10.88	11.49	0.21	0.21
Net profit	9.62	10.17	0.19	0.19
Net profit excluding non-recurring items	9.97	10.54	0.20	0.20

Supplement Information

For the year ended 31 December 2003
(Prepared in accordance with PRC GAAP and regulations)

3. Impairment loss on assets at 31 December 2003

Items	At 1 January 2003		Additions		Write-back		At 31 December 2003	
	Group	Company	Group	Company	Group	Company	Group	Company
1. Bad debt provision	103,540,635	103,540,635	5,990,131	1,941,506	100,554	635,978	109,430,212	104,846,163
Including: Accounts receivable	76,496,530	76,496,530	5,990,131	1,941,506	—	—	82,486,661	78,438,036
Other receivables	27,044,105	27,044,105	—	—	100,554	635,978	26,943,551	26,408,127
2. Impairment loss on short-term investments								
Including: Stock investment	213,285	213,285	207,785	207,785	213,285	213,285	207,785	207,785
	213,285	213,285	207,785	207,785	213,285	213,285	207,785	207,785
3. Impairment on loss inventory	3,895,471	3,895,471	—	—	2,276,804	2,276,804	1,618,667	1,618,667
Including: Finished goods	2,276,804	2,276,804	—	—	2,276,804	2,276,804	—	—
Raw material	1,618,667	1,618,667	—	—	—	—	1,618,667	1,618,667
4. Impairment on loss fixed assets	11,707,124	11,707,124	15,033,458	15,033,458	11,707,124	11,707,124	15,033,458	15,033,458
Including: Buildings	601,311	601,311	217,413	217,413	601,311	601,311	217,413	217,413
Equipment and machinery	10,134,677	10,134,677	8,729,621	8,729,621	10,134,677	10,134,677	8,729,621	8,729,621
Vehicles	971,136	971,136	6,086,434	6,086,434	971,136	971,136	6,086,424	6,086,424

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

Items in balance sheet:

(1) Inventory

The closing balance increased 53% compared with the opening balance which was mainly due to the increase of finished goods and working in progress at year end because of updated productivity.

(2) Fixed assets under construction

The closing balance decreased by 51% compared with the opening balance, which was mainly due to the completion of the project of Guixi Smelter Phase III.

(3) Short-term loans

The closing balance increased 66% compared the opening balance which was mainly due to the expansion of production scope.

Supplement Information

For the year ended 31 December 2003
(Prepared in accordance with PRC GAAP and regulations)

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

(4) Surplus reserve

The closing balance increased 47% compared with the opening balance, which was mainly due to the increase of net profit this year.

Items in statement of income and profits appropriation:

(1) Sales and cost of sales

The amount of current year increased a lot compared with that of prior year, which was mainly due to the great increase of sales volume and unit price of copper in the market.

(2) Operating expenses

The amount of current year increased a lot compared with that of prior year, which was mainly due to the rise sales this year.

Auditors' Report

(Prepared in Accordance with IFRS)

德勤·關黃陳方會計師行

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

香港中環干諾道中111號
永安中心26樓

**Deloitte
Touche
Tohmatsu**

To the shareholders of Jiangxi Copper Company Limited

(A Sino-foreign joint venture joint stock limited company established in the People's Republic of China)

We have audited the financial statements on pages 99 to 134 which have been prepared in accordance with International Financial Reporting Standards.

Respective responsibilities of directors and auditors

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2003 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, 11 March 2004

Consolidated Income Statement

For the year ended 31 December 2003
(Prepared in accordance with IFRS)

	NOTES	2003 RMB'000	2002 RMB'000
Turnover	3	5,420,891	3,327,073
Cost of sales and services	4	(4,342,161)	(2,710,844)
Gross profit		1,078,730	616,229
Other operating income	5	33,799	41,111
Distribution costs		(61,977)	(40,488)
Administrative expenses		(246,002)	(236,856)
Other operating expenses	6	(104,489)	(49,843)
Profit from operations	7	700,061	330,153
Finance costs	8	(162,413)	(156,816)
Profit before tax		537,648	173,337
Taxation	10	(29,101)	(3,752)
Profit after tax		508,547	169,585
Minority interests		(3,304)	(81)
Net profit for the year		505,243	169,504
Appropriations:			
Transfer to reserves	11	(176,857)	(67,819)
Profit for the year, retained		328,386	101,685
Dividends	12	319,685	79,921
Basic earnings per share	13	RMB0.190	RMB0.064

Consolidated Balance Sheet

At 31 December 2003

(Prepared in accordance with IFRS)

	NOTES	2003 RMB'000	2002 RMB'000
Non-current assets			
Property, plant and equipment	14	6,756,431	6,570,074
Goodwill	15	3,586	—
Other assets	16	102,134	106,131
Other investments	18	15,610	5,610
		6,877,761	6,681,815
Current assets			
Inventories	19	2,307,655	1,510,878
Trade and other receivables	20	598,868	373,076
Taxation recoverable		—	797
Marketable securities	21	7,232	699
Bank balances and cash		306,138	257,499
		3,219,893	2,142,949
Current liabilities			
Trade and other payables	23	872,581	647,551
Taxation payable		7,692	43
Government subsidy received	24	—	84,000
Bank borrowings - amount due within one year	26	1,340,051	984,011
		2,220,324	1,715,605
Net current assets			
		999,569	427,344
		7,877,330	7,109,159
Capital and reserves			
Share capital	27	2,664,038	2,664,038
Reserves		2,503,588	2,078,266
		5,167,626	4,742,304
Minority interests			
		148,423	60,704
Non-current liabilities			
Bank borrowings - amount due after one year	26	2,520,110	2,263,110
Other payable - amount due after one year	29	41,171	43,041
		2,561,281	2,306,151
		7,877,330	7,109,159

The financial statements on pages 99 to 134 were approved and authorised for issue by the Board of Directors on 11 March 2004 and are signed on its behalf by:

He Changming
DIRECTOR

Du Xinmin
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 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 to reserves	—	—	—	—	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 year	—	—	—	—	—	—	—	505,243	505,243
Dividends paid - 2002 final	—	—	—	—	—	—	—	(79,921)	(79,921)
Appropriations to reserves	—	—	—	—	50,539	50,532	75,786	(176,857)	—
At 31 December 2003	2,664,038	1,281,696	70,546	(92,506)	149,749	117,836	280,082	696,185	5,167,626

Consolidated Cash Flow Statement

For the year ended 31 December 2003
(Prepared in accordance with IFRS)

	NOTES	2003 RMB'000	2002 RMB'000
Operating activities			
Profit before tax		537,648	173,337
Adjustments for:			
Interest income		(3,682)	(5,335)
Interest expense		162,413	156,816
Depreciation of property, plant and equipment		414,856	404,243
Allowance for bad and doubtful debts		1,036	19,335
Amortisation of goodwill		92	—
Amortisation of other assets		3,997	3,996
Loss on disposal of property, plant and equipment		14,809	25,411
Loss (gain) on disposal of marketable securities		1,663	(2,870)
Unrealised (gain) loss on marketable securities		(6)	213
Operating cash flows before movements in working capital		1,132,826	775,146
(Increase) decrease in inventories		(778,499)	77,433
Increase in trade and other receivables		(205,849)	(15,037)
Increase (decrease) in trade and other payables		198,779	(71,859)
Cash generated by operations		347,257	765,683
Income tax (paid) refunded		(20,655)	153
Net cash from operating activities		326,602	765,836
Investing activities			
Interest received		3,682	5,335
Proceeds on disposal of property, plant and equipment		2,865	10,533
Decrease in pledged bank deposits		—	2,268
Purchase of property, plant and equipment		(581,434)	(1,021,170)
Purchase of marketable securities		(65,948)	(25,939)
Proceeds on disposal of marketable securities		57,758	29,132
Acquisition of a subsidiary	30	(24,064)	—
Acquisition of Wushan Copper Mine	31	—	(191,067)
Net cash used in investing activities		(607,141)	(1,190,908)
Financing activities			
Interest paid		(192,003)	(182,817)
Dividend paid by the Company		(79,921)	(133,202)
Dividend paid by a subsidiary to minority shareholder		(68)	(71)
Interest on proceeds from issue of A Shares received		—	10,938
Capital contribution by minority shareholder of a subsidiary		30,000	60,000
New borrowings raised		2,654,788	1,900,956
Repayment of bank borrowings		(2,081,748)	(1,652,423)
Repayment of other payable		(1,870)	(1,870)
Net cash from financing activities		329,178	1,511
Net increase (decrease) in cash and cash equivalents		48,639	(423,561)
Cash and cash equivalents at beginning of the year		257,499	681,060
Cash and cash equivalents at end of the year			
— Bank balances and cash		306,138	257,499

Notes to the Financial Statements

For the year ended 31 December 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") on 24 January 1997. Its ultimate holding company is Jiangxi Copper Corporation (formerly Jiangxi Copper Company) ("JCC").

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

The Company is an integrated producer of copper in the PRC. Its operations consist of copper mining, milling, smelting and refining to produce copper cathode and other related products, including pyrite concentrates, sulphuric acid and electrolytic gold and silver. It also provides smelting and refining services pursuant to tolling arrangements for customers. The Company's subsidiaries are engaged in refining copper concentrate to blister copper, manufacturing and processing of copper rods and wires, and trading of sulphuric acid.

2. SIGNIFICANT ACCOUNTING POLICIES

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

The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

On acquisition, the assets and liabilities of the relevant subsidiaries are measured at their fair values at the date of acquisition. Any excess (deficiency) of the cost of acquisition over (below) the fair values of the identifiable net assets acquired is recognised as goodwill (negative goodwill). The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by the Group.

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

Investments in subsidiaries

A subsidiary is an enterprise controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.

Investments in subsidiaries are included in the Company's balance sheet at cost less any recognised impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Notes to the Financial Statements

For the year ended 31 December 2003
(Prepared in accordance with IFRS)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill and negative goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition. Goodwill is recognised as an asset and amortised on a straight-line basis over its estimated useful life.

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

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

Negative goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet as a deduction from assets.

On disposal of a subsidiary, the attributable amount of unamortised goodwill or negative goodwill is included in the determination of the gain or loss on disposal.

Revenue recognition

Sales of goods are recognised when goods are delivered and title has been passed.

Service income is recognised when services are provided.

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

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

Notes to the Financial Statements

For the year ended 31 December 2003
(Prepared in accordance with IFRS)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment

Construction in progress represents assets in the course of construction for production, rental or administrative purposes, or for purposes not yet determined. They are carried at cost, less any recognised impairment loss where the recoverable amount of the asset is estimated to be lower than its carrying value. Cost includes all construction expenditure and other direct costs, including borrowing costs, attributable to such projects. Costs on completed construction works are transferred to other appropriate category of property, plant and equipment.

No depreciation is provided in respect of construction in progress until it is completed and is ready for its intended use.

Property, plant and equipment other than construction in progress are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is charged to write off the cost of property, plant and equipment other than construction in progress over their estimated useful lives, after taking into account their estimated residual value, using the straight-line method, on the following basis:

Leasehold land	Over the term of the lease
Buildings	12 to 40 years
Plant, machinery and equipment	10 to 25 years
Motor vehicles	10 to 12 years

Used assets acquired as part of the reorganisation prior to the listing of the Company's H Shares in 1997 (the "Reorganisation") are depreciated over their estimated remaining useful lives as determined by the directors by reference to estimations made by an independent valuer. The estimated remaining useful lives of the used assets are limited up to the original useful lives of relevant assets.

The gain or loss arising from the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

Trademark

Trademark is stated at cost less accumulated amortisation and any recognised impairment loss. The cost incurred in the acquisition of trademark is capitalised and amortised on a straight-line basis over the term of the related mining rights of 30 years.

Mining rights

Mining rights are stated at cost less accumulated amortisation and any recognised impairment loss. The cost of mining rights is amortised on a straight-line basis over their estimated useful lives of 13 to 50 years.

Notes to the Financial Statements

For the year ended 31 December 2003
(Prepared in accordance with IFRS)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

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

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

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

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

Impairment

At each balance sheet date, the Group reviews the carrying amount of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognised as expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Notes to the Financial Statements

For the year ended 31 December 2003
(Prepared in accordance with IFRS)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

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

Trade receivables

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

Investments in securities

Marketable securities are recognised on a trade-date basis and are initially measured at cost, including transaction costs. They are held for trading purpose and are measured at market value at the subsequent balance sheet date. Increases or decreases in the carrying amount of marketable securities are recognised as income or expense of the year.

Other investments represent unquoted investments, the fair value of which cannot be reliably determined, and are stated at cost and subject to a test for impairment loss.

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption, are accounted for on an accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Trade payables

Trade payables are stated at their nominal value.

Equity instruments

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

Forward contracts

Gains and losses arising from forward sales contracts which hedge sales revenue from future production, are deferred and included in sales revenue when the hedged production is delivered. Gains or losses arising from forward sales contracts settled before the maturity date are credited or charged to other operating income or other operating expense of the income statement respectively.

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

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event which it is probable will result in an outflow of economic benefits that can be reasonably estimated.

Notes to the Financial Statements

For the year ended 31 December 2003
(Prepared in accordance with IFRS)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government subsidy

Government subsidy related to assets is deducted from the carrying amount of the relevant asset and recognised as income over the life of a depreciable asset by way of a reduced depreciation charge.

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

Taxation

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

The charge for current tax is based on the results for the year as adjusted for items which are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction which affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. Deferred tax is charged or credited to the income statement, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development expenditure is recognised only if all of the following conditions are met:

- an asset is created that can be identified;
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred. Internally-generated intangible assets are amortised on a straight-line basis over their useful lives.

Notes to the Financial Statements

For the year ended 31 December 2003
(Prepared in accordance with IFRS)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restoration, rehabilitation and environmental expenditure

Where conditions of title, or other rights to use properties including rights to mine require that restoration, rehabilitation or environmental protection activities be carried out during the course of the use of the properties, costs of such activities are recognised as expenses at the time the costs are incurred. Where, due to current or previous activities, an obligation exists to carry out restoration, rehabilitation or environmental protection works in the future, an estimate of the cost of such rehabilitation is recognised as a provision.

Exploration and development expenditure

Expenditure during the initial exploration stage is written off as incurred. When it can be reasonably ascertained that a mining property is capable of commercial production, development expenditure incurred is capitalised and written off over the life of the mining property. If any project is abandoned during the development stage, the total expenditure thereon will be written off.

Retirement benefits schemes

The Group participates in retirement plans administered by the provincial government pursuant to which the Group pays a fixed percentage of the salaries and wages of its qualifying staff and employees as a contribution to the plan mainly through JCC. The contribution payable in respect of the year to the retirement plans is charged to the income statement.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, that is assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Operating leases

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

Foreign currency translation

The Group maintains its books and records in Renminbi.

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

Notes to the Financial Statements

For the year ended 31 December 2003
(Prepared in accordance with IFRS)

3. TURNOVER AND SEGMENT INFORMATION

Turnover represents net amount received and receivable for goods sold and services rendered during the year. An analysis of the Group's turnover, by business segments, is as follows:

	2003 RMB'000	2002 RMB'000
Business segments		
Sales of goods	5,082,497	3,074,723
Tolling services	338,394	252,350
	5,420,891	3,327,073

The Group's turnover and net profit for the year are almost entirely derived from the production and sale of copper cathode and other related products. The directors consider that these activities constitute one business segment since the products are related and are subject to common risks and returns.

Over 90% of the Group's turnover are derived from the PRC. All of the production facilities of the Group are located in the PRC.

4. COST OF SALES AND SERVICES

The cost of sales and services includes amount of approximately RMB2,277,000 (2002: RMB7,426,000) relating to a reversal of allowance made to write down sulphur concentrate inventories to estimated net realisable value.

5. OTHER OPERATING INCOME

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

	2003 RMB'000	2002 RMB'000
Net income on sales of auxiliary and other materials	19,849	4,025
Interest income from banks	1,977	3,099
Other interest income	1,705	2,236
Gain on settlement of forward contracts before their maturity dates	—	17,482
Others	10,268	14,269
	33,799	41,111

Notes to the Financial Statements

For the year ended 31 December 2003
(Prepared in accordance with IFRS)

6. OTHER OPERATING EXPENSES

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

	2003 RMB'000	2002 RMB'000
Loss on settlement of forward contracts before their maturity dates	61,514	—
General education	16,337	14,632
Loss on disposal of property, plant and equipment	14,809	25,411
Others	11,829	9,800
	104,489	49,843

7. PROFIT FROM OPERATIONS

	2003 RMB'000	2002 RMB'000
Profit from operations has been arrived at after charging:		
Allowance for bad and doubtful debts	1,036	19,335
Amortisation of goodwill (note a)	92	—
Amortisation of mining rights and trademark (note a)	3,997	3,996
Auditors' remuneration	2,918	2,300
Depreciation of property, plant and equipment (note b)	414,856	404,243
Licence fee on railway transportation	7,200	7,174
Minimum lease payments under operating leases in respect of:		
— land use rights	15,806	15,806
— machinery and vehicles	3,120	3,487
— office premises	3,608	3,928
— staff quarters and use of common facilities (note c)	22,320	20,654
Research and development expenses	5,237	5,238
Restoration, rehabilitation and environmental expenses	47,319	34,671
Staff costs, including directors' and supervisors' remuneration (note d)	378,535	341,859

Notes:

- (a) The amount was included in administrative expenses.
- (b) Depreciation of approximately RMB409,435,000 (2002: RMB401,106,000) and approximately RMB5,421,000 (2002: RMB3,137,000) were included in cost of sales and services and administrative expense respectively.
- (c) The amount was also included in staff costs disclosed above.
- (d) There were approximately 13,400 employees as at 31 December 2003 (2002: 13,200 employees).

Notes to the Financial Statements

For the year ended 31 December 2003
(Prepared in accordance with IFRS)

8. FINANCE COSTS

	2003 RMB'000	2002 RMB'000
Interest on borrowings wholly repayable within five years	176,048	153,568
Interest on borrowings not wholly repayable within five years	15,955	29,249
Total borrowing costs	192,003	182,817
Less: Amount included in the cost of qualifying assets	(29,590)	(26,001)
	162,413	156,816

The capitalisation rate for general borrowings during the year was 5.7% (2002: 5.5%).

9. DIRECTORS' AND SUPERVISORS' REMUNERATION

	2003 RMB'000	2002 RMB'000
Directors		
Fees:		
Executive	—	—
Independent non-executive	80	80
	80	80
Other emoluments (executive directors):		
Salaries and other benefits	1,581	1,054
Performance related bonus	38	220
Retirement benefits scheme contributions	443	243
	2,062	1,517
	2,142	1,597
Supervisors		
Fees		
	—	—
Other emoluments:		
Salaries and other benefits	759	487
Performance related bonus	70	—
Retirement benefits scheme contributions	212	122
	1,041	609
	1,041	609

The five highest paid individuals of the Group were all executive directors. Emoluments of each of the directors and supervisors are less than RMB1,000,000 for the years ended 31 December 2003 and 2002.

Notes to the Financial Statements

For the year ended 31 December 2003
(Prepared in accordance with IFRS)

10. TAXATION

	2003 RMB'000	2002 RMB'000
Domestic income tax	29,101	3,752

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 Company, being a Sino-foreign joint venture joint stock limited company, is entitled to a tax benefit ("Tax Benefit"), which is calculated as 40% of the current year's additions of PRC produced plant and equipment for production use. The Tax Benefit is, however, limited to the amount of increase in enterprise income tax for the current year in which the plant and equipment are acquired as compared with the tax amount of the preceding year. The portion of the Tax Benefit that is not utilised can be carried forward for future application for a period of not more than five years from the year in which the plant and equipment are acquired. The Tax Benefit not utilised as at 31 December 2003 amounted to approximately RMB49.7 million (2002: nil).

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

	2003 RMB'000	2002 RMB'000
Profit before tax	537,648	173,337
Tax at the domestic rates of 33% for the Group	176,551	57,241
Reduction of income tax in respect of reduced income tax rate of 15% for the Company	(96,656)	(31,168)
Tax effect of income that is not taxable in determining current yeartaxable profit	(455)	(18)
Tax effect of expenses that are not deductible in determining current year taxable profit	1,820	1,101
Tax effect of the allowance for doubtful debts that are not deductible in determining current year taxable profit	196	2,900
Tax effect of the reversal of allowance to write down inventories to net realisable values that are not recognised as deferred tax asset	(342)	(1,114)
Tax effect of the write-down of property, plant and equipment that are not recognised as deferred tax asset	499	522
Reduction of income tax in respect of the Tax Benefit	(52,512)	(25,712)
Taxation	29,101	3,752

At 31 December 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 RMB109 million (2002: RMB104 million) could be deducted in determining taxable profits in the future. Accordingly, the potential deferred tax asset of approximately RMB16 million (2002: RMB16 million) has not been recognised in the financial statements.

Notes to the Financial Statements

For the year ended 31 December 2003
(Prepared in accordance with IFRS)

11. TRANSFER TO RESERVES

	2003 RMB'000	2002 RMB'000
The amount represents transfer to:		
Statutory surplus reserve	50,539	16,962
Statutory public welfare fund	50,532	16,956
Discretionary surplus reserve	75,786	33,901
	176,857	67,819

The amounts transferred to statutory surplus reserve and statutory public welfare fund for the year by the Company are each based on 10% (2002: 10%) of the Company's net profit for the year, prepared in accordance with the PRC accounting standards. The amount transferred to discretionary surplus reserve for the year by the Company is based on 15% (2002: 20%) of the Company's net profit for the year, prepared in accordance with the PRC accounting standards.

The amounts transferred to statutory surplus reserve and statutory public welfare fund for the year by Xiaoshan Tongda (see note 17) are based on 10% (2002: 10%) and 5% (2002: 20%) respectively of the subsidiary's net profit for the year, prepared in accordance with the PRC accounting standards.

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

12. DIVIDENDS

	2003 RMB'000	2002 RMB'000
Proposed final dividend of RMB0.12 (2002: RMB0.03) per share	319,685	79,921

On 4 July 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 paid to the shareholders as the final dividend for year 2002.

The directors propose to distribute a final dividend of RMB0.12 per share (tax inclusive for A Shares) for the year ended 31 December 2003. Total estimated dividend to be paid is approximately RMB319,685,000 (based on the existing issued 2,664,038,200 shares).

Dividends for the existing issued 1,156,482,000 H Shares will be paid on or before 7 June 2004, to the shareholders on the register of shareholders of H Shares of the Company on 27 April 2004.

Further announcement regarding register of shareholders of A Shares and the payment date for dividends will be made after the relevant application by the Company has been accepted by the China Securities Clearing and Registration Company, Shanghai Branch.

This dividend is subject to approval by the shareholders at the annual general meeting to be convened on 20 May 2004.

Notes to the Financial Statements

For the year ended 31 December 2003
(Prepared in accordance with IFRS)

13. BASIC EARNINGS PER SHARE

The calculation of basic earnings per share for the year is based on the net profit for the year of RMB505,243,000 (2002: RMB169,504,000) and on 2,664,038,200 shares (2002: 2,664,038,200 shares) outstanding during the year.

No diluted earnings per share have been presented as these were no dilutive potential ordinary shares in issue in either 2003 and 2002.

14. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings <i>RMB'000</i>	Plant, machinery and equipment <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
THE GROUP					
COST					
At 1 January 2003	3,757,856	5,654,297	989,802	1,024,349	11,426,304
Additions	929	6,910	210	605,985	614,034
Acquisition of a subsidiary	42,746	46,626	2,491	—	91,863
Effect of government subsidy	—	—	—	(84,000)	(84,000)
Reclassifications	211,539	838,527	2,014	(1,052,080)	—
Disposals	(3,477)	(71,738)	(15,406)	—	(90,621)
At 31 December 2003	4,009,593	6,474,622	979,111	494,254	11,957,580
DEPRECIATION AND IMPAIRMENT					
At 1 January 2003	936,003	3,308,206	612,021	—	4,856,230
Provided for the year	152,162	219,259	43,435	—	414,856
Eliminated on disposals	(249)	(61,048)	(8,640)	—	(69,937)
At 31 December 2003	1,087,916	3,466,417	646,816	—	5,201,149
CARRYING AMOUNT					
At 31 December 2003	2,921,677	3,008,205	332,295	494,254	6,756,431
At 31 December 2002	2,821,853	2,346,091	377,781	1,024,349	6,570,074

Notes to the Financial Statements

For the year ended 31 December 2003
(Prepared in accordance with IFRS)

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Land and buildings <i>RMB'000</i>	Plant, machinery and equipment <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
THE COMPANY					
COST					
At 1 January 2003	3,757,856	5,654,204	989,802	990,313	11,392,175
Additions	871	6,819	12	483,886	491,588
Effect of government subsidy	—	—	—	(84,000)	(84,000)
Reclassifications	211,539	838,527	2,014	(1,052,080)	—
Transfer to a subsidiary	—	—	—	(7,250)	(7,250)
Disposals	(3,477)	(71,738)	(15,406)	—	(90,621)
At 31 December 2003	3,966,789	6,427,812	976,422	330,869	11,701,892
DEPRECIATION AND IMPAIRMENT					
At 1 January 2003	936,003	3,308,113	612,021	—	4,856,137
Provided for the year	151,568	217,357	43,418	—	412,343
Eliminated on disposals	(249)	(61,048)	(8,640)	—	(69,937)
At 31 December 2003	1,087,322	3,464,422	646,799	—	5,198,543
CARRYING AMOUNT					
At 31 December 2003	2,879,467	2,963,390	329,623	330,869	6,503,349
At 31 December 2002	2,821,853	2,346,091	377,781	990,313	6,536,038

	THE GROUP		THE COMPANY	
	2003	2002	2003	2002
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>

The land and buildings are situated on State-owned land in the PRC with rights to use the land obtained by:

— the Group (note a)	42,210	—	—	—
— JCC (note b)	2,660,586	2,639,868	2,660,586	2,639,868
— other (note c)	218,881	181,985	218,881	181,985
	2,921,677	2,821,853	2,879,467	2,821,853

Notes:

- (a) The lease terms of the land use rights ranged from 36 to 43 years as at 31 December 2003.
- (b) Pursuant to a lease agreement dated 30 April 1997, the Company leases from JCC the rights to use the land for a fixed term of 30 years, subject to the right of the Company to renew for a further term of 5 years, at an annual rental of approximately RMB15,000,000.
- (c) Pursuant to a lease agreement, the Company leases the rights to use the land for a term of 50 years commencing from 1 January 2002, at an annual rental of approximately RMB806,000.

Notes to the Financial Statements

For the year ended 31 December 2003
(Prepared in accordance with IFRS)

15. GOODWILL

	THE GROUP
	<i>RMB'000</i>
COST	
Arising on acquisition of a subsidiary and balance at 31 December 2003	3,678
AMORTISATION	
Provided for the year and balance at 31 December 2003	92
CARRYING AMOUNT	
At 31 December 2003	3,586

Goodwill is amortised over its estimated useful life. The foreseeable life of the goodwill arising on acquisition of a subsidiary is 10 years.

16. OTHER ASSETS

	Mining rights	Trademark	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
THE GROUP AND THE COMPANY			
COST			
At 1 January 2003 and at 31 December 2003	76,453	51,684	128,137
AMORTISATION			
At 1 January 2003	11,686	10,320	22,006
Provided for the year	2,277	1,720	3,997
At 31 December 2003	13,963	12,040	26,003
CARRYING AMOUNT			
At 31 December 2003	62,490	39,644	102,134
At 31 December 2002	64,767	41,364	106,131

The Company acquired the mining rights in respect of the Dexing Mine and the Yongping Mine from JCC in 1997. According to the mining right certificates, the Company has the right to mine in the Dexing Mine and the Yongping Mine for a period of 30 and 13 years respectively.

In 2002, the Company acquired the mining right (excluding mining rights to resources beneath the minus-400-metre level) of the Wushan Copper Mine from JCC. According to the mining right certificate, the Company has the right to mine in the Wushan Copper Mine for a period of 50 years.

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

Notes to the Financial Statements

For the year ended 31 December 2003
(Prepared in accordance with IFRS)

17. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2003 RMB'000	2002 RMB'000
Unlisted investments, at cost	175,600	90,600

Details of the Company's subsidiaries at 31 December 2003 are as follows:

Name of subsidiary	Paid up/ registered capital	Place of establishment and operation	Proportion of ownership interest	Principal activities
蕭山銅達化工有限公司 ("Xiaoshan Tongda")	RMB1,000,000	PRC *	60%	Trading of sulphuric acid
Jiangxi Copper Products Company Limited ("JCPC")	RMB225,000,000	PRC *	60%	Manufacturing and processing of copper rods and wires under trial run
四川康西銅業有 限責任公司 ("Kangtong")	RMB100,000,000	PRC *	40% **	Refining copper concentrate to produce blister copper

* Established as limited liability company in the PRC.

** The Company has the power to govern the financial and operating policies of Kangtong.

18. OTHER INVESTMENTS

THE GROUP AND THE COMPANY

The amount represents unquoted equity investments, the fair value of which cannot be reliably determined. They are stated at cost and subject to a test for impairment loss.

Notes to the Financial Statements

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(Prepared in accordance with IFRS)

19. INVENTORIES

	THE GROUP		THE COMPANY	
	2003 RMB'000	2002 RMB'000	2003 RMB'000	2002 RMB'000
Auxiliary materials and consumable supplies	88,112	67,227	68,751	67,227
Spare parts	336,885	337,579	336,885	337,579
Work in progress	1,734,451	1,014,519	1,734,451	1,014,519
Finished goods	148,207	91,553	76,454	91,448
	2,307,655	1,510,878	2,216,541	1,510,773

The balance of inventories of the Group and the Company at 31 December 2003 includes spare parts of approximately RMB12,908,000 (2002: RMB5,045,000) and finished goods of nil (2002: RMB27,455,000) which are carried at net realisable value.

20. TRADE AND OTHER RECEIVABLES

	THE GROUP		THE COMPANY	
	2003 RMB'000	2002 RMB'000	2003 RMB'000	2002 RMB'000
Trade receivables - third parties	283,689	164,458	157,186	161,946
Other receivables - third parties	286,483	130,348	254,828	129,630
Amounts due from JCC and its affiliates - trade (note a)	28,596	30,130	17,785	30,130
Amounts due from JCC - non-trade (note b)	—	48,063	—	—
Amount due from minority shareholder of a subsidiary (note a)	100	77	—	—
Amounts due from subsidiaries (note a)	—	—	26,017	4,574
	598,868	373,076	455,816	326,280

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

	THE GROUP		THE COMPANY	
	2003 RMB'000	2002 RMB'000	2003 RMB'000	2002 RMB'000
Trade receivables				
Within one year	273,862	147,009	147,389	144,540
Between one to two years	4,777	13,134	4,749	13,134
Between two to three years	5,050	4,161	5,048	4,118
Over three years	—	154	—	154
	283,689	164,458	157,186	161,946

Notes to the Financial Statements

For the year ended 31 December 2003
(Prepared in accordance with IFRS)

20. TRADE AND OTHER RECEIVABLES (Continued)

	THE GROUP		THE COMPANY	
	2003 RMB'000	2002 RMB'000	2003 RMB'000	2002 RMB'000
Amounts due from JCC and its affiliates - trade				
Within one year	28,596	29,446	17,785	29,446
Between one to two years	—	204	—	204
Over three years	—	480	—	480
	28,596	30,130	17,785	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 longer credit period will be given for major customers. Down payments or cash on delivery are normally required for new customers.

The directors consider that the carrying amount of trade and other receivables approximates their fair value.

Notes:

- (a) The amounts are unsecured, non-interest bearing and repayable on demand.
- (b) The amount was unsecured and non-interest bearing. It has been repaid in full during the year. Maximum amount outstanding during the year amounted to RMB48,063,000 (2002: RMB50,000,000).

21. MARKETABLE SECURITIES

	THE GROUP AND THE COMPANY	
	2003 RMB'000	2002 RMB'000
Fair value at 31 December	7,232	699

The investments in marketable securities represent investments in listed equity securities in the PRC which present the Group with opportunity for return through dividend income and trading gains. The fair values of these securities are based on quoted market prices.

Notes to the Financial Statements

For the year ended 31 December 2003
(Prepared in accordance with IFRS)

22. OTHER FINANCIAL ASSETS

Bank balances and cash

The amount comprises cash and short-term deposits held by the Group treasury function. The carrying amount of these assets approximates their fair value.

Credit risk

The Group's credit risk is primarily attributable to its trade and other receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables, estimated by the Group's management based on past experience and their assessment of the current economic environment.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

23. TRADE AND OTHER PAYABLES

	THE GROUP		THE COMPANY	
	2003 RMB'000	2002 RMB'000	2003 RMB'000	2002 RMB'000
Trade payables - third parties	545,370	313,581	489,764	313,581
Other payables - third parties	203,818	207,693	196,244	207,584
Amounts due to JCC and its affiliates - trade (note)	120,828	124,407	111,400	124,407
Amount due to JCC - other (note 29)	1,870	1,870	1,870	1,870
Amount due to minority shareholder of a subsidiary (note)	695	—	—	—
Amount due to a subsidiary (note)	—	—	—	67,096
	872,581	647,551	799,278	714,538

The aging analysis of trade payables and amounts due to JCC and its affiliates (excluding the other payable as set out in note 29) are as follows:

	THE GROUP		THE COMPANY	
	2003 RMB'000	2002 RMB'000	2003 RMB'000	2002 RMB'000
Trade payables				
Within one year	532,888	297,837	478,311	297,837
Between one to two years	3,462	5,949	3,454	5,949
Between two to three years	4,019	7,141	3,569	7,141
Over three years	5,001	2,654	4,430	2,654
	545,370	313,581	489,764	313,581

Notes to the Financial Statements

For the year ended 31 December 2003
(Prepared in accordance with IFRS)

23. TRADE AND OTHER PAYABLES (Continued)

	THE GROUP		THE COMPANY	
	2003 RMB'000	2002 RMB'000	2003 RMB'000	2002 RMB'000
Amounts due to JCC and its affiliates - trade				
Within one year	120,691	124,122	111,263	124,122
Between one to two years	12	143	12	143
Between two to three years	13	56	13	56
Over three years	112	86	112	86
	120,828	124,407	111,400	124,407

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

24. GOVERNMENT SUBSIDY RECEIVED

	THE GROUP AND THE COMPANY	
	2003 RMB'000	2002 RMB'000
Balance at 1 January	84,000	84,000
Utilisation to reduce the carrying amount of the relevant project	(84,000)	—
Balance at 31 December	—	84,000

The amount represents the government subsidy received for financing the expansion project of Guixi Smelter Phase III. The project was completed in December 2003 and the government subsidiary is applied to reduce the carrying amount of the project.

25. OTHER FINANCIAL LIABILITIES

Trade and other payables

The balance principally comprises amounts outstanding for trade purchases, construction costs and ongoing costs. The average credit period taken for trade purchases is 60 to 90 days.

The directors consider that the carrying amount of trade payables approximates their fair value.

Notes to the Financial Statements

For the year ended 31 December 2003
(Prepared in accordance with IFRS)

26. BANK BORROWINGS

	THE GROUP		THE COMPANY	
	2003 RMB'000	2002 RMB'000	2003 RMB'000	2002 RMB'000
Medium and long term bank loans	2,853,110	2,638,920	2,853,110	2,638,920
Short term bank loans	1,007,051	608,201	857,051	608,201
	3,860,161	3,247,121	3,710,161	3,247,121
Less: Amount due within one year included under current liabilities	(1,340,051)	(984,011)	(1,190,051)	(984,011)
Amount due after one year	2,520,110	2,263,110	2,520,110	2,263,110
Analysed as:				
— secured	40,000	—	—	—
— unsecured	3,820,161	3,247,131	3,710,161	3,247,121
	3,860,161	3,247,131	3,710,161	3,247,121

Bank borrowings are repayable as follows:

Within one year	1,340,051	984,011	1,190,051	984,011
Between one to two years	605,400	686,000	605,400	686,000
Between two to five years	1,637,710	1,020,400	1,637,710	1,020,400
Over five years	277,000	556,710	277,000	556,710
	3,860,161	3,247,121	3,710,161	3,247,121

The bank borrowings carry interest at rates ranging from 2.1% to 6.0% (2002: 3.0% to 6.2%) per annum. Majority of the bank borrowings are in Renminbi.

At 31 December 2003, bank borrowings amounting to approximately RMB154,710,000 (2002: RMB424,710,000) were supported by guarantees from JCC.

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

Notes to the Financial Statements

For the year ended 31 December 2003
(Prepared in accordance with IFRS)

27. SHARE CAPITAL

	Registered, issued and fully paid 2003 & 2002
	<i>RMB'000</i>
Share of RMB1 each	
Balance comprises:	
— 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
	2,664,038

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

28. RESERVES

	Share premium	Capital reserve	Other reserve	Statutory surplus reserve	Statutory public welfare fund	Discretionary surplus reserve	Accumulated profits	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
THE COMPANY								
At 1 January 2002	1,281,696	70,546	(92,506)	82,224	62,316	158,316	478,931	2,041,523
Net profit for the year	—	—	—	—	—	—	169,489	169,489
Dividends paid - 2001 final	—	—	—	—	—	—	(133,202)	(133,202)
Appropriations to reserves	—	—	—	16,950	16,950	33,901	(67,801)	—
Reclassification	—	—	—	—	(11,980)	11,980	—	—
At 1 January 2003	1,281,696	70,546	(92,506)	99,174	67,286	204,197	447,417	2,077,810
Net profit for the year	—	—	—	—	—	—	503,152	503,152
Dividends paid - 2002 final	—	—	—	—	—	—	(79,921)	(79,921)
Appropriations to reserves	—	—	—	50,524	50,524	75,786	(176,834)	—
At 31 December 2003	1,281,696	70,546	(92,506)	149,698	117,810	279,983	693,814	2,501,041

Capital reserve represents the excess of the value of the net assets immediately before the establishment of the Company injected into the Company by JCC as part of the Reorganisation which was determined by the PRC valuer and was approved by the State Assets Administration Bureau over the nominal value of the 1,277,556,200 Shares issued upon establishment of the Company of RMB1,277,556,200.

Other reserve represents the difference in value of certain assets and liabilities included in the net assets injected into the Company pursuant to the Reorganisation calculated in accordance with IFRS and the valuation of assets and liabilities performed by the PRC valuer in accordance with relevant PRC standards and regulations, which valuation was confirmed by the State Assets Administration Bureau.

Notes to the Financial Statements

For the year ended 31 December 2003
(Prepared in accordance with IFRS)

28. RESERVES (Continued)

Statutory surplus reserve represents the appropriation of 10% of profit after taxation calculated in accordance with PRC accounting standards and regulations and the Articles of Association of the Company and its subsidiaries. The appropriation may cease to apply if the balance of the statutory surplus reserve has reached 50% of the Company's and its subsidiaries' registered capital. In addition, the Company's Articles of Association also allows the Company to transfer certain amount of profit after taxation and after appropriations to the statutory surplus reserve and statutory public welfare fund, subject to shareholders' approval, to discretionary surplus reserve. According to the Company's Articles of Association, statutory surplus reserve and discretionary surplus reserve can be used to make up prior year losses, to expand production operation or to increase share capital. The Company may capitalise the statutory surplus reserve and discretionary surplus reserve by way of bonus issues provided that the amount of the statutory surplus reserve remaining after such appropriation shall not be less than 25% of the registered capital of the Company.

Statutory public welfare fund represents the appropriation of profit after taxation according to the requirements of the Company's and its subsidiaries' Articles of Association and the Companies Law in the PRC. According to the requirements, the Company and its subsidiaries each transfers 5% to 10% of profit after taxation calculated in accordance with PRC accounting standards and regulations which in aggregate amounted to approximately RMB50,532,000 for the year (2002: RMB16,956,000) to the statutory public welfare fund. The fund can only be utilised for capital expenditure on employees' collective welfare facilities and cannot be used in staff welfare expenses. Such employee welfare facilities are owned by the Company and its subsidiaries. The statutory public welfare fund is not distributable to shareholders other than in liquidation. In year 2002, approximately RMB11,980,000 (2003: nil) had been utilised by the Company for capital expenditure on employees' collective welfare facilities and the amount had been reclassified to discretionary surplus reserve.

Statutory surplus reserve, statutory public welfare fund and discretionary surplus reserve are part of shareholders' equity.

Pursuant to the Company's Articles of Association, the amount available for the purpose of profit distribution will be deemed to be the lesser of (a) the net after-tax profit determined in accordance with PRC accounting standards and regulations and (b) the net after-tax profit determined in accordance with IFRS. However, the Articles of Association permit the Company to distribute dividends only after making up past losses and making allocations to the statutory reserve funds. The Company's reserve available for distribution as at 31 December 2003 was RMB343,664,335 (2002: RMB334,940,888) which represents accumulated profits as at 31 December 2003 determined in accordance with PRC accounting standards.

Notes to the Financial Statements

For the year ended 31 December 2003
(Prepared in accordance with IFRS)

29. OTHER PAYABLE

	THE GROUP AND THE COMPANY	
	2003	2002
	RMB'000	RMB'000
Portion bearing interest at 5.3% (2002: 5.3%) per annum, due within one year included as amount due to JCC - other under current liabilities (note 23)	1,870	1,870
Non-interest bearing portion, due after one year	41,171	43,041
	43,041	44,911

The amount is repayable as follows:

Within one year	1,870	1,870
Between one to two years	1,870	1,870
Between two to five years	5,610	5,610
After five years	33,691	35,561
	43,041	44,911

The amount represents the balance due to JCC as the consideration for the transfer of the mining rights in respect of the Dexing Mine and the Yongping Mine from JCC to the Company. The amount is repayable in 30 annual instalments of RMB1,870,000 each and subject to payment of interest at a rate equal to the State lending rate for a one-year fixed term loan up to a maximum of 15% on each annual instalment starting from 1 January 1998. The interest paid during the year amounted to approximately RMB99,000 (2002: RMB99,000).

The directors estimate that the fair value of the other payable at 31 December 2003 was approximately RMB25,545,000 (2002: RMB26,142,000).

Notes to the Financial Statements

For the year ended 31 December 2003
(Prepared in accordance with IFRS)

30. ACQUISITION OF A SUBSIDIARY

On 1 October 2003, the Group acquired 40% equity interest of Kangtong for cash consideration of RMB40,000,000. This transaction has been accounted for by the purchase method of accounting.

	2003
	RMB'000
Net assets acquired:	
Property, plant and equipment	91,863
Other investments	10,000
Inventories	18,278
Trade and other receivables	20,979
Bank balances and cash	15,936
Trade and other payables	(26,251)
Bank borrowings	(40,000)
Minority interests	(54,483)
	36,322
Goodwill	3,678
	40,000
Satisfied by cash	40,000
Net cash outflow arising on acquisition:	
Cash consideration	40,000
Bank balances and cash acquired	(15,936)
	24,064

Kangtong contributed approximately RMB68.2 million of revenue and an insignificant amount of profit before tax for the period between the date of acquisition and the balance sheet date.

Notes to the Financial Statements

For the year ended 31 December 2003
(Prepared in accordance with IFRS)

31. ACQUISITION OF WUSHAN COPPER MINE

On 1 January 2002, the Company acquired the operating assets and related liabilities of the Wushan Copper Mine and the mining right (excluding mining rights to resources beneath the minus-400-metre level) thereof from JCC for a consideration of approximately RMB193,807,000.

	2003 RMB'000
Net assets acquired:	
Property, plant and equipment	238,020
Mining rights	20,262
Inventories	12,028
Trade and other receivables	3,635
Bank balances and cash	2,740
Trade and other payables	(82,878)
	193,807
Satisfied by cash	193,807
Net cash outflow arising on acquisition:	
Cash consideration	(193,807)
Bank balances and cash acquired	2,740
	(191,067)

Notes to the Financial Statements

For the year ended 31 December 2003
(Prepared in accordance with IFRS)

32. RELATED PARTY TRANSACTIONS

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

	2003 RMB'000	2002 RMB'000
(i) Transactions with JCC and its affiliates:		
Sale of copper cathode and sulphuric acid by the Group (note a)	415,304	150,384
Sale of raw copper sulphate by the Group (note c)	14,050	—
Tolling fee and sales fee charged by the Group (note c)	263,692	206,783
Processing fee of blister (scrap) copper charged by the Group (note c)	1,036	—
Sale of waste, filter residue and black cement copper by the Group (note a)	5,311	12,230
Sale of auxiliary industrial products by the Group (note a)	72,131	59,688
Sale of low oxygen copper rods and wires and processing of copper cathode into low oxygen copper rods and wires by the Group (note c)	120,278	—
Purchase of copper concentrates by the Group (note a)	110,191	87,487
Purchase of scrap copper by the Group (note b)	497,215	55,175
Purchase of auxiliary industrial products by the Group (note a)	224,411	144,772
Purchase of gold and silver-bearing materials by the Group (note c)	27,985	—
Purchase of copper cathode by the Group (note c)	127,751	—
Brokerage agency services provided to the Group (note a)	3,048	2,198
Construction services provided to the Group (note a)	101,787	67,788
Environmental greenery services provided to the Group (note b)	7,034	6,208
Industrial water supplied to the Group (note b)	19,671	18,545
Licence fee on railway transportation charged to the Group (note b)	7,200	7,174
Railway transportation services provided to the Group (note a)	11,976	10,709
Rentals for office premises received by the Group (note c)	56	56
Rentals for housing for the employees and use of common facilities charged to the Group (note b)	14,761	9,870
Rental for land use rights charged to the Group (note c)	15,000	15,000
Rentals for office premises charged to the Group (note c)	3,626	3,325
Repair and maintenance services provided to the Group (note a)	104,267	96,158
Retirement benefits contributions paid by the Group (note b)	53,293	56,474
Sale of gases by the Group (note a)	1,557	—
Agency fee for development and sale of gases paid by the Group (note c)	2,434	—
Social welfare and support services provided to the Group (note b)		
— welfare and medical services	47,478	43,339
— primary and secondary education services	12,411	10,418
— technical education services	3,926	4,801
— internal telecommunications services	1,352	1,221
— use of representative offices	2,808	2,649
Supply of water and transmission of electricity by the Group (note b)	44,623	31,653
Electricity supply provided to the Group (note b)	1,506	—
Vehicle transportation services provided to the Group (note a)	62,365	49,848
Operation management services expenses borne by the Group (note c)	2,290	—
Proceeds on disposal of property, plant and equipment received by the Group (at carrying amount)	839	2,766
Net book value of property, plant and equipment exchanged with JCC (note c)	3,010	—

Notes to the Financial Statements

For the year ended 31 December 2003
(Prepared in accordance with IFRS)

32. RELATED PARTY TRANSACTIONS (Continued)

The Company entered into a processing agreement with JCC dated 3 September 2001 whereby the Company was appointed on an exclusive basis to process copper concentrates, blister copper and scrap copper imported by JCC into copper cathode and to arrange for the sales and distribution of such copper cathode in the PRC. The directors of the Company are of a view that the entering into of the processing agreement may indirectly result in JCC being engaged in a business likely to be in competition with those of the Company and may result in JCC breaching the terms and conditions of the letter of undertaking dated 22 May 1997 by JCC (the "Undertaking") and the asset injection agreement dated 26 May 1997 entered into between JCC and the Company (the "Injection Agreement"). However, the directors of the Company are of a view that the processing agreement has already built in a mechanism to minimise its competing effect and that the processing agreement is in the best interest of the Company and its independent shareholders. Accordingly, the Company did not enforce against JCC for any breach of the terms and conditions of the Undertaking and the Injection Agreement arising out of the processing agreement or to take any other action against JCC. The ordinary resolution for such authorisation was passed at the extraordinary general meeting of the Company held on 23 October 2001.

On 30 November 2000, the Company entered into an agreement with JCC to acquire operating assets and related liabilities of the Wushan Copper Mine and the mining right (excluding mining rights to resources beneath the minus-400-metre level) thereof from JCC. Details of the acquisitions and the connected transactions are set out in the circular of the Company dated 20 December 2000 and approved by the shareholders at an extraordinary general meeting held on 19 January 2001. The acquisition was completed on 1 January 2002 for an aggregate consideration of approximately RMB193,807,000 (as adjusted), in cash.

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

During the year, JCPC was informed by JCC that JCC was transferring its 40% interest in JCPC to a wholly-owned subsidiary, 江西銅業集團銅材有限公司 ("JXPC"). Such transfer would become effective upon the relevant registration procedures with the relevant governmental authorities being completed.

On 28 November 2003, the Company entered into a joint venture capital increase agreement ("JV Capital Increase Agreement") with JCC and JXPC, pursuant to which the Company, JCC and JXPC agreed to increase the registered capital of JCPC from RMB150,000,000 to RMB225,000,000 by an additional registered capital in the amount of RMB75,000,000. The Company and JCC/JXPC invested a sum of RMB45,000,000 and RMB30,000,000 respectively in cash during the year, which is in accordance with the respective shareholdings held by the Company and JCC in JCPC, as additional capital contribution to JCPC according to the JV Capital Increase Agreement.

On 28 November 2003, as a result of the change of shareholder and capital increase in JCPC, the Company and JXPC entered into a supplemental agreement to amend the JV Agreement to reflect, inter alia, the change in the shareholder and the registered capital of JCPC. JCPC is now owned as to 60% by the Company and 40% by JXPC.

Details of the above are set out in the circular of the Company dated 22 December 2003 and approved by the shareholders at the extraordinary general meeting of the Company held on 15 January 2004.

Notes to the Financial Statements

For the year ended 31 December 2003
(Prepared in accordance with IFRS)

32. RELATED PARTY TRANSACTIONS (Continued)

(ii) Transactions with the promoters of the Company:

	2003 <i>RMB'000</i>	2002 <i>RMB'000</i>
Sales of copper cathode to Jiangxi Xinxin (note a)	235,353	155,104
Sale of low oxygen copper rods and wires to Jiangxi Xinxin by the Group (note a)	1,801	—
Tolling fee received from Hubei Sanxin (note a)	12,605	7,003
Purchase of copper concentrates from Hubei Sanxin (note a)	30,864	18,077

In addition, the Group had made prepayment to Hubei Sanxin as at 31 December 2003 in respect of the purchase of copper concentrates amounting to RMB10,000,000 (2002: RMB30,000,000). Interest charged by the Group during the year in respect of the prepayment amounted to approximately RMB905,000 (2002: RMB1,420,000). 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.

33. PLEDGE OF ASSETS

THE GROUP

At 31 December 2003, property, plant and equipment and inventories of approximately RMB22,360,000 and RMB16,705,000 respectively were pledged to secure certain of the Group's bank borrowings. There was no such arrangement at 31 December 2002.

Notes to the Financial Statements

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(Prepared in accordance with IFRS)

34. OPERATING LEASE COMMITMENTS

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

	THE GROUP AND THE COMPANY	
	2003 RMB'000	2002 RMB'000
Within one year	15,806	15,806
In the second to fifth year inclusive	63,225	63,225
After five years	304,664	320,470
	383,695	399,501

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

35. CAPITAL COMMITMENTS

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

	THE GROUP		THE COMPANY	
	2003 RMB'000	2002 RMB'000	2003 RMB'000	2002 RMB'000
Commitments for the acquisition of property, plant and equipment:				
— contracted for but not provided in the financial statements	216,129	574,277	216,129	480,425
— authorised but not contracted for	877,040	932,088	877,040	896,496
	1,093,169	1,506,365	1,093,169	1,376,921

An analysis of the capital commitments is as follows:

Expansion projects	1,060,702	1,461,130	1,060,702	1,331,686
Exploration projects	24,428	25,028	24,428	25,028
Other general projects	8,039	20,207	8,039	20,207
	1,093,169	1,506,365	1,093,169	1,376,921

Notes to the Financial Statements

For the year ended 31 December 2003
(Prepared in accordance with IFRS)

36. OTHER COMMITMENT

At the balance sheet date, the Group and the Company had commitment for sales of copper cathode, details of which are as follows:

	THE GROUP AND THE COMPANY	
	2003	2002
Quantities (in tonnes)	30,240	13,020
Average price per tonne (RMB)	20,394	15,598
Delivery period	From February 2004 to August 2004	From January 2003 to May 2003

37. RETIREMENT BENEFITS SCHEMES

The Group contributes mainly to defined contribution pension schemes, which are administered by the provincial government, in respect of employees of the Group. According to such schemes, the Group shall pay an amount, calculated at a percentage of the total salaries and wages of the employees, to retirement reserve mainly through JCC.

The total cost charged to the income statement of approximately RMB54,723,000 (2002: RMB56,859,000) represents contribution payable to the schemes by the Group at rates specified in the rules of the schemes.

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

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

	2003 RMB'000	2002 RMB'000
Net assets as per financial statements prepared under IFRS	5,167,626	4,742,304
Different accounting treatment in respect of government subsidy	84,000	—
Net assets as per financial statements prepared under PRC accounting standards and regulations	5,251,626	4,742,304

There is no difference in net profit for the year of the Group prepared under IFRS and that prepared under PRC accounting standards and regulations.

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

Notes to the Financial Statements

For the year ended 31 December 2003
(Prepared in accordance with IFRS)

39. BALANCE SHEET OF THE COMPANY

	Notes	2003 RMB'000	2002 RMB'000
Non-current assets			
Property, plant and equipment	14	6,503,349	6,536,038
Other assets	16	102,134	106,131
Investments in subsidiaries	17	175,600	90,600
Other investments	18	5,610	5,610
		6,786,693	6,738,379
Current assets			
Inventories	19	2,216,541	1,510,773
Trade and other receivables	20	455,816	326,280
Taxation recoverable		—	797
Marketable securities	21	7,232	699
Bank balances and cash		255,397	253,620
		2,934,986	2,092,169
Current liabilities			
Trade and other payables	23	799,278	714,538
Taxation payable		5,990	—
Government subsidy received	24	—	84,000
Bank borrowings - amount due within one year	26	1,190,051	984,011
		1,995,319	1,782,549
Net current assets		939,667	309,620
		7,726,360	7,047,999
Capital and reserves			
Share capital	27	2,664,038	2,664,038
Reserves	28	2,501,041	2,077,810
		5,165,079	4,741,848
Non-current liabilities			
Bank borrowings - amount due after one year	26	2,520,110	2,263,110
Other payable - amount due after one year	29	41,171	43,041
		2,561,281	2,306,151
		7,726,360	7,047,999