

# CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2004  
(Prepared in accordance with IFRS)

	Notes	For the six months ended	
		30.6.2004 RMB'000 (Unaudited)	30.6.2003 RMB'000 (Unaudited)
Turnover	3	<b>4,848,910</b>	2,389,073
Cost of sales and services		<b>(4,041,149)</b>	(1,970,719)
Gross profit		<b>807,761</b>	418,354
Other operating income		<b>191,715</b>	22,337
Distribution costs		<b>(32,514)</b>	(20,551)
Administrative expenses		<b>(151,930)</b>	(98,831)
Other operating expenses		<b>(28,755)</b>	(7,989)
Profit from operations	4	<b>786,277</b>	313,320
Finance costs		<b>(94,756)</b>	(80,269)
Profit before taxation		<b>691,521</b>	233,051
Taxation	5	<b>(53,310)</b>	(29,412)
Profit after taxation		<b>638,211</b>	203,639
Minority interests		<b>(8,793)</b>	(33)
Net profit for the period		<b>629,418</b>	203,606
Dividends	6	—	—
Basic earnings per share	7	<b>RMB0.2363</b>	RMB0.0764

# CONDENSED CONSOLIDATED BALANCE SHEET

At 30 June 2004

(Prepared in accordance with IFRS)

	Notes	30.6.2004 RMB'000 (Unaudited)	31.12.2003 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	8	6,848,525	6,756,431
Goodwill		—	3,586
Other assets		130,826	102,134
Other investments		10,000	15,610
		<b>6,989,351</b>	6,877,761
Current assets			
Inventories		2,289,902	2,307,655
Trade and other receivables	9	802,282	598,868
Marketable securities		8,175	7,232
Bank balances and cash		412,432	306,138
		<b>3,512,791</b>	3,219,893
Current liabilities			
Trade and other payables	10	744,993	872,581
Taxation payable		55,882	7,692
Bank borrowings - amount due within one year		1,444,581	1,340,051
		<b>2,245,456</b>	2,220,324
Net current assets		<b>1,267,335</b>	999,569
		<b>8,256,686</b>	7,877,330
Capital and reserves			
Share capital	11	2,664,038	2,664,038
Reserves		2,813,321	2,503,588
		<b>5,477,359</b>	5,167,626
Minority interests		<b>192,981</b>	148,423
Non-current liabilities			
Bank borrowings - amount due after one year		2,546,110	2,520,110
Other payables - amount due after one year	12	40,236	41,171
		<b>2,586,346</b>	2,561,281
		<b>8,256,686</b>	7,877,330

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2004  
(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 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 1 January 2004	2,664,038	1,281,696	70,546	(92,506)	149,749	117,836	280,082	696,185	5,167,626
Net profit for the period	—	—	—	—	—	—	—	629,418	629,418
Dividends paid - 2003 final	—	—	—	—	—	—	—	(319,685)	(319,685)
At 30 June 2004	2,664,038	1,281,696	70,546	(92,506)	149,749	117,836	280,082	1,005,918	5,477,359
At 1 January 2003	2,664,038	1,281,696	70,546	(92,506)	99,210	67,304	204,296	447,720	4,742,304
Net profit for the period	—	—	—	—	—	—	—	203,606	203,606
Dividends paid - 2002 final	—	—	—	—	—	—	—	(79,921)	(79,921)
At 30 June 2003	2,664,038	1,281,696	70,546	(92,506)	99,210	67,304	204,296	571,405	4,865,989

# CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2004  
(Prepared in accordance with IFRS)

	For the six months ended	
	30.6.2004 RMB'000 (Unaudited)	30.6.2003 RMB'000 (Unaudited)
Net cash from operating activities	700,800	15,189
Net cash used in investing activities	(257,824)	(289,238)
Net cash (used in) from financing activities	(336,682)	312,760
Net increase in cash and cash equivalents	106,294	38,711
Cash and cash equivalents at beginning of the period	306,138	257,499
Cash and cash equivalents at end of the period	412,432	296,210

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

*For the six months ended 30 June 2004  
(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"). The directors regard the Company's ultimate holding company, as at 30 June 2004, is Jiangxi Copper Corporation ("JCC").

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

## 2. ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention, except for the revaluation of certain financial instruments. The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2003, except as described below.

In the current period, the Group has adopted IFRS 3 "Business Combinations" to business combinations for which the agreement date is on or after 31 March 2004. For business combinations which the agreement date was before 31 March 2004, goodwill arising on these acquisitions is accounted for in accordance with IAS 22, "Business Combinations". Goodwill represents the excess of the cost of the acquisition over the Group's interest in the fair value of identifiable assets and liabilities of a subsidiary at the date of acquisition and is stated at cost less accumulated amortisation and accumulated impairment losses. IFRS 3 requires goodwill arising from acquisitions to be determined as the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities on the date of acquisition and is measured after initial recognition at cost less accumulated impairment losses. Under IFRS 3, goodwill is not required to be amortised but to be tested for impairment annually, or more frequently if events or changes in circumstances indicate that the asset might be impaired.

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2004  
(Prepared in accordance with IFRS)

## 3. SEGMENT INFORMATION

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

	For the six months ended	
	30.6.2004 RMB'000	30.6.2003 RMB'000
<u>Business segments</u>		
Sales of goods	4,799,191	2,263,237
Tolling services	49,719	125,836
	<b>4,848,910</b>	2,389,073

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

	For the six months ended	
	30.6.2004 RMB'000	30.6.2003 RMB'000
<u>Geographical market segments</u>		
PRC, other than Hong Kong	4,562,890	2,117,549
Others	286,020	271,524
	<b>4,848,910</b>	2,389,073

The Group's turnover and net profit for the period 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.

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

## 4. PROFIT FROM OPERATIONS

	For the six months ended	
	30.6.2004 RMB'000	30.6.2003 RMB'000
Profit from operations has been arrived at after charging:		
Amortisation of goodwill	184	—
Amortisation of other assets	1,999	1,999
Depreciation of property, plant and equipment	238,529	200,131
Impairment loss on goodwill	5,024	—
and crediting:		
Gain on settlement of forward contracts before their maturity dates	182,723	10,751

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2004  
(Prepared in accordance with IFRS)

## 5. TAXATION

	For the six months ended	
	30.6.2004	30.6.2003
	RMB'000	RMB'000
Domestic income tax	53,310	29,412

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.

At 30 June 2004, 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 RMB98 million (31.12.2003: RMB109 million) can be deducted in determining taxable profits in the future. Accordingly, the potential deferred in respect of allowance for doubtful debts has not been recognised in the condensed financial statements.

## 6. DIVIDENDS

On 7 June 2004, a dividend of RMB0.12 per share (tax inclusive for A Shares) on 2,664,038,200 shares, in aggregate approximately RMB319,685,000, was paid to the shareholders as the final dividend for Year 2003.

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 do not recommend the payment of an interim dividend for the six months ended 30 June 2004. No interim dividend was declared for the same period last year.

## 7. BASIC EARNINGS PER SHARE

The calculation of basic earnings per share for the period is based on the net profit for the period of RMB629,418,000 (2003: RMB203,606,000) and on 2,664,038,200 shares (2003: 2,664,038,200 shares) outstanding during the period.

## 8. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately RMB347,590,000 (2003: RMB287,018,000) on the acquisition of property, plant and equipment.

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2004  
(Prepared in accordance with IFRS)

## 9. TRADE AND OTHER RECEIVABLES

	<b>30.6.2004</b> <b>RMB'000</b>	31.12.2003 <b>RMB'000</b>
Trade receivables - third parties	<b>375,289</b>	283,689
Other receivables - third parties	<b>376,298</b>	286,483
Amounts due from JCC and its affiliates - trade (note)	<b>50,695</b>	28,596
Amount due from a minority shareholder of a subsidiary (note)	—	100
	<b>802,282</b>	598,868

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

	<b>30.6.2004</b> <b>RMB'000</b>	31.12.2003 <b>RMB'000</b>
<u>Trade receivables</u>		
Within one year	<b>366,166</b>	273,862
Between one to two years	<b>6,590</b>	4,777
Between two to three years	<b>2,533</b>	5,050
	<b>375,289</b>	283,689
<u>Amounts due from JCC and its affiliates - trade</u>		
Within one year	<b>44,819</b>	28,596
Between one to two years	<b>5,876</b>	—
	<b>50,695</b>	28,596

Sales of copper cathode, electrolytic gold and silver are settled on delivery. The average credit period taken on sales of other products is one year, while a longer credit period will be allowed for major customers. Down payments or cash on delivery are normally required for new customers.

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



# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2004  
(Prepared in accordance with IFRS)

## 10. TRADE AND OTHER PAYABLES

	30.6.2004 RMB'000	31.12.2003 RMB'000
Trade payables - third parties	257,792	545,370
Other payables - third parties	386,498	203,818
Amounts due to JCC and its affiliates - trade (note)	94,197	120,828
Amount due to JCC - other (note 12)	1,870	1,870
Amounts due to minority shareholders of subsidiaries (note)	1,911	695
Dividend payable to minority shareholders of a subsidiary	2,725	—
	<b>744,993</b>	<b>872,581</b>

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

	30.6.2004 RMB'000	31.12.2003 RMB'000
<u>Trade payables</u>		
Within one year	254,126	532,888
Between one to two years	326	3,462
Between two to three years	768	4,019
Over three years	2,572	5,001
	<b>257,792</b>	<b>545,370</b>
<u>Amounts due to JCC and its affiliates - trade</u>		
Within one year	77,479	120,691
Between one to two years	16,575	12
Between two to three years	5	13
Over three years	138	112
	<b>94,197</b>	<b>120,828</b>

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

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2004  
(Prepared in accordance with IFRS)

## 11. SHARE CAPITAL

	Registered, issued and fully paid RMB'000
Share of RMB1 each:	
Balance at 1 January 2003, 30 June 2003, 31 December 2003 and 30 June 2004	
- 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 PRC investors or foreign investors, Domestic Shares, H Shares and A Shares rank pari passu in all respects with each other.

## 12. OTHER PAYABLES

	30.6.2004 RMB'000	31.12.2003 RMB'000
Portion bearing interest at 5.3% (31.12.2003: 5.3%) per annum, due within one year included as amount due to JCC - other under current liabilities (note 10)	<b>1,870</b>	1,870
Non-interest bearing portion, due after one year	<b>40,236</b>	41,171
	<b>42,106</b>	43,041
The amount is repayable as follows:		
Within one year	<b>1,870</b>	1,870
Between one to two years	<b>1,870</b>	1,870
Between two to five years	<b>5,610</b>	5,610
Over five years	<b>32,756</b>	33,691
	<b>42,106</b>	43,041

The amount represents the balance due to JCC as the consideration for the transfer of the mining rights in respect of the Dexing Mine and the Yongping Mine from JCC to the Company. The amount is repayable in 30 annual instalments of RMB1,870,000 each and subject to payment of interest at a rate equal to the State lending rate for a one-year fixed term loan up to a maximum of 15% on each annual instalment starting from 1 January 1998. The interest payable during the period amounted to approximately RMB45,000 (2003: RMB50,000).

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2004  
(Prepared in accordance with IFRS)

## 13. ACQUISITION OF A SUBSIDIARY

On 16 June 2004, the Group acquired a 45.957% equity interest of “山西省刁泉銀銅礦業有限公司” (“Diaoquan”) for cash consideration of RMB35,000,000. This transaction has been accounted for using the purchase method of accounting.

The effect of the acquisition is summarised as follows:

	<i>RMB'000</i>
Net assets acquired	33,378
Goodwill arising on acquisition	1,622
Cash consideration	35,000
Net cash outflow arising on acquisition:	
Cash consideration	35,000
Bank balances and cash acquired	(9,670)
	25,330

Diaoquan did not make any significant contribution to the results of the Group during the interim period.

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

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2004  
(Prepared in accordance with IFRS)

## 14. RELATED PARTY TRANSACTIONS

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

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

	For the six months ended	
	30.6.2004 RMB'000	30.6.2003 RMB'000
-		
Sale of copper cathode and sulphuric acid by the Group (note a)	116,792	34,652
Sale of raw copper sulphate by the Group (note c)	20,070	4,665
Tolling fee and sales fee charged by the Group (note c)	3,363	96,276
Processing fee of blister (scrap) copper charged by the Group (note c)	16,077	—
Sale of waste, filter residue and black cement copper by the Group (note a)	3,791	1,858
Sale of auxiliary industrial products by the Group (note a)	46,244	29,897
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)	15,422	—
Purchase of copper concentrates by the Group (note a)	63,854	55,717
Purchase of scrap copper by the Group (note b)	455,943	193,854
Purchase of auxiliary industrial products by the Group (note a)	120,621	120,714
Purchase of gold and silver-bearing materials by the Group (note c)	10,451	287
Brokerage agency services provided to the Group (note a)	4,459	—
Construction services provided to the Group (note a)	20,309	15,357
Environmental greenery services provided to the Group (note b)	3,028	3,052
Industrial water supplied to the Group (note b)	9,215	9,843
Licence fee on railway transportation charged to the Group (note b)	3,600	3,600
Railway transportation services provided to the Group (note a)	5,664	6,386
Rentals for office premises received by the Group (note c)	28	28
Rentals for housing for the employees and use of common facilities charged to the Group (note b)	3,355	3,026
Rental for land use rights charged to the Group (note c)	7,500	7,500
Rentals for office premises charged to the Group (note c)	1,534	1,456
Repair and maintenance services provided to the Group (note a)	49,156	39,830
Retirement benefits contributions paid by the Group (note b)	19,466	18,932
Sale of gases by the Group (note a)	1,204	483
Agency fee for development and sale of gases paid by the Group (note c)	1,612	819
Social welfare and support services provided to the Group (note b)		
- welfare and medical services	18,924	15,042
- primary and secondary education services	5,132	4,259
- technical education services	2,392	240
- internal telecommunications services	2,800	1,511
- use of representative offices	484	1,047
Supply of water and transmission of electricity by the Group (note b)	23,727	19,866
Electricity supply provided to the Group (note b)	2,165	—
Vehicle transportation services provided to the Group (note a)	33,167	29,051
Operation management services provided by the Group (note c)	709	—

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2004  
(Prepared in accordance with IFRS)

## 14. RELATED PARTY TRANSACTIONS (continued)

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

In addition, bank borrowings of the Group at 30 June 2004 amounting to approximately RMB154,710,000 (31.12.2003: RMB154,710,000) were supported by guarantees from JCC.

### (ii) Transactions with the promoters of the Company:

	For the six months ended	
	30.6.2004 RMB'000	30.6.2003 RMB'000
Sale of copper cathode to Jiangxi Xinxin (note a)	129,364	91,368
Sale of low oxygen copper rods and wires to Jiangxi Xinxin (note a)	4,069	—
Tolling fee received from Hubei Sanxin (note a)	2,729	6,732
Purchase of copper concentrates from Hubei Sanxin (note a)	12,186	20,424

In addition, the Group had made prepayment to Hubei Sanxin as at 30 June 2004 in respect of the purchase of copper concentrates amounting to RMB10,000,000 (31.12.2003: RMB10,000,000). Interest charged by the Group during the period in respect of the prepayment amounted to approximately RMB725,000 (2003: RMB558,000). 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.

## 15. CAPITAL COMMITMENTS

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

	30.6.2004 RMB'000	31.12.2003 RMB'000
Commitments for the acquisition of property, plant and equipment:		
- contracted for but not provided in the condensed financial statements	273,240	216,129
- authorised but not contracted for	943,631	877,040
	<b>1,216,871</b>	1,093,169
An analysis of the capital commitments is as follows:		
- expansion projects	1,172,129	1,060,702
- exploration projects	24,112	24,428
- other general projects	20,630	8,039
	<b>1,216,871</b>	1,093,169

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2004  
(Prepared in accordance with IFRS)

## 16. OTHER COMMITMENT

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

	30.6.2004	31.12.2003
Forward sell contracts:		
Quantities (in tonnes)	36,730	30,240
Average price per tonne (RMB)	25,414	20,394
Delivery period	From July 2004 to December 2004	From February 2004 to August 2004

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

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

	30.6.2004 RMB'000	31.12.2003 RMB'000
Net assets as per condensed financial statements prepared under IFRS	5,477,359	5,167,626
Different accounting treatment in respect of government subsidy	81,000	84,000
Net assets as per financial statements prepared under PRC accounting standards and regulations	5,558,359	5,251,626

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

	For the six months ended	
	30.6.2004 RMB'000	30.6.2003 RMB'000
Net profit for the period as per condensed financial statements prepared under IFRS	629,418	203,606
Different accounting treatment in respect of depreciation of fixed asset of government subsidy	(3,000)	—
Net profit for the period as per financial statements prepared under PRC accounting standards and regulations	626,418	203,606

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

(END OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH IFRS)

# BALANCE SHEET

At 30 June 2004

(Prepared in accordance with PRC GAAP and regulations)

ASSETS	Notes	30 June 2004 (Unaudited)		31 December 2003 (Audited)	
		Group RMB	Company RMB	Group RMB	Company RMB
CURRENT ASSETS:					
Bank balances and cash	5	412,432,367	351,312,540	306,137,680	255,397,221
Short-term investments	6	8,175,396	7,905,396	7,231,909	7,231,909
Notes receivable	7	106,393,418	80,160,125	59,859,735	43,828,142
Accounts receivable	8	287,472,184	142,538,620	253,546,813	131,781,543
Other receivables	9	197,908,510	170,734,876	143,732,509	144,153,906
Prepayments	10	214,676,396	189,497,577	113,783,992	88,378,085
Inventories	11	2,289,901,130	2,242,919,999	2,307,655,455	2,216,540,793
<b>TOTAL CURRENT ASSETS</b>		<b>3,516,959,401</b>	<b>3,185,069,133</b>	3,191,948,093	2,887,311,599
LONG-TERM INVESTMENTS:					
Long-term equity investments	12	10,000,000	221,477,722	19,195,489	183,756,283
FIXED ASSETS:					
Fixed assets - cost	13	11,820,946,083	11,373,165,552	11,646,399,647	11,495,350,079
Less: Accumulated depreciation	13	5,443,283,464	5,350,933,072	5,285,189,462	5,223,836,845
Fixed assets - net		6,377,662,619	6,022,232,480	6,361,210,185	6,271,513,234
Less: Impairment	13	—	—	15,033,458	15,033,458
Fixed assets - net book value	13	6,377,662,619	6,022,232,480	6,346,176,727	6,256,479,776
Fixed assets under construction	14	551,862,451	549,202,128	508,792,981	346,415,979
<b>TOTAL FIXED ASSETS</b>		<b>6,929,525,070</b>	<b>6,571,434,608</b>	6,854,969,708	6,602,895,755
INTANGIBLE ASSETS AND OTHER ASSETS:					
Intangible assets	15	130,825,532	100,135,153	102,133,787	102,133,787
Long-term deferred expenses	16	—	—	1,007,623	—
<b>Total intangible assets and other assets</b>		<b>130,825,532</b>	<b>100,135,153</b>	103,141,410	102,133,787
<b>TOTAL ASSETS</b>		<b>10,587,310,003</b>	<b>10,078,116,616</b>	10,169,254,700	9,776,097,424

# BALANCE SHEET

At 30 June 2004

(Prepared in accordance with PRC GAAP and regulations)

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	30 June 2004 (Unaudited)		31 December 2003 (Audited)	
		Group RMB	Company RMB	Group RMB	Company RMB
CURRENT LIABILITIES:					
Short-term loans	17	1,143,580,943	960,380,943	1,007,051,310	857,051,310
Notes payable	18	30,870,000	15,870,000	182,860,000	182,860,000
Accounts payable	19	275,301,630	247,858,733	284,043,400	226,572,115
Advances from customers	20	66,098,763	62,465,759	37,276,323	27,541,163
Salaries and wages payable		856,442	—	844,626	—
Employee benefits payable		1,337,426	111,254	1,222,862	385,081
Dividends payable		2,724,652	—	—	—
Taxes payable	21	98,803,291	87,837,942	(7,318,540)	(2,733,194)
Other fees payable	22	21,071,586	21,049,520	18,816,490	18,734,220
Other payables	23	304,009,924	270,765,345	346,157,971	315,909,965
Accrued expenses	24	2,100,000	2,100,000	2,100,000	2,000,000
Long-term liabilities due within one year	25	302,870,000	291,870,000	334,870,000	334,870,000
Total current liabilities		2,249,624,657	1,960,309,496	2,207,924,442	1,963,190,660
LONG-TERM LIABILITIES:					
Long-term loans	26	2,546,110,000	2,513,110,000	2,520,110,000	2,520,110,000
Long-term payables	27	40,236,000	40,236,000	41,171,000	41,171,000
Total long-term liabilities		2,586,346,000	2,553,346,000	2,561,281,000	2,561,281,000
TOTAL LIABILITIES		4,835,970,657	4,513,655,496	4,769,205,442	4,524,471,660
MINORITY INTERESTS		192,980,515	—	148,423,494	—
SHAREHOLDERS' EQUITY:					
Paid-in capital	28	2,664,038,200	2,664,038,200	2,664,038,200	2,664,038,200
Capital reserves	29	1,376,747,042	1,376,747,042	1,376,747,042	1,376,747,042
Surplus reserves	30	547,668,636	547,491,603	547,668,636	547,491,603
Including: Statutory public welfare fund	30	117,836,691	117,777,680	117,836,691	117,777,680
Cash dividend proposed after the balance sheet date		—	—	319,684,584	319,684,584
Unappropriated profits		969,904,953	976,184,275	343,487,302	343,664,335
TOTAL SHAREHOLDERS' EQUITY		5,558,358,831	5,564,461,120	5,251,625,764	5,251,625,764
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		10,587,310,003	10,078,116,616	10,169,254,700	9,776,097,424



# STATEMENT OF INCOME AND PROFITS APPROPRIATION

For the period ended 30 June 2004

(Prepared in accordance with PRC GAAP and regulations)

	Notes	Six months period ended 30 June			
		2004 (Unaudited)		2003 (Unaudited)	
		Group RMB	Company RMB	Group RMB	Company RMB
Revenue	31	<b>4,848,909,909</b>	<b>4,611,855,878</b>	2,389,073,302	2,389,505,938
Less: Cost of Sales	32	<b>4,025,670,608</b>	<b>3,825,165,503</b>	1,953,043,470	1,953,827,296
Sales tax	33	<b>18,478,160</b>	<b>17,633,425</b>	17,675,793	17,675,793
Gross profit		<b>804,761,141</b>	<b>769,056,950</b>	418,354,039	418,002,849
Add: Other operating profit	34	<b>192,904,490</b>	<b>190,126,642</b>	21,073,501	21,073,501
Less: Operating expenses		<b>32,514,015</b>	<b>23,452,059</b>	20,550,940	20,461,586
General and administrative expenses		<b>139,661,121</b>	<b>131,221,510</b>	97,528,679	97,394,092
Financial costs	35	<b>98,630,104</b>	<b>94,593,851</b>	80,647,555	80,649,696
Profit from operation		<b>726,860,391</b>	<b>709,916,172</b>	240,700,366	240,570,976
Add: Investment (loss) income	36	<b>(11,575,047)</b>	<b>2,622,109</b>	—	48,794
Non-operating income		<b>210,870</b>	<b>210,870</b>	339,874	339,874
Less: Non-operating expenses	37	<b>26,975,628</b>	<b>26,965,628</b>	7,989,468	7,989,468
Profit before tax		<b>688,520,586</b>	<b>685,783,523</b>	233,050,772	232,970,176
Less: Income tax	38	<b>53,310,046</b>	<b>53,263,583</b>	29,412,527	29,364,460
Minority interests		<b>8,792,889</b>	—	32,529	—
Net profit for the period		<b>626,417,651</b>	<b>632,519,940</b>	203,605,716	203,605,716
Add: Unappropriated profits at the beginning of the period		<b>343,487,302</b>	<b>343,664,335</b>	334,786,076	334,940,888
Unappropriated profits at the end of the period		<b>969,904,953</b>	<b>976,184,275</b>	538,391,792	538,546,604

## SUPPLEMENTAL INFORMATION:

	Group and Company	
	Six months period ended 30 June	
	2004 (Unaudited) RMB	2003 (Unaudited) RMB
(Losses) gains on disposal of fixed assets	(15,958,992)	311,774

# CASH FLOWS STATEMENT

For the period ended 30 June 2004

(Prepared in accordance with PRC GAAP and regulations)

	Notes	Six months period ended 30 June			
		2004 (Unaudited)		2003 (Unaudited)	
		Group RMB	Company RMB	Group RMB	Company RMB
<b>1. Cash Flows from Operating Activities:</b>					
Cash received from sales of goods and rendering of services		6,339,249,595	5,857,777,784	3,084,830,299	3,083,887,780
Other cash received relating to operating activities		283,094,724	284,883,347	17,159,456	949,154
<b>Sub-total of cash inflows</b>		<b>6,622,344,319</b>	<b>6,142,661,131</b>	3,101,989,755	3,084,836,934
Cash paid for goods and services		5,029,385,293	4,602,998,992	2,499,397,802	2,497,639,363
Cash paid to and on behalf of employees		195,350,459	190,801,274	92,105,647	92,058,360
Tax payments		364,693,900	296,965,630	167,059,718	166,859,830
Cash paid relating to other operating activities	40	343,357,614	342,043,335	327,402,397	429,730,982
<b>Sub-total of cash outflows</b>		<b>5,932,787,266</b>	<b>5,432,809,231</b>	3,085,965,564	3,186,288,535
<b>Net Cash Flows from Operating Activities</b>		<b>689,557,053</b>	<b>709,851,900</b>	16,024,191	(101,451,601)
<b>2. Cash Flows from Investing Activities:</b>					
Cash received from disposal of investments		—	—	50,007,338	50,007,338
Cash received from return on investments		—	658,543	—	102,519
Net cash receipts from disposal of fixed assets, intangible assets and other long-term assets		—	—	316,811	316,811
Cash received relating to other investing activities		4,530,699	4,530,699	—	—
<b>Sub-total of cash inflows</b>		<b>4,530,699</b>	<b>5,189,242</b>	50,324,149	50,426,668
Cash paid to acquire fixed assets, intangible assets and other long-term assets		216,615,522	214,620,116	272,565,688	202,774,178
Cash paid to acquire investments		6,232,059	5,962,059	67,831,815	67,831,815
Cash paid for acquisition of Diaquan Silver and Copper		25,330,280	35,000,000	—	—
<b>Sub-total of cash outflows</b>		<b>248,177,861</b>	<b>255,582,175</b>	340,397,503	270,605,993
<b>Net Cash Flows from Investing Activities</b>		<b>(243,647,162)</b>	<b>(250,392,933)</b>	(290,073,354)	(220,179,325)

# CASH FLOWS STATEMENT

For the period ended 30 June 2004

(Prepared in accordance with PRC GAAP and regulations)

	Six months period ended 30 June			
	2004 (Unaudited)		2003 (Unaudited)	
	Group	Company	Group	Company
	RMB	RMB	RMB	RMB
<b>3. Cash Flows from Financing Activities:</b>				
Cash received from investors	60,000	—	—	—
Including: Cash received from minority investors	60,000	—	—	—
Cash received from borrowings	1,263,973,998	1,201,103,998	1,511,219,391	1,511,219,391
<b>Sub-total of cash inflows</b>	<b>1,264,033,998</b>	<b>1,201,103,998</b>	1,511,219,391	1,511,219,391
Repayments of borrowings	1,181,644,365	1,147,774,365	1,102,731,936	1,102,731,936
Dividends paid, profit distributed or interests paid	421,069,837	415,938,281	94,792,976	94,724,630
Including: dividends paid to minority shareholders in subsidiaries	822,348	—	68,346	—
Cash payment relating to other financing activities	935,000	935,000	935,000	935,000
<b>Sub-total of cash outflows</b>	<b>1,603,649,202</b>	<b>1,564,647,646</b>	1,198,459,912	1,198,391,566
<b>Net Cash Flows from Financing Activities</b>	<b>(339,615,204)</b>	<b>(363,543,648)</b>	312,759,479	312,827,825
<b>4. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents</b>	—	—	—	—
<b>5. Net (Decrease) Increase in Cash and Cash Equivalents</b>	<b>106,294,687</b>	<b>95,915,319</b>	38,710,316	(8,803,101)

# CASH FLOWS STATEMENT

For the period ended 30 June 2004

(Prepared in accordance with PRC GAAP and regulations)

	Six months period ended 30 June			
	2004 (Unaudited)		2003 (Unaudited)	
	Group RMB	Company RMB	Group RMB	Company RMB
<b>Supplemental Information</b>				
1. Reconciliation of Net Profit to Cash Flows from Operating Activities:				
Net profit	626,417,651	632,519,940	203,605,716	203,605,716
Add: Minority interests	8,792,889	—	32,529	—
Impairment losses on assets	3,878,873	3,878,873	(12,552,075)	(12,552,075)
Depreciation of fixed assets	241,528,719	232,996,465	200,130,986	200,128,517
Amortization of intangible assets	1,998,634	1,998,634	1,998,806	1,998,806
Amortization of long-term deferred expenses	1,007,623	—	—	—
Increase (decrease) in accrued expenses	—	100,000	(3,395,838)	(3,395,838)
Gains (losses) on disposal of fixed assets, intangible assets and other long-term assets	15,958,992	15,958,992	11,395,350	11,395,350
Financial expenses	97,688,711	93,379,503	80,271,327	80,271,327
Losses (gains) losses arising from investments	1,575,062	(12,622,094)	—	(48,794)
Decrease (increase) in inventories	23,263,350	(26,379,206)	(235,867,069)	(234,882,008)
Decrease (increase) in receivables under operating activities	(228,191,839)	(168,668,410)	(213,881,067)	(266,927,399)
Increase (decrease) in payables under operating activities	(104,361,612)	(63,310,797)	(15,714,474)	(81,045,203)
Net cash flows from operating activities	689,557,053	709,851,900	16,024,191	(101,451,601)
2. Investing and Financing Activities that do not Involve Cash Receipts and Payments	—	—	—	—
3. Net Increase in Cash and Cash Equivalents				
Cash and cash equivalents at the end of the period	412,432,367	351,312,540	296,209,642	244,816,785
Less: cash and cash equivalents at the beginning of the period	306,137,680	255,397,221	257,499,326	253,619,886
Net increase (decrease) in cash and cash equivalents	106,294,687	95,915,319	38,710,316	(8,803,101)

# NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2004

(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 RMB1.00 each on 21 December 2001 and were listed on Shanghai Stock Exchange ("SSE") on 11 January 2002. The Company's share capital increased to RMB2,664,038,200 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. The period of this financial statements is from 1 January 2004 to 30 June 2004.

### 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.

### Basis of Consolidation

#### (1) Scope of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiaries made up to 30 June and 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2004

(Prepared in accordance with PRC GAAP and regulations)

## 2. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

### Basis of Consolidation (continued)

#### (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%

### 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2004

(Prepared in accordance with PRC GAAP and regulations)

## 2. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

### **Inventories *(continued)***

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.

### **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.

# NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2004

(Prepared in accordance with PRC GAAP and regulations)

## 2. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

### Long-term Investments *(continued)*

#### (1) *Accounting treatment for long-term equity investments (continued)*

When 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.

#### (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.



# NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2004

(Prepared in accordance with PRC GAAP and regulations)

## 2. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

### Fixed Assets and Depreciation (continued)

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 years	2.25-7.50%
Equipment and machinery	10%	10-25 years	3.60-9.00%
Vehicles	10%	10-12 years	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 recommence 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.

### 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2004

(Prepared in accordance with PRC GAAP and regulations)

## 2. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

### 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.

### 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2004

(Prepared in accordance with PRC GAAP and regulations)

## 2. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

### 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.

## 3. 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.

### 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 third 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2004

(Prepared in accordance with PRC GAAP and regulations)

## 3. TAXATION (continued)

### Income tax (continued)

#### 2. Subsidiary Income Tax

The income tax rates for the Company's subsidiaries are 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, RMB 0.91 per ton in Dexing Copper Mine and Diaoquan Silver and Copper respectively.

## 4. SCOPE OF CONSOLIDATION AND SUBSIDIARIES

Name of subsidiary	Place of registration	Registered Capital RMB	Equity directly held by the company %	Equity indirectly 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
Shanxi Diaoquan Silver and Copper Mining Company Limited ("Diaoquan Silver and copper")	Diaoquan, Shanxi	76,157,900	45.957	—	Sales of copper materials, precious metal materials and sulphuric concentrate powder	Company Limited	Yes
Xichang Anning Metal Reclaiming Company Limited ("Anning Metal")	Xichuang, Sichuan	300,000	—	80	Reclaim and sales of scrap iron and copper	Company Limited	Yes

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

# NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2004

(Prepared in accordance with PRC GAAP and regulations)

## 4. SCOPE OF CONSOLIDATION AND SUBSIDIARIES (continued)

On 25 March 2002, the Company invested jointly with JCC of RMB150,000,000 to establish Jiangxi Copper Products Company Limited ("JCPC") in which the Company contributed the amount of RMB90,000,000, 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 (RMB60,000,000) 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 RMB150,000,000 to RMB225,000,000 by an additional registered capital in the amount of RMB75,000,000. The Company invested a sum of RMB45,000,000 in cash in 2003 as a result of the change of shareholder and capital increase in JCPC, the Company contributed the amount of RMB135,000,000 representing 60% of registered capital. JCPC has started operation in 2004.

In September 2003, the Company bought 40% interest (RMB40,000,000) in Sichuan Kangxi Copper Company Limited ("Kangxi Copper") from third parties. This interest of Kangxi Copper which the Company owned 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 Kangxi Copper. Thus, Kangxi Copper is included in the scope of consolidation.

In March 2004, the Company invested jointly with a third party company RMB300,000 to establish Xichang Anning Metal Reclaiming Company Limited ("Anning Metal"), in which the Company contributed RMB240,000, representing 80% of registered capital. Anning Metal mainly engages in reclaiming and selling scrap iron and copper.

In June 2004, the Company bought 45.957% interest (RMB350,000,000) in Shanxi Diaoquan Silver and Copper Mining Company Limited ("Diaoquan Silver and copper"). This interest of Diaoquan Silver and copper which the Company owned 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 Dianquan Silver and Copper. Thus, Diaoquan Silver and copper is included in the scope of consolidation.

Diaoquan Silver and copper and Anning Metal are new subsidiaries acquired and included in the scope of consolidation this period. Diaoquan Silver and Copper and Anning Metal's operating result and cash flow from the effective date of acquisition have been appropriately included in the consolidated financial statements. For details of acquisition of Diaoquan Silver and Copper, please refer to Note 39.

## 5. BANK BALANCES AND CASH

	Group 30 June 2004			Group 31 December 2003		
	Foreign currency	Exchange Rate	RMB Equivalent	Foreign currency	Exchange Rate	RMB Equivalent
Cash on hand						
RMB	—	—	61,564	—	—	56,910
USD	3,058	8.2766	25,310	5,788	8.2767	47,907
JPY	108,126	0.0765	8,272	—	—	—
UK\$	102	14.9657	1,520	—	—	—
Cash in bank						
RMB	—	—	412,312,817	—	—	278,437,138
USD	2,757	8.2766	22,823	436,796	8.2767	3,615,227
HK\$	—	—	—	22,457,855	1.0678	23,980,498
JPY	794	0.0765	61	—	—	—
			<b>412,432,367</b>			<b>306,137,680</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2004

(Prepared in accordance with PRC GAAP and regulations)

## 6. SHORT-TERM INVESTMENTS

	Group 30 June 2004			Group 31 December 2003		
	Cost RMB	Provision for impairment RMB	Net value RMB	Cost RMB	Provision for impairment RMB	Net value RMB
Fund investment	3,924,200	41,902	3,882,298	—	—	—
Stock investments	4,447,348	1,154,250	3,293,098	6,439,694	207,785	6,231,909
Bond investment	1,000,000	—	1,000,000	1,000,000	—	1,000,000
	<b>9,371,548</b>	<b>1,196,152</b>	<b>8,175,396</b>	7,439,694	207,785	7,231,909

Including in the short-term investment are marketable shares amounting RMB8,371,548 whose market value on 30 June 2004 were RMB7,175,396.

The market value is calculated based on closing price of stock exchange on 30 June 2004.

## 7. NOTES RECEIVABLE

	Group 30 June 2004 RMB	Group 31 December 2003 RMB
Bank-accepted notes - unpledged	<b>106,393,418</b>	59,859,735

## 8. ACCOUNTS RECEIVABLE

The aging analysis of accounts receivable is as follows:

	Group 30 June 2004				Group 31 December 2003			
	Amount RMB	Bad debts (%) Provision RMB	Net book value RMB	Amount RMB	Bad debts (%) Provision RMB	Net book value RMB	Amount RMB	Bad debts (%) Provision RMB
Within 1 year	261,504,514	71.2	—	261,504,514	226,306,393	67.4	—	226,306,393
1 to 2 years	8,238,121	2.2	1,647,621	6,590,500	5,859,987	1.7	513,398	5,346,589
2 to 3 years	5,066,959	1.4	2,533,480	2,533,479	10,100,279	3.0	5,050,139	5,050,140
Over 3 years	92,225,238	25.2	75,381,547	16,843,691	93,766,815	27.9	76,923,124	16,843,691
	<b>367,034,832</b>	<b>100.0</b>	<b>79,562,648</b>	<b>287,472,184</b>	336,033,474	100.0	82,486,661	253,546,813

# NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2004

(Prepared in accordance with PRC GAAP and regulations)

## 8. ACCOUNTS RECEIVABLE (continued)

	Company 30 June 2004				Company 31 December 2003			
	Amount RMB	%	Bad debts Provision RMB	Net book value RMB	Amount RMB	%	Bad debts Provision RMB	Net book value RMB
Within 1 year	116,570,952	53.6	—	116,570,952	104,954,029	49.9	—	104,954,029
1 to 2 years	8,238,121	3.8	1,647,623	6,590,498	5,825,251	2.8	889,110	4,936,141
2 to 3 years	5,066,959	2.3	2,533,480	2,533,479	10,095,364	4.8	5,047,682	5,047,682
Over 3 years	87,715,733	40.3	70,872,042	16,843,691	89,344,935	42.5	72,501,244	16,843,691
	<b>217,591,765</b>	<b>100.0</b>	<b>75,053,145</b>	<b>142,538,620</b>	210,219,579	100.0	78,438,036	131,781,543

A lawsuit about collection of RMB16,843,691 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
RMB114,831,520	31.3%

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

Shareholder	30 June 2004 RMB	31 December 2003 RMB
JCC	1,746,892	9,534

## 9. OTHER RECEIVABLES

The aging analysis of other receivables is as follows:

	Group 30 June 2004				Group 31 December 2003			
	Amount RMB	%	Bad debt Provision RMB	Net book value RMB	Amount RMB	%	Bad debt Provision RMB	Net book value RMB
Within 1 year	184,796,921	85.4	—	184,796,921	142,049,800	83.2	—	142,049,800
1 to 2 years	16,259,797	7.5	3,251,959	13,007,838	6,755,213	4.0	6,247,932	507,281
2 to 3 years	207,502	0.1	103,751	103,751	2,350,855	1.4	1,175,427	1,175,428
Over 3 years	15,031,985	7.0	15,031,985	—	19,520,192	11.4	19,520,192	—
	<b>216,296,205</b>	<b>100.0</b>	<b>18,387,695</b>	<b>197,908,510</b>	170,676,060	100.0	26,943,551	143,732,509

# NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2004

(Prepared in accordance with PRC GAAP and regulations)

## 9. OTHER RECEIVABLES (continued)

	Company 30 June 2004				Company 31 December 2003			
	Amount RMB	%	Bad debt Provision RMB	Net book value RMB	Amount RMB	%	Bad debt Provision RMB	Net book value RMB
Within 1 year	158,317,344	85.0	—	158,317,344	142,773,271	83.7	—	142,773,271
1 to 2 years	15,395,888	8.3	3,079,178	12,316,710	6,754,213	4.0	6,247,732	506,481
2 to 3 years	201,644	0.1	100,822	100,822	1,748,309	1.0	874,155	874,154
Over 3 years	12,306,336	6.6	12,306,336	—	19,286,240	11.3	19,286,240	—
	<b>186,221,212</b>	<b>100.0</b>	<b>15,486,336</b>	<b>170,734,876</b>	170,562,033	100.0	26,408,127	144,153,906

The Group's balance of forward contracts deposits is RMB80,425,471 (31 December 2003: RMB109,495,067).

Five largest debtors are as follows:

Total amount of five largest debtors	Percentage in total other receivables
RMB106,306,317	49.2%

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

Shareholder	30 June 2004 RMB	31 December 2003 RMB
JCC	401,478	191,598

## 10. PREPAYMENTS

The aging analysis of prepayment is as follows:

	Group 30 June 2004		Group 31 December 2003	
	RMB	%	RMB	%
Within 1 year	184,780,858	86.1	113,717,952	99.9
1 to 2 years	29,895,538	13.9	66,040	0.1
	<b>214,676,396</b>	<b>100.0</b>	113,783,992	100.0

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

Shareholder	30 June 2004 RMB	31 December 2003 RMB
JCC	50,043	1,142,988

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



# NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2004

(Prepared in accordance with PRC GAAP and regulations)

## 11. INVENTORIES

	Group 30 June 2004			Group 31 December 2003		
	Cost RMB	Provision for impairment RMB	Net value RMB	Cost RMB	Provision for impairment RMB	Net value RMB
Raw material	386,382,739	1,618,667	384,764,072	426,615,255	1,618,667	424,996,588
Work in progress	1,679,488,316	—	1,679,488,316	1,734,450,701	—	1,734,450,701
Finished goods	225,648,742	—	225,648,742	148,208,166	—	148,208,166
	<b>2,291,519,797</b>	<b>1,618,667</b>	<b>2,289,901,130</b>	2,309,274,122	1,618,667	2,307,655,455

Included in the inventories as at 30 June 2004 are loan pledged finished goods amounting RMB8,939,124 (31 December 2003: RMB16,704,973).

## 12. LONG-TERM EQUITY INVESTMENTS

	Group 30 June 2004			Group 31 December 2003		
	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	10,000,000	—	10,000,000
Equity investment difference	3,401,618	(3,401,618)	—	3,585,489	—	3,585,489
Total	<b>19,011,618</b>	<b>(9,011,618)</b>	<b>10,000,000</b>	19,195,489	—	19,195,489

# NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2004

(Prepared in accordance with PRC GAAP and regulations)

## 12. 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	Initial cost of investment	Impairment loss	Net book value
		of the investee			
			RMB	RMB	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	Initial cost of investment	Impairment loss	Net book value
		through subsidiary			
			RMB	RMB	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	Amortization period of equity investment	Book value at 1 January 2004	Addition during the period	Amortization during the period	Impairment loss during the period	Book value at 30 June 2004	Cause
	RMB		RMB	RMB	RMB	RMB	RMB	
Kangxi Copper	3,677,424	10 years	3,585,489	—	(183,871)	(3,401,618)	—	Equity Purchasing
Diaoquan Silver and copper	1,621,685	1 year	—	1,621,685	(1,621,685)	—	—	Equity Purchasing
	5,299,109		3,585,489	1,621,685	(1,805,556)	(3,401,618)	—	

# NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2004

(Prepared in accordance with PRC GAAP and regulations)

## 12. LONG-TERM EQUITY INVESTMENTS (continued)

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

	Company 30 June 2004			Company 31 December 2003		
	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	221,477,722	—	221,477,722	174,560,794	—	174,560,794
Equity investment difference (Note)	3,401,618	(3,401,618)	—	3,585,489	—	3,585,489
<b>Total</b>	<b>230,489,340</b>	<b>(9,011,618)</b>	<b>221,477,722</b>	<b>183,756,283</b>	<b>—</b>	<b>183,756,283</b>

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

Detail of investments in subsidiaries is as follows:

Name of Investee	Cost		Adjustment of investment gain or loss				Book value		
	31 December 2003 RMB	Addition during the period RMB	30 June 2004 RMB	31 December 2003 RMB	Gain or loss during the period RMB	Dividends received during the period RMB	30 June 2004 RMB	31 December 2003 RMB	30 June 2004 RMB
JCPC	135,000,000	—	135,000,000	—	13,912,966	—	13,912,966	135,000,000	148,912,966
Xiaoshan Tonda	1,082,289	—	1,082,289	18,948	56,600	(125,919)	(50,371)	1,101,237	1,031,918
Kangxi Copper	36,322,576	—	36,322,576	2,136,981	227,590	(532,624)	1,831,947	38,459,557	38,154,523
Dianquan Silver and Copper	—	33,378,315	33,378,315	—	—	—	—	—	33,378,315
	172,404,865	33,378,315	205,783,180	2,155,929	14,197,156	(658,543)	15,694,542	174,560,794	221,477,722

# NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2004

(Prepared in accordance with PRC GAAP and regulations)

## 13. FIXED ASSETS AND ACCUMULATED DEPRECIATION

	Group			
	Buildings RMB	Equipment and machinery RMB	Vehicles RMB	Total RMB
<b>Cost</b>				
1 January 2004	4,025,080,476	6,626,461,020	994,858,151	11,646,399,647
Acquired on acquisition of Diaoquan Silver and copper	108,759,136	24,320,576	1,717,560	134,797,272
Additions during the period	70,479	91,010	660,271	821,760
Transfer from fixed assets under construction	26,410,701	149,187,785	—	175,598,486
Disposals	(12,699,823)	(109,493,748)	(14,477,511)	(136,671,082)
30 June 2004	4,147,620,969	6,690,566,643	982,758,471	11,820,946,083
<b>Accumulated depreciation</b>				
1 January 2004	1,103,187,271	3,525,525,901	656,476,290	5,285,189,462
Acquired on acquisition of Diaoquan Silver and copper	15,601,615	6,044,765	597,535	22,243,915
Charge for the period	78,937,664	137,218,290	25,372,765	241,528,719
Eliminated on disposal	(3,246,697)	(94,226,756)	(8,205,179)	(105,678,632)
30 June 2004	1,194,479,853	3,574,562,200	674,241,411	5,443,283,464
<b>Impairment loss</b>				
1 January 2004	217,413	8,729,621	6,086,424	15,033,458
Reversals	(217,413)	(8,729,621)	(6,086,424)	(15,033,458)
30 June 2004	—	—	—	—
<b>Net book value</b>				
At 1 January 2004	2,921,675,792	3,092,205,498	332,295,437	6,346,176,727
At 30 June 2004	2,953,141,116	3,116,004,443	308,517,060	6,377,662,619
Including: Fixed assets pledged as collateral at 30 June 2004 - net	—	36,785,725	—	36,785,725

# NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2004

(Prepared in accordance with PRC GAAP and regulations)

## 14. FIXED ASSETS UNDER CONSTRUCTION

Construction name	Budget RMB	At 1 January 2004 RMB	Additions RMB	Group		% of completion RMB	Sources of funds
				Transfer to fixed assets RMB	At 30 June 2004 RMB		
Guixi Smelter Phase III	1,065,000,000	59,215,846	133,985,694	—	193,201,540	99%	Proceeds and loan
Project of 150,000 Ton copper wire per year	161,509,700	162,377,002	—	(161,252,560)	1,124,442	100%	Loan and self-funding
Fujiawu Mine Development	849,450,000	143,821,047	21,012,380	—	164,833,427	19%	Proceeds and self-funding
Others	—	143,379,086	63,669,882	(14,345,926)	192,703,042	—	Loan and self-funding
<b>Total</b>		<b>508,792,981</b>	<b>218,667,956</b>	<b>(175,598,486)</b>	<b>551,862,451</b>		
Including:							
Capitalized borrowing cost		8,054,975	2,874,194	—	10,929,169		

The rate for calculating interest capitalized amount in this period is 5.58%.

## 15. INTANGIBLE ASSETS

	Group		Total RMB
	Trademarks RMB	Mining right RMB	
Cost:			
1 January 2004	51,683,900	76,452,560	128,136,460
Acquired on acquisition of Diaoquan Silver and copper	—	31,933,600	31,933,600
30 June 2004	51,683,900	108,386,160	160,070,060
Accumulated amortization:			
1 January 2004	12,040,000	13,962,673	26,002,673
Acquired on acquisition of Diaoquan Silver and copper	—	1,243,221	1,243,221
Charge for the period	860,000	1,138,634	1,998,634
30 June 2004	12,900,000	16,344,528	29,244,528
Carrying amount:			
1 January 2004	39,643,900	62,489,887	102,133,787
30 June 2004	38,783,900	92,041,632	130,825,532
Including:			
Intangible assets pledged as collateral at 30 June 2004 — net	—	30,690,379	30,690,379
Acquisition method	Transfer	Transfer	
Remaining period	23 years	14.6-48 years	

# NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2004

(Prepared in accordance with PRC GAAP and regulations)

## 16. LONG-TERM DEFERRED EXPENSES

Category	1 January 2004	Group Amortization	30 June 2004
	RMB	RMB	RMB
Pre-operating expenses — JCPC	1,007,623	(1,007,623)	—

## 17. SHORT-TERM LOANS

Category	Group 30 June 2004	Group 31 December 2003
	RMB	RMB
Secured loans — RMB	19,700,000	40,000,000
Credit loans — RMB	594,500,000	693,660,350
— USD	529,380,943	273,390,960
	<b>1,143,580,943</b>	1,007,051,310

Annual interest rate ranges from 2.12% to 5.31%. For the categories and amount of the assets pledged for the secured loans, refer to Note 11 and 13.

## 18. NOTES PAYABLE

	Group 30 June 2004	Group 31 December 2003
	RMB	RMB
Bank-accepted notes payable within one year	30,870,000	182,860,000

## 19. ACCOUNTS PAYABLE

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

Shareholder	30 June 2004	31 December 2003
	RMB	RMB
JCC	12,208,004	131,931

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For the period ended 30 June 2004

(Prepared in accordance with PRC GAAP and regulations)

## 20. ADVANCES FROM CUSTOMERS

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

Shareholder	30 June 2004 RMB	31 December 2003 RMB
JCC	7,343,597	—

## 21. TAXES PAYABLE

	Group 30 June 2004 RMB	Group 31 December 2003 RMB
Income tax	55,882,129	7,691,889
Value added tax	32,142,682	(18,889,782)
Business tax	4,280	3,230
Resource tax	1,487,517	1,237,493
Others	9,286,683	2,638,630
	98,803,291	(7,318,540)

## 22. OTHER FEES PAYABLE

	Group 30 June 2004 RMB	Group 31 December 2003 RMB
Compensation fee for mineral resources	21,049,520	18,734,219
Others	22,066	82,271
	21,071,586	18,816,490

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 period ended 30 June 2004

(Prepared in accordance with PRC GAAP and regulations)

## 23. 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	30 June 2004 RMB	31 December 2003 RMB
JCC	33,515,186	81,398,369

## 24. ACCRUED EXPENSES

	Group 30 June 2004 RMB	Group 31 December 2003 RMB	Reason for not settled
Professional service fee	2,100,000	2,100,000	Not paid as invoice not received

## 25. LONG-TERM LIABILITIES DUE WITHIN ONE YEAR

	Group 30 June 2004 RMB	Group 31 December 2003 RMB
Long-term loans due within one year (Note 26)	301,000,000	333,000,000
Long-term payables due within one year (Note 27)	1,870,000	1,870,000
	<b>302,870,000</b>	<b>334,870,000</b>

## 26. LONG-TERM LOANS

	Group 30 June 2004 RMB	Group 31 December 2003 RMB
Credit loans	2,692,400,000	2,698,400,000
Guaranteed loans	154,710,000	154,710,000
Total	<b>2,847,110,000</b>	<b>2,853,110,000</b>
Less: Amount due within one year	<b>301,000,000</b>	<b>333,000,000</b>
Amount due after one year	<b>2,546,110,000</b>	<b>2,520,110,000</b>



# NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2004

(Prepared in accordance with PRC GAAP and regulations)

## 26. LONG-TERM LOANS (continued)

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

# NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2004

(Prepared in accordance with PRC GAAP and regulations)

## 26. LONG-TERM LOANS (continued)

Bank name	30 June 2003 RMB	Period	Annual Rate	Terms
Agriculture Bank, Guixi	170,000,000	2002.09.27-2005.09.26	5.04%	Credit
Tongcheng Branch	30,000,000	2002.12.13-2005.12.12	5.04%	Credit
	65,000,000	2003.02.11-2006.02.10	5.04%	Credit
	30,000,000	2003.11.05-2006.11.04	5.04%	Credit
	40,000,000	2003.12.15-2006.12.15	4.94%	Credit
	100,000,000	2003.12.29-2006.12.29	4.94%	Credit
China Merchants Bank,	50,000,000	2004.06.23-2007.06.22	4.94%	Credit
Nanchang Branch	50,000,000	2003.12.29-2006.12.29	4.94%	Credit
Industrial and Commercial	33,000,000	2000.02.23-2007.02.18	7.49%	Pledged
Bank of China, Datong Branch	11,000,000	2002.08.18-2003.08.18	7.49%	Pledged
China Minsheng Banking Corp., Ltd				
Fuzhou Branch	50,000,000	2003.04.21-2006.04.21	4.94%	Credit
Guixi Country Credit Union	10,000,000	2003.07.23-2006.07.22	4.94%	Credit
Total	2,847,110,000			

The guaranteed loans were all guaranteed by JCC. Please refer to Note 41 (5) (C) for details.

## 27. LONG-TERM PAYABLES

Items	Group 30 June 2004 RMB	Group 31 December 2003 RMB
Long-term payables	42,106,000	43,041,000
Less: Long-term payable due within 1 year	1,870,000	1,870,000
Long-term payable due after 1 year	40,236,000	41,171,000

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 RMB1,870,000 each year and subject to payment of interest at a rate equal to the state-lending rate for a one-year fixed term loan up to a maximum of 15% on annual installment starting from 1 January 1998.

# NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2004

(Prepared in accordance with PRC GAAP and regulations)

## 28. PAID-IN CAPITAL

The change of share capital of the Company from 1 January to 30 June 2004 is as follows:

	<b>Group 30 June 2004 and 31 December 2003 (share)</b>
1. Non-trading shares	
Promoters shares	
— Domestic state-owned legal person shares	1,275,556,200
— Domestic other legal person shares	2,000,000
Total non-trading shares	1,277,556,200
2. Trading shares	
— H shares	1,156,482,000
— A shares	230,000,000
Total trading shares	1,386,482,000
3. Total share capital	2,664,038,200

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

	<b>1 January 2003 (share)</b>	<b>Group Issue shares (share)</b>	<b>31 December 2003 (share)</b>
1. Non-trading shares			
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
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 share is RMB1.00

# NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2004

(Prepared in accordance with PRC GAAP and regulations)

## 29. CAPITAL RESERVES

The change of capital reserves from 1 January to 30 June 2004 is as follows:

	Group		
	1 January 2004 RMB	Additions RMB	30 June 2004 RMB
Share premium	1,292,633,979	—	1,292,633,979
Revaluation reserve	113,063	—	113,063
Specific accounts payables transferred in (note)	84,000,000	—	84,000,000
	1,376,747,042	—	1,376,747,042

Note: Amount represents proceeds from government subsidy transfer from specific account payable when Guixi phase III project was almost completed.

## 30. SURPLUS RESERVES

The change of surplus reserves of the Company from 1 January to 30 June 2004 is as follows:

	Group			Total RMB
	Statutory surplus reserve RMB	Discretionary surplus reserve RMB	Statutory public welfare fund RMB	
At 1 January 2004 and 30 June 2004	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 2003 is as follows:

	Group			Total RMB
	Statutory surplus reserve RMB	Discretionary surplus reserve RMB	Statutory public welfare fund 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

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.

# NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2004

(Prepared in accordance with PRC GAAP and regulations)

## 31. REVENUE

Revenue by products	Group	
	Six months period ended 30 June	
	2004	2003
	RMB	RMB
Cathode copper	2,429,041,897	1,669,561,343
Gold	507,400,338	325,902,019
Copper rods and wires	1,453,372,597	—
Other (Silver, Sulphuric acid, etc.)	409,375,951	267,773,545
Tolling services	49,719,126	125,836,395
	<b>4,848,909,909</b>	<b>2,389,073,302</b>

Geographical Segments	Group	
	Six months period ended 30 June	
	2004	2003
	RMB	RMB
PRC mainland and Hong Kong	4,701,329,514	2,205,973,305
India	—	25,019,448
Taiwan	56,263,205	116,096,867
South Korea	89,786,457	40,462,190
Others	1,530,733	1,521,492
	<b>4,848,909,909</b>	<b>2,389,073,302</b>

Total sales of the five largest customers	Percentage in total sales
RMB1,152,521,240	23.8%

## 32. COST OF SALES

	Group	
	Six months period ended 30 June	
	2004	2003
	RMB	RMB
Cost of domestic sales	3,761,882,608	1,716,374,488
Cost of export sales	263,788,000	236,668,982
	<b>4,025,670,608</b>	<b>1,953,043,470</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2004

(Prepared in accordance with PRC GAAP and regulations)

## 33. SALES TAXES

	Group	
	Six months period ended 30 June	
	2004	2003
	RMB	RMB
Resource tax	17,633,425	17,675,793
City construction tax and education fee	844,735	—
	<b>18,478,160</b>	17,675,793

## 34. OTHER OPERATING PROFIT (LOSS)

	Group	
	Six months period ended 30 June	
	2004	2003
	RMB	RMB
Sales of auxiliary materials and spare parts		
— Revenue	43,418,924	26,848,895
— Expenses	(43,553,321)	(24,219,083)
	<b>(134,397)</b>	2,629,812
Sales of water and electricity		
— Revenue	24,345,064	23,438,134
— Expenses	(26,311,613)	(22,070,576)
	<b>(1,966,549)</b>	1,367,558
Gain on settlement of forward contract	182,722,894	10,751,250
Others	12,282,542	6,324,881
	<b>192,904,490</b>	21,073,501

## 35. FINANCIAL COSTS

	Group	
	Six months period ended 30 June	
	2004	2003
	RMB	RMB
Interest expenses	97,688,711	80,271,327
Less: interest income	(1,602,249)	(923,323)
Exchange loss (gain)	545,384	(2,584)
Others	1,998,258	1,302,135
	<b>98,630,104</b>	80,647,555

# NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2004

(Prepared in accordance with PRC GAAP and regulations)

## 36. INVESTMENT INCOME (LOSS)

	Group	
	Six months period ended 30 June	
	2004	2003
	RMB	RMB
Short-term investment income		
— Gain (loss) on share investment	230,494	—
— Provision for decline in value	(988,367)	—
Long-term investment income		
— Amortization of long-term equity investment difference	(1,805,556)	—
— Impairment loss on long-term stock investment	(9,011,618)	—
	<b>(11,575,047)</b>	—

	Company	
	Six months period ended 30 June	
	2004	2003
	RMB	RMB
Short-term investment income		
— Gain (loss) on share investment	230,494	—
— Provision for decline in value	(988,367)	—
Long-term investment income		
— Share of investee's profit recognized under equity method	14,197,156	48,794
— Amortization of long-term equity investment difference	(1,805,556)	—
— Impairment loss on long-term stock investment	(9,011,618)	—
	<b>2,622,109</b>	48,794

## 37. NON-OPERATING EXPENSES

	Group	
	Six months period ended 30 June	
	2004	2003
	RMB	RMB
Education fee	6,814,781	6,989,543
Loss on disposal of fixed assets	15,958,992	—
Others	4,201,855	999,925
	<b>26,975,628</b>	7,989,468

# NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2004

(Prepared in accordance with PRC GAAP and regulations)

## 38. INCOME TAX

	Group	
	Six months period ended 30 June	
	2004	2003
	RMB	RMB
Income tax for the period (Note 1)	103,859,031	32,980,086
Additional tax paid in respect of the prior year (Note 2)	1,125,223	—
Income tax deductible (Note 3)	(51,720,672)	(3,615,626)
Income tax of subsidiaries	46,464	48,067
	<b>53,310,046</b>	29,412,527

Note 1: The income tax of RMB103,859,031 which is calculated based on taxable income.

Note 2: This represents additional income tax of RMB payment for the year 2003 according to tax verification report issued by the local tax bureau.

Note 3: Pursuant to the notice Cai Shui Zi No.49 [2000], by the end of 30 June 2004, the Company obtained the approval of 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 and 2003 are RMB30,258,737 and RMB21,461,935 respectively, which is deductible from income tax for the year 2004 and the subsequent years. For the period from 1 January to 30 June 2004, the income tax payable of the Company exceeds the amount of income tax for the year 2001 and 2002, therefore the approved amount of exemption from income tax for 2002 and 2003 is allowed to be used for the exemption of the income tax of current period.

## 39. ACQUISITION OF DIAOQUAN SILVER AND COPPER

In June 2004, the company acquired 45.957% of Diaquan Silver and Copper's share of equity with RMB35,000,000. Please refer to Note 4 for details.

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

	30 June 2004
	RMB
Current assets	16,393,253
Fixed assets	112,553,357
Intangible asset	30,690,379
Current liabilities	(54,007,542)
Long-term liability	(33,000,000)
Net assets	72,629,447
Minority interests	(39,251,132)
The Company's share of net assets (45.957%)	33,378,315
Equity investment difference	1,621,685
<b>Total</b>	<b>35,000,000</b>
Consideration:	
Cash	35,000,000
Net cash outflow from acquisition of subsidiary:	
Cash consideration	35,000,000
Cash and bank balances of the acquired subsidiary	(9,669,720)
	25,330,280



# NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2004

(Prepared in accordance with PRC GAAP and regulations)

## 40. CASH PAID RELATING TO OTHER OPERATING ACTIVITIES

	Group	
	Six months period ended 30 June	
	2004	2003
	RMB	RMB
Amount paid in respect to operating expenses and general and administrative expenses	144,221,517	113,202,776
Non-operating expenses paid	15,805,760	7,989,468
Other expenses paid	183,330,337	206,210,153
	<b>343,357,614</b>	<b>327,402,397</b>

## 41. 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	30 June 2004 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:

	30 June 2004 and 31 December 2003	
JCC	RMB1,275,556,200	47.9%

# NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2004

(Prepared in accordance with PRC GAAP and regulations)

## 41. 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
Hubei Sanxin Gold & Copper Company Ltd. ("Hubei Sanxin")	Promoter shareholder

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

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

	Group	
	Six months period ended 30 June 2004 RMB	2003 RMB
Transactions with JCC and its affiliates:		
Tolling fee and sales fee charged by the Group (note (c))	<b>3,363,000</b>	96,276,000
Sales of copper cathode and sulphuric acid by the Group (note (a))	<b>116,792,000</b>	34,652,000
Sales of raw copper sulphate by the Group (note (c))	<b>20,070,000</b>	4,665,000
Sales of gases by the Group (note (a))	<b>1,204,000</b>	483,000
Sales of auxiliary industrial products by the Group (note (a))	<b>46,244,000</b>	29,897,000
Sales of waste, filter residue and black cement copper by the Group (note (a))	<b>3,791,000</b>	1,858,000
Purchase of copper concentrates by the Group (note (a))	<b>63,854,000</b>	55,717,000
Purchase of scrap copper by the Group (note (b))	<b>455,943,000</b>	193,854,000
Purchase of gold and silver bearing materials by the Group (note (c))	<b>10,451,000</b>	287,000
Purchase of auxiliary industrial products by the Group (note (a))	<b>120,621,000</b>	120,714,000
Railway transportation services provided to the Group (note (a))	<b>5,664,000</b>	6,386,000
License fee on railway transportation charged to the Group (note (b))	<b>3,600,000</b>	3,600,000

# NOTES TO THE FINANCIAL STATEMENTS

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(Prepared in accordance with PRC GAAP and regulations)

## 41. SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

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

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

	Group	
	Six months period ended 30 June	
	2004 RMB	2003 RMB
Rentals for land use rights charged to the Group (note (c))	7,500,000	7,500,000
Rentals for office premises received by the Group (note (c))	28,000	28,000
Rentals for office premises charged to the Group (note (c))	1,534,000	1,456,000
Rentals for housing for the employees and use of common facilities charged to the Group (note (b))	3,355,000	3,026,000
Repair and maintenance service provided to the Group (note (a))	49,156,000	39,830,000
Construction services provided to the Group (note (a))	20,309,000	15,357,000
Vehicle transportation services provided to the Group (note (a))	33,167,000	29,051,000
Agency fee for development and sales of gases paid by the Group (note (c))	1,612,000	819,000
Supply of water and transmission of electricity by the Group (note (b))	23,727,000	19,866,000
Electricity supply provided to the Group (note (b))	2,615,000	—
Industrial water supplied to the Group (note (b))	9,215,000	9,843,000
Environmental greenery services provided to the Group (note (b))	3,028,000	3,052,000
Sales of low oxygen copper rods and wires and processing of copper cathode into low oxygen copper rods and wires by the Group (note (c))	15,422,000	—
Processing fee of blister (scrap) copper charged by the Group (note (c))	16,077,000	—
Brokerage agency services provided to the Group (note (a))	4,459,000	—
Operation management services provided by the Group (note (c))	709,000	—
Social welfare and support services provided to the Group (note (b))		
— welfare and medical services	18,924,000	15,042,000
— primary and secondary education services	5,132,000	4,259,000
— technical education services	2,392,000	240,000
— internal telecommunications services	2,800,000	1,511,000
— use of representative offices	484,000	1,047,000
Transactions with other two promoter shareholder:		
Sales of copper cathode to Jiangxi Xinin (note (a))	129,364,000	91,368,000
Tolling fee received from Hubei Sanxin (note (a))	2,729,000	6,732,000
Purchase of copper concentrates from Hubei Sanxin (note (a))	12,186,000	20,424,000
Sales of low oxygen copper rods and wires to Jiangxi Xinin (note (a))	4,069,000	—

# NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2004

(Prepared in accordance with PRC GAAP and regulations)

## 41. SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

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

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

Notes:

(a) The pricing of the transactions was determined with reference to comparable market prices.

(b) The pricing of the transactions was determined with reference to actual costs.

(c) The pricing of the transactions was determined with reference to the terms of agreements.

- (B) Amount due from or to related parties

Account	Name of related parties	30 June 2004 RMB	31 December 2003 RMB
Accounts receivable	JCC and its affiliates	4,521,524	13,134,458
Other receivables	JCC and its affiliates	41,153,124	873,627
Prepayments	Hubei Sanxin	10,000,000	10,000,000
	JCC and its affiliates	7,737,179	14,916,504
		<b>63,411,827</b>	38,924,589
Notes payable	JCC and its affiliates	—	50,000
Accounts payable	JCC and its affiliates	47,047,776	12,546,799
Advance from customers	JCC and its affiliates	9,152,860	8,239,561
Other payables	JCC and its affiliates	37,995,981	92,074,677
Long-term payables within one year	JCC and its affiliates	1,870,000	1,870,000
Long-term payables	JCC and its affiliates	40,236,000	41,171,000
		<b>136,302,617</b>	155,952,037

# NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2004

(Prepared in accordance with PRC GAAP and regulations)

## 41. SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

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

#### (C) Guarantee

Up to 30 June 2004, the Company has bank loan of RMB154,710,000 guaranteed by JCC (2003: RMB154,710,000).

#### (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 RMB19,466,000 (January to June 2003: RMB18,932,000).

## 42. COMMITMENTS

### (1) Capital commitments

	<b>30 June 2004 RMB'000</b>	31 December 2003 RMB'000
Capital expenditure contracted for but not provided in the financial statements: — Commitment for acquisition of assets	<b>273,240</b>	216,129

### (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:

	<b>30 June 2004 RMB'000</b>	31 December 2003 RMB'000
The minimum lease payments under non-cancelable operating leases:		
Within one year	<b>15,806</b>	15,806
In the second year	<b>15,806</b>	15,806
In the third year	<b>15,806</b>	15,806
Over three years	<b>328,373</b>	336,276
<b>Total</b>	<b>375,791</b>	383,694

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 RMB806,136 each starting from year 2002 to year 2052. The other portion is repayable in 30 annual installments of RMB15,000,000 each starting from year 1997 to year 2027.

# NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2004

(Prepared in accordance with PRC GAAP and regulations)

## 42. COMMITMENTS (continued)

### (3) Other commitments

At the balance sheet date, the Company had outstanding commitments for sales of Cathode Copper details of which are as follows:

	<b>30 June 2004</b>	31 December 2003
Quantities (in tonnes)	<b>36,730</b>	30,240
Average price per tones (RMB)	<b>25,414</b>	20,394
Delivery period	<b>From July 2004 to December 2004</b>	From February 2004 to August 2004

(END OF FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH PRC GAAP AND REGULATIONS)

# SUPPLEMENTAL INFORMATION

For the period ended 30 June 2004

(Prepared in accordance with PRC GAAP and regulations)

## 1. DIFFERENCE BETWEEN INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") AND PRC GAAP

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

At balance sheet date, net profit and net assets were RMB626,418,000 and RMB5,558,359,000 respectively according to PRC GAAP. These figures can be reconciled to that under IFRS as follows:

	<b>Net profit</b> <b>For the period ended</b> <b>30 June</b> <b>2004</b> <i>RMB'000</i>	<b>Net assets at</b> <b>30 June</b> <b>2004</b> <i>RMB'000</i>
Per PRC GAAP	626,418	5,558,359
Adjustment according to IFRS:		
— Specific accounts payable transferred to capital reserves which cannot be booked under IFRS and the relevant effect on fixed assets depreciation	3,000	(81,000)
Per IFRS	629,418	5,477,359

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

Reporting profit	From 1 January to 30 June 2004			
	Return on net assets (%)		Earning per share (RMB)	
	Fully diluted	Weighted average	Fully diluted	Weighted average
Profit from principal operations	15.40	15.54	0.32	0.32
Operating profits	13.08	13.19	0.27	0.27
Net profit	11.27	11.37	0.24	0.24
Net profit excluding non-recurring items	11.56	11.66	0.24	0.24

# SUPPLEMENTAL INFORMATION

For the period ended 30 June 2004

(Prepared in accordance with PRC GAAP and regulations)

## 3. IMPAIRMENT LOSS ON ASSETS AT 30 JUNE 2004

Items	At 1 January 2004		Additions		Write-back Group and Company RMB	Write-off		At 30 June 2004	
	Group RMB	Company RMB	Group and Company RMB	Acquired on acquisition of Diaoquan Silver and Copper RMB		Group RMB	Company RMB	Group RMB	Company RMB
1. Bad debt provision	109,430,212	104,846,163	—	2,826,813	6,121,112	8,185,570	8,185,570	97,950,343	90,539,481
Including: Accounts receivable	82,486,661	78,438,036	—	—	—	2,924,013	3,384,891	79,562,648	75,053,145
Other receivables	26,943,551	26,408,127	—	2,826,813	6,121,112	5,261,557	4,800,679	18,387,695	15,486,336
2. Impairment loss on short-term investments	207,785	207,785	988,367	—	—	—	—	1,196,152	1,196,152
Including: Stock investment	207,785	207,785	988,367	—	—	—	—	1,196,152	1,196,152
3. Impairment loss on inventory	1,618,667	1,618,667	—	—	—	—	—	1,618,667	1,618,667
Including: Raw material	1,618,667	1,618,667	—	—	—	—	—	1,618,667	1,618,667
4. Impairment loss on long-term investments	—	—	9,011,618	—	—	—	—	9,011,618	9,011,618
Including: Stock investment	—	—	5,610,000	—	—	—	—	5,610,000	5,610,000
Investment difference	—	—	3,401,618	—	—	—	—	3,401,618	3,401,618
5. Impairment on loss fixed assets	15,033,458	15,033,458	—	—	—	15,033,458	15,033,458	—	—
Including: Buildings	217,413	217,413	—	—	—	217,413	217,413	—	—
Equipment and machinery	8,729,621	8,729,621	—	—	—	8,729,621	8,729,621	—	—
Vehicles	6,086,424	6,086,424	—	—	—	6,086,424	6,086,624	—	—