

Auditors' Report

FOR THE YEAR ENDED 31 DECEMBER 2004
(Prepared in accordance with PRC GAAP and regulations)

Deloitte.
德勤

TO THE SHAREHOLDERS OF JIANGXI COPPER COMPANY LIMITED

We have audited the accompanying balance sheets of the Company and the Group as of 31 December 2004 and the related statements of income and cash flows of the Company and the Group for the year then ended. The preparation of these financial statements is the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company and the Group as of 31 December 2004 and the results of their operations and cash flows for the year then ended in accordance with the requirements of the Accounting Standards for Business Enterprises and the Accounting System for Business Enterprises promulgated by the State.

Deloitte Touche Tohmatsu CPA Ltd.

Chinese Certified Public Accountant

Hu Fan

Sheng Bai

Shanghai, China

10 March 2005

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

Balance Sheet

AT 31 DECEMBER 2004

(Prepared in accordance with PRC GAAP and regulations)

ASSETS	Notes	31 December 2004		31 December 2003	
		Group RMB	Company RMB	Group RMB	Company RMB
CURRENT ASSETS:					
Bank balances and cash	5	287,436,358	229,283,234	306,137,680	255,397,221
Current investments	6	6,282,021	5,862,011	7,231,909	7,231,909
Notes receivable	7	75,619,896	53,023,525	59,859,735	43,828,142
Accounts receivable	8	212,781,875	95,508,850	253,546,813	131,781,543
Other receivables	9	307,269,537	261,649,074	143,732,509	144,153,906
Prepayments	10	482,636,975	443,819,369	113,783,992	88,378,085
Inventories	11	2,925,770,949	2,798,163,949	2,307,655,455	2,216,540,793
TOTAL CURRENT ASSETS		4,297,797,611	3,887,310,012	3,191,948,093	2,887,311,599
LONG-TERM INVESTMENTS:					
Long-term equity investments	12	10,000,000	227,142,741	19,195,489	183,756,283
FIXED ASSETS:					
Fixed assets - cost	13	11,704,787,915	11,252,600,071	11,646,399,647	11,495,350,079
Less: Accumulated depreciation	13	5,274,519,995	5,169,429,540	5,285,189,462	5,223,836,845
Fixed assets- net		6,430,267,920	6,083,170,531	6,361,210,185	6,271,513,234
Less: Impairment	13	4,699,700	4,699,700	15,033,458	15,033,458
Fixed assets- net book value	13	6,425,568,220	6,078,470,831	6,346,176,727	6,256,479,776
Fixed assets under construction	14	519,773,923	516,757,003	508,792,981	346,415,979
TOTAL FIXED ASSETS		6,945,342,143	6,595,227,834	6,854,969,708	6,602,895,755
INTANGIBLE ASSETS AND OTHER ASSETS:					
Intangible assets	15	128,041,361	98,136,519	102,133,787	102,133,787
Long-term deferred expenses	16	—	—	1,007,623	—
Total intangible assets and other assets		128,041,361	98,136,519	103,141,410	102,133,787
TOTAL ASSETS		11,381,181,115	10,807,817,106	10,169,254,700	9,776,097,424

Balance Sheet

AT 31 DECEMBER 2004
(Prepared in accordance with PRC GAAP and regulations)

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	31 December 2004		31 December 2003	
		Group RMB	Company RMB	Group RMB	Company RMB
CURRENT LIABILITIES:					
Short-term loans	17	1,345,090,866	1,077,590,866	1,007,051,310	857,051,310
Notes payable	18	—	—	182,860,000	182,860,000
Accounts payable	19	264,335,988	233,201,334	284,043,400	226,572,115
Advances from customers		150,404,843	143,364,607	37,276,323	27,541,163
Salaries and wages payable		1,742,272	—	844,626	—
Employee benefits payable		1,294,535	378,650	1,222,862	385,081
Taxes payable	20	147,491,709	129,126,929	(7,318,540)	(2,733,194)
Other fees payable	21	34,739,290	34,581,170	18,816,490	18,734,220
Other payables	22	408,356,979	392,600,525	346,157,971	315,909,965
Accrued expenses	23	2,000,000	2,000,000	2,100,000	2,000,000
Long-term liabilities due within one year	24	618,270,000	607,270,000	334,870,000	334,870,000
Total current liabilities		2,973,726,482	2,620,114,081	2,207,924,442	1,963,190,660
LONG-TERM LIABILITIES:					
Long-term loans	25	2,091,710,000	2,069,710,000	2,520,110,000	2,520,110,000
Long-term payables	26	39,301,000	39,301,000	41,171,000	41,171,000
Total long-term liabilities		2,131,011,000	2,109,011,000	2,561,281,000	2,561,281,000
TOTAL LIABILITIES		5,104,737,482	4,729,125,081	4,769,205,442	4,524,471,660
MINORITY INTERESTS		199,601,038	—	148,423,494	—
SHAREHOLDERS' EQUITY:					
Paid-in capital	27	2,664,038,200	2,664,038,200	2,664,038,200	2,664,038,200
Capital reserves	28	1,378,147,042	1,378,147,042	1,376,747,042	1,376,747,042
Surplus reserves	29	1,009,807,299	1,005,631,939	547,668,636	547,491,603
Including: Statutory public welfare fund	29	203,765,455	201,710,102	117,836,691	117,777,680
Cash dividend proposed after the balance sheet date	30	319,684,584	319,684,584	319,684,584	319,684,584
Unappropriated profits	31	705,165,470	711,190,260	343,487,302	343,664,335
TOTAL SHAREHOLDERS' EQUITY		6,076,842,595	6,078,692,025	5,251,625,764	5,251,625,764
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		11,381,181,115	10,807,817,106	10,169,254,700	9,776,097,424

The accompanying notes are part of the financial statements.

Statement of Income and Profits Appropriation

FOR THE YEAR ENDED 31 DECEMBER 2004
(Prepared in accordance with PRC GAAP and regulations)

	Notes	Year ended 31 December 2004		Year ended 31 December 2003	
		Group RMB	Company RMB	Group RMB	Company RMB
Revenue	32	10,627,273,522	9,768,326,497	5,420,890,784	5,407,713,912
Less: Cost of Sales	33	8,656,393,170	7,898,170,671	4,308,647,662	4,304,698,189
Sales taxes	34	37,766,618	35,538,865	35,790,537	35,369,509
Gross profit		1,933,113,734	1,834,616,961	1,076,452,585	1,067,646,214
Add: Other operating profit (loss)	35	81,607,166	88,330,608	(39,345,750)	(39,390,976)
Less: Operating expenses		84,826,910	58,803,861	61,977,067	61,540,284
General and administrative expenses		321,291,152	299,498,207	239,681,348	236,989,810
Financial costs	36	201,190,541	189,492,553	164,288,389	163,876,782
Profit from operation		1,407,412,297	1,375,152,948	571,160,031	565,848,362
Add: Investment income (loss)	37	(11,392,128)	7,615,178	(1,749,807)	535,313
Non-operating income		741,877	678,160	754,279	751,279
Less: Non-operating expenses	38	124,443,412	124,105,816	32,516,295	32,505,553
Profit before tax		1,272,318,634	1,259,340,470	537,648,208	534,629,401
Less: Income tax	39	116,961,673	113,989,625	29,100,853	29,386,277
Minority interests		11,855,546	—	3,304,231	—
Net profit for the year		1,143,501,415	1,145,350,845	505,243,124	505,243,124
Add: Unappropriated profits at the beginning of the year		343,487,302	343,664,335	334,786,076	334,940,888
Profits available for appropriation		1,486,988,717	1,489,015,180	840,029,200	840,184,012
Less: Appropriations to statutory surplus reserve	31(1)	116,537,069	114,535,084	50,539,126	50,524,312
Appropriations to statutory public welfare fund	31(2)	116,531,426	114,535,084	50,531,719	50,524,312
Profits available for appropriation to shareholders		1,253,920,222	1,259,945,012	738,958,355	739,135,388
Less: Appropriations to discretionary surplus reserve	31(3)	229,070,168	229,070,168	75,786,469	75,786,469
Cash dividends proposed after the balance sheet date	31(4)	319,684,584	319,684,584	319,684,584	319,684,584
Unappropriated profits at the end of the year		705,165,470	711,190,260	343,487,302	343,664,335

The accompanying notes are part of the financial statements.

Cash Flows Statement

FOR THE YEAR ENDED 31 DECEMBER 2004
(Prepared in accordance with PRC GAAP and regulations)

	Notes	Year ended 31 December 2004 Group RMB	Company RMB	Year ended 31 December 2003 Group RMB	Company RMB
Cash flows from operating activities:					
Cash received from sales of goods and rendering of services		15,742,381,605	14,205,919,922	6,413,357,467	6,468,162,425
Other cash received relating to operating activities		85,397,168	91,283,471	111,891,473	58,377,359
Sub-total of cash inflows		15,827,778,773	14,297,203,393	6,525,248,940	6,526,539,784
Cash paid for goods and services		13,038,364,007	11,610,717,982	5,258,864,727	5,135,716,802
Cash paid to and on behalf of employees		433,173,622	434,745,419	295,203,985	281,722,916
Tax payments		1,029,882,884	873,720,564	381,182,831	355,749,517
Cash paid relating to other operating activities	41	405,409,617	372,283,730	244,752,682	384,312,611
Sub-total of cash outflows		14,906,830,130	13,291,467,695	6,180,004,225	6,157,501,846
Net cash flows from operating activities		920,948,643	1,005,735,698	345,244,715	369,037,938
Cash flows from investing activities:					
Cash received from disposal of investments		10,079,928	10,079,928	57,757,953	57,757,953
Cash received from return on investments		303,993	188,294	—	102,519
Net cash receipts from disposal of fixed assets, intangible assets and other long-term assets		1,325,178	1,325,178	3,341,105	3,341,105
Sub-total of cash inflows		11,709,099	11,593,400	61,099,058	61,201,577
Cash paid to acquire fixed assets, intangible assets and other long-term assets		536,722,021	529,741,099	596,980,891	467,285,176
Cash paid to acquire investments		10,089,614	9,669,604	65,948,388	110,948,386
Cash paid for acquisition of Diaoquan Silver and Copper	40	25,330,280	35,000,000	—	—
Cash paid for acquisition of Kangxi Copper		—	—	24,062,423	40,000,000
Sub-total of cash outflows		572,141,915	574,410,703	686,991,702	618,233,562
Net cash flows from investing activities		(560,432,816)	(562,817,303)	(625,892,644)	(557,031,985)

Cash Flows Statement

FOR THE YEAR ENDED 31 DECEMBER 2004
(Prepared in accordance with PRC GAAP and regulations)

	Year ended 31 December 2004		Year ended 31 December 2003	
	Group RMB	Company RMB	Group RMB	Company RMB
Cash flows from financing activities:				
Cash received from investors	60,000	—	30,000,000	—
Including: Cash received from minority investors	60,000	—	30,000,000	—
Cash received from borrowings	2,753,408,897	2,490,108,897	2,654,788,986	2,544,788,987
Sub-total of cash inflows	2,753,468,897	2,490,108,897	2,684,788,986	2,544,788,987
Repayments of borrowings	2,608,569,341	2,447,569,341	2,081,748,226	2,081,748,227
Dividends paid, profit distributed or interests paid	522,246,705	509,701,938	271,884,477	271,399,378
Including: Dividends paid to minority shareholders in subsidiaries	83,947	—	68,346	—
Cash payment relating to other financing activities	1,870,000	1,870,000	1,870,000	1,870,000
Sub-total of cash outflows	3,132,686,046	2,959,141,279	2,355,502,703	2,355,017,605
Net cash flows from financing activities	(379,217,149)	(469,032,382)	329,286,283	189,771,382
Effect of foreign exchange rate changes on cash and cash equivalents	—	—	—	—
Net (decrease) increase in cash and cash equivalents	(18,701,322)	(26,113,987)	48,638,354	1,777,335

Cash Flows Statement

FOR THE YEAR ENDED 31 DECEMBER 2004
(Prepared in accordance with PRC GAAP and regulations)

	Year ended 31 December 2004		Year ended 31 December 2003	
	Group RMB	Company RMB	Group RMB	Company RMB
Supplemental information				
Reconciliation of net profit to cash flows from operating activities:				
Net profit	1,143,501,415	1,145,350,845	505,243,124	505,243,124
Add: Minority interests	11,855,546	—	3,304,231	—
Impairment losses on assets	23,586,906	28,170,956	18,640,731	14,056,682
Depreciation of fixed assets	463,386,650	441,892,727	414,856,003	412,342,164
Amortization of intangible assets	4,782,805	3,997,268	3,997,442	3,997,442
Amortization of long-term deferred expenses	1,007,623	—	—	—
Decrease in accrued expenses	(100,000)	—	(1,935,514)	(2,035,514)
Losses (gains) on disposal of fixed assets, intangible assets and other long-term assets	92,451,996	92,451,996	(700,119)	(700,119)
Financial expenses	199,517,593	187,056,773	162,305,114	161,888,361
Losses (gains) arising from investments	(120,122)	(19,127,428)	1,755,307	(529,813)
Increase in inventories	(611,738,904)	(580,755,591)	(776,222,542)	(703,490,912)
Increase in receivables under operating activities	(514,413,247)	(458,685,713)	(183,587,433)	(88,569,626)
Increase in payables under operating activities	107,230,382	165,383,865	197,588,371	66,836,149
Net cash flows from operating activities	920,948,643	1,005,735,698	345,244,715	369,037,938
Investing and financing activities that do not involve cash receipts and payments				
Specific accounts payable transferred to capital reserves	1,400,000	1,400,000	84,000,000	84,000,000
Net increase in cash and cash equivalents				
Cash and cash equivalents at the end of the year	287,436,358	229,283,234	306,137,680	255,397,221
Less: Cash and cash equivalents at the beginning of the year	306,137,680	255,397,221	257,499,326	253,619,886
Net (decrease) increase in cash and cash equivalents	(18,701,322)	(26,113,987)	48,638,354	1,777,335

The accompanying notes are part of the financial statements.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 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 at the price of RMB2.27 per share on 21 December 2001 and were listed on Shanghai Stock Exchange ("SSE") on 11 January 2002. The Company's share capital increased to 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.

Recording currency

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

Foreign currency translation

Transactions denominated in foreign currencies (currencies other than the recording currency) are translated into Renminbi at the applicable rate of exchange ("market exchange rate") prevailing at the beginning of the month in which the transaction occurs. Monetary assets and liabilities denominated in foreign currencies are translated into Renminbi at the market exchange rate prevailing at the balance sheet date. Exchange gains or losses incurred on specific borrowing for the acquisition or construction of a fixed asset are capitalized as part of the cost of fixed asset; exchange gains or losses arising on the pre-operating period are recorded as long-term deferred expenses, other exchange gains or losses are dealt with as finance costs.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2004
(Prepared in accordance with PRC GAAP and regulations)

2. Significant accounting policies and accounting estimates (Continued)

Basis of consolidation

(1) Scope of consolidation

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

(2) Accounting for consolidation

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

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

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

Cash equivalents

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

Accounting for bad debts

(1) Criteria for recognition of bad debts

Bad debts are recognized in the following circumstances:

The irrecoverable amount of a bankrupt debtor after pursuing the statutory procedures;
The irrecoverable amount of a debtor who has deceased and has insufficient estate to repay;
The amount owed by a debtor who is unable to repay the obligations after the debts fall due, and the amount is irrecoverable or unlikely to be recovered as demonstrated by sufficient evidence.

(2) Accounting treatment for bad debt losses

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

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

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2004
(Prepared in accordance with PRC GAAP and regulations)

2. Significant accounting policies and accounting estimates (Continued)

Inventories

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

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

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

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

Provision for decline in value of inventories

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

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

Current investments

A current 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 current investments, other than those recorded as receivable items as noted in the preceding paragraph, are offset against the carrying amount of investments upon receipt.

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

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

Recoverable amount

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

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2004
(Prepared in accordance with PRC GAAP and regulations)

2. Significant accounting policies and accounting estimates (Continued)

Long-term investments

(1) Accounting treatment for long-term equity investments

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

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

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

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

When a long-term equity investment is accounted for using the equity method, the difference between the initial investment cost of the Company and its share of owners' equity of the investee enterprise is accounted for as "equity investment difference". An excess of the initial investment cost over the Company's share of owners' equity of the investee enterprise is debited to "long-term equity investment - equity investment difference" and amortised on a straight-line basis and charged to the income statement accordingly. The amortization period is the investing period if it is stipulated in the investment contract. Otherwise, it is amortized over a period of not more than 10 years. A shortfall of the initial investment cost below the Company's share of owners' equity of the investee enterprise arising before the issuance of Caikuai [2004] 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 [2004] 10 is credited to "capital surplus - provision for equity investment".

(2) Accounting treatment for long-term debt investments

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

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

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2004
(Prepared in accordance with PRC GAAP and regulations)

2. Significant accounting policies and accounting estimates (Continued)

Long-term investments (Continued)

(3) Impairment of long-term investments

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

Fixed assets and depreciation

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

The cost of used fixed assets acquired from shareholders, when the Company was established and acquired from Wushan Mine, are stated at replacement net value and depreciated over remaining useful lives which are both provided by an independent valuer. The remaining useful life of used fixed assets should not exceed its original useful life.

Fixed assets acquired by the Company are stated at actual cost. Depreciation is provided to write off the cost of each category of fixed assets over their estimated useful lives from the month after they reach work condition for their intended use, using the straight-line method. The estimated residual value, useful life and annual depreciation rate of each category of fixed assets are as follows:

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

Impairment of fixed assets

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

Fixed assets under construction

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

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

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

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2004
(Prepared in accordance with PRC GAAP and regulations)

2. Significant accounting policies and accounting estimates (Continued)

Intangible assets

Intangible assets are recorded at the actual cost of acquisition. For a purchased intangible asset, the actual cost is the actual purchase price.

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

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

Impairment loss on intangible assets

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

Long-term deferred expenses

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

Borrowing costs

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

Government grant

Special government grant relating to assets should be recognized as government grant payable 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. The portion of government grant that should be returned to government, deduct the liability balance when repayment made.

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.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2004
(Prepared in accordance with PRC GAAP and regulations)

2. Significant accounting policies and accounting estimates (Continued)

Revenue recognition (Continued)

Revenue from rendering of services

When the provision of services is started and completed within the same accounting year, revenue is recognized at the time of completion of the services. When the provision of services is started and completed in different accounting years and the outcome of a transaction involving the rendering of services can be estimated reliably, revenue is recognized at the balance sheet date by the use of the percentage of completion method. Revenue is otherwise recognized at the balance sheet date only to the extent of the costs incurred that are recoverable and service costs are recognized as expenses in the period in which they are incurred. If the service costs incurred are not expected to be recovered, revenue is not recognized.

Interest income

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

Leasing

The Company as lessee under operating leases

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

The Company as lessor under operating leases

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

Forward contract transaction

Gains and losses arising from forward sales contracts are included in sales revenue when the forward sales are delivered. Gains or losses arising from forward sales contracts settled before the maturity date are credited or charged to other operating revenue or other operating expense of the income statement respectively.

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

Income tax

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

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2004
(Prepared in accordance with PRC GAAP and regulations)

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 Gan Wai Jing Mao Wai Zi Ning [2001] No.446 issued by Department of Foreign Trade and Economic Corporation of Jiangxi Province, and circular of Gan Guo Shui Han [2004] No. 349 issued by the State Tax Bureau, the Company was appraised as a high-tech advanced foreign investment enterprise. With that appraised title, 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 circulars of Guo Shui Fa [1999] No.172 and Gan Guo Shui Han [2004] No.349 issued by the State Tax Bureau, the Company was recognized as a foreign investment enterprise build in Midwest region of PRC. As such, the Company can enjoy 15% income tax rate for three years starting from year 2005.

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 purchase of PRC produced plant and equipment for production use. The Tax Benefit is, however, limited to the amount of increase in enterprise income tax for the current year in which the plant and equipment are acquired as compared with the tax amount of the proceeding year. The portion of the Tax Benefit that is not utilized in the current year can be carried forward for future application for a period of not more than five years.

(2) Subsidiary Income Tax

The income tax rate 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 and consumed copper ore. The resource tax rate is respectively levied at RMB1.05 per ton in Wushan Copper Mine, RMB0.98 per ton in Yongping Copper Mine, RMB0.91 per ton in Dexing Copper Mine and Diaochuan Silver and Copper respectively.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2004
(Prepared in accordance with PRC GAAP and regulations)

4. Scope of consolidation and subsidiaries

Name of subsidiary	Place of registration	Registered Capital	Equity directly held by the company RMB	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 Diaquan Silver and Copper Mining Company Limited ("Diaquan Silver and Copper")	Diaquan, 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.

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, Kangxi Copper invested jointly with a third party company RMB300,000 to establish Xichang Anning Metal Reclaiming Company Limited ("Anning Metal"), in which Kangxi Copper 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 (RMB35,000,000) in Shanxi Diaquan Silver and Copper Mining Company Limited ("Diaquan Silver and Copper"). This interest of Diaquan 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, Diaquan Silver and Copper is included in the scope of consolidation.

Dianquan Silver and Copper and Anning Metal are new subsidiaries acquired and included in the scope of consolidation this year. Diaquan 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. Please refer to Note 40.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2004
(Prepared in accordance with PRC GAAP and regulations)

5. Bank balances and cash

	Group 31 December 2004			Group 31 December 2003		
	Foreign currency	Exchange Rate	RMB Equivalent	Foreign currency	Exchange Rate	RMB Equivalent
Cash on hand						
RMB	—	—	108,035	—	—	56,910
USD	1,432	8.2765	11,854	5,788	8.2767	47,907
Cash in bank						
RMB	—	—	285,657,049	—	—	278,437,138
USD	96,610	8.2765	799,595	436,796	8.2767	3,615,227
HKD	808,334	1.0637	859,825	22,457,855	1.0678	23,980,498
			287,436,358			306,137,680

6. Current investment

	Group 31 December 2004			Group 31 December 2003		
	Cost RMB	Provision for impairment RMB	Net value RMB	Cost RMB	Provision for impairment RMB	Net value RMB
Stock investments	6,241,595	959,574	5,282,021	6,439,694	207,785	6,231,909
Bond investment	1,000,000	—	1,000,000	1,000,000	—	1,000,000
	7,241,595	959,574	6,282,021	7,439,694	207,785	7,231,909

Stock investments are the shares with market value of RMB 5,282,021 on 31 December 2004.

The market value is calculated based on closing price of stock exchange on 31 December 2004.

7. Notes receivable

	Group 31 December 2004 RMB	Group 31 December 2003 RMB
Bank-accepted notes - unpledged	75,619,896	59,859,735

The Group's balance due from shareholder who holds more than 5% shares of the Company is nil on 31 December 2004.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2004
(Prepared in accordance with PRC GAAP and regulations)

8. Accounts receivable

The aging analysis of accounts receivable is as follows:

	Group 31 December 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	206,656,321	67.9	—	206,656,321	226,306,393	67.4	—	226,306,393
1 to 2 years	6,872,293	2.3	1,374,460	5,497,833	5,859,987	1.7	513,398	5,346,589
2 to 3 years	1,255,442	0.4	627,721	627,721	10,100,279	3.0	5,050,139	5,050,140
Over 3 years	89,633,965	29.4	89,633,965	—	93,766,815	27.9	76,923,124	16,843,691
	304,418,021	100.0	91,636,146	212,781,875	336,033,474	100.0	82,486,661	253,546,813

	Company 31 December 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	89,383,296	47.7	—	89,383,296	104,954,029	49.9	—	104,954,029
1 to 2 years	6,872,293	3.7	1,374,460	5,497,833	5,825,251	2.8	889,110	4,936,141
2 to 3 years	1,255,442	0.7	627,721	627,721	10,095,364	4.8	5,047,682	5,047,682
Over 3 years	89,633,965	47.9	89,633,965	—	89,344,935	42.5	72,501,244	16,843,691
	187,144,996	100.0	91,636,146	95,508,850	210,219,579	100.0	78,438,036	131,781,543

A lawsuit about collection of RMB 16,843,691 from a debtor which is due more than three years, has been sentenced by the court in favor of the Company. The sentence is in process of execution and the court grants liens on legal person shares of a listed company held by a debtor. But the process of transferring legal person shares was suspended in current year. As such, a full of bad debt provision was made on the balance.

Five largest debtors are as follows:

Total amount of five largest debtors RMB	Percentage in total accounts receivable %
105,524,462	34.7

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

Shareholder	31 December 2004	31 December 2003
JCC	3,072,788	9,534

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2004
(Prepared in accordance with PRC GAAP and regulations)

9. Other receivables

The aging analysis of other receivables is as follows:

	Group 31 December 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	300,302,614	91.8	—	300,302,614	142,049,800	83.2	—	142,049,800
1 to 2 years	8,371,152	2.6	1,674,230	6,696,922	6,755,213	4.0	6,247,932	507,281
2 to 3 years	540,002	0.2	270,001	270,001	2,350,855	1.4	1,175,427	1,175,428
Over 3 years	17,922,338	5.4	17,922,338	—	19,520,192	11.4	19,520,192	—
	327,136,106	100.0	19,866,569	307,269,537	170,676,060	100.0	26,943,551	143,732,509

	Company 31 December 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	254,895,791	91.5	—	254,895,791	142,773,271	83.7	—	142,773,271
1 to 2 years	8,326,202	3.0	1,665,240	6,660,962	6,754,213	4.0	6,247,732	506,481
2 to 3 years	184,642	0.1	92,321	92,321	1,748,309	1.0	874,155	874,154
Over 3 years	15,282,196	5.4	15,282,196	—	19,286,240	11.3	19,286,240	—
	278,688,831	100.0	17,039,757	261,649,074	170,562,033	100.0	26,408,127	144,153,906

The Group's balance of forward contracts deposits is RMB198,724,812 (31 December 2003: RMB109,495,067).

Five largest debtors are as follows:

Total amount of five largest debtors RMB	Percentage in total other receivables %
197,562,302	60.4

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

Shareholder	31 December 2004	31 December 2003
JCC	192,126	191,598

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2004
(Prepared in accordance with PRC GAAP and regulations)

10. Prepayments

The aging analysis of prepayment is as follows:

	Group 31 December 2004		Group 31 December 2003	
	RMB	%	RMB	%
Within 1 year	458,564,627	95.0	113,717,952	99.9
1 to 2 years	24,072,348	5.0	66,040	0.1
	482,636,975	100.0	113,783,992	100.0

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

Shareholder	31 December 2004 RMB	31 December 2003 RMB
JCC	198,187	1,142,988

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

11. Inventories

	Group 31 December 2004			Group 31 December 2003		
	Cost RMB	Provision impairment RMB	value RMB	Cost RMB	Provision impairment RMB	value RMB
Raw material	458,375,225	751,102	457,624,123	426,615,255	1,618,667	424,996,588
Work in progress	2,088,275,188	—	2,088,275,188	1,734,450,701	—	1,734,450,701
Finished goods	379,871,638	—	379,871,638	148,208,166	—	148,208,166
	2,926,522,051	751,102	2,925,770,949	2,309,274,122	1,618,667	2,307,655,455

The inventories as at 31 December 2004 included the finished goods amounting RMB25,803,560 pledged for short-term loan (31 December 2003: RMB16,704,973).

12. Long-term equity investments

Group

	31 December 2004			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	4,942,676	4,942,676	—	3,585,489	—	3,585,489
Total	20,552,676	10,552,676	10,000,000	19,195,489	—	19,195,489

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 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 of the investee RMB	Initial cost of investment RMB	Impairment loss RMB	Net book value RMB
Kebang Telecom (Group) Company Limited	2,000,000	0.4%	5,610,000	(5,610,000)	—

Above stock held by the Company is unlisted.

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

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

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

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

Name of investee	Initial cost of investment RMB	Amortization year of equity investment difference	Book value at 1 January 2004 RMB	Addition during the year RMB	Amortization during the year RMB	Impairment loss during the year RMB	Book value at 31 December 2004 RMB	Cause
Kangxi Copper	3,677,424	10 years	3,585,489	—	(183,871)	(3,401,618)	—	Equity Purchasing
Diaoquan Silver and Copper	1,541,058	—	—	1,541,058	—	(1,541,058)	—	Equity Purchasing
	5,218,482		3,585,489	1,541,058	(183,871)	(4,942,676)	—	

The unamortized debit difference of equity investment arising from acquisition of Kangxi Copper is RMB3,401,618 by the end of 31 December 2004, which is charged into income statement as impairment loss since it is immaterial.

The debit balance of equity investment arising from acquisition of Diaoquan Silver and Copper in current year is RMB1,541,058 by the end of 31 December 2004, which is charged into income statement as impairment loss since it is immaterial.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 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:

	31 December 2004			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	227,142,741	—	227,142,741	174,560,794	—	174,560,794
Equity investment difference (Note)	4,942,676	4,942,676	—	3,585,489	—	3,585,489
Total	236,154,359	10,552,676	227,142,741	183,756,283	—	183,756,283

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 year RMB	31 December 2004 RMB	31 December 2003 RMB	Gain (loss) during the year RMB	Dividends received during the year RMB	31 December 2004 RMB	31 December 2003 RMB	31 December 2004 RMB
JCPC	135,000,000	—	135,000,000	—	19,906,976	—	19,906,976	135,000,000	154,906,976
Xiaoshan Tonda	1,082,289	—	1,082,289	18,948	112,868	(125,920)	5,896	1,101,237	1,088,185
Kangxi Copper Dianquan	36,322,576	—	36,322,576	2,136,981	1,663,347	—	3,800,328	38,459,557	40,122,904
Silver and Copper	—	33,458,942	33,458,942	—	(2,434,266)	—	(2,434,266)	—	31,024,676
	172,404,865	33,458,942	205,863,807	2,155,929	19,248,925	(125,920)	21,278,934	174,560,794	227,142,741

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2004
(Prepared in accordance with PRC GAAP and regulations)

13. Fixed assets and accumulated assets and accumulated depreciation

	Group			
	Buildings RMB	Equipment and machinery RMB	Vehicles RMB	Total RMB
Cost				
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
Reclassification	44,575,472	(43,984,472)	(591,000)	—
Additions during the year	215,880	734,230	1,300,425	2,250,535
Transfer from fixed assets under construction	173,617,723	197,085,793	155,747,609	526,451,125
Disposals	(15,184,430)	(373,509,367)	(216,416,867)	(605,110,664)
31 December 2004	4,337,064,257	6,431,107,780	936,615,878	11,704,787,915
Accumulated depreciation				
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 year	164,572,208	248,036,047	50,778,395	463,386,650
Eliminated on disposal	(5,591,795)	(306,639,392)	(184,068,845)	(496,300,032)
31 December 2004	1,277,769,299	3,472,967,321	523,783,375	5,274,519,995
Impairment loss				
1 January 2004	217,413	8,729,621	6,086,424	15,033,458
Additions	—	4,699,700	—	4,699,700
Reversals	(217,413)	(8,729,621)	(6,086,424)	(15,033,458)
31 December 2004	—	4,699,700	—	4,699,700
Net value				
At 1 January 2004	2,921,675,792	3,092,205,498	332,295,437	6,346,176,727
At 31 December 2004	3,059,294,958	2,953,440,759	412,832,503	6,425,568,220
Including: Fixed assets pledged as collateral at 31 December 2004 - net	40,490,614	16,147,361	—	56,637,975

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2004
(Prepared in accordance with PRC GAAP and regulations)

14. Fixed assets under construction

Construction name	Budget RMB	Group			At 31 December 2004 RMB	% of completion	Sources of funds
		At 1 January 2004 RMB	Additions RMB	Transfer to fixed assets RMB			
Guixi Smelter Phase III Project of 150,000 Ton copper wire per year	1,065,000,000	59,215,846	129,750,169	(179,196,992)	9,769,023	100%	Loan and self-funding
Fujiawu Mine Development	161,509,700	162,377,002	4,736,746	(164,238,936)	2,874,812	100%	Loan and self-funding Proceeds, loan and self-funding
Fujiawu Mining Right Project	871,540,000	33,094,553	85,217,947	—	118,312,500	14%	Loan and self-funding
Extension of open-pitting mining project	181,000,000	110,726,494	21,056,500	—	131,782,994	73%	Loan and self-funding
Copper Re-cycling from waste of sparkling stove mining project	109,400,000	48,106,037	37,482,800	—	85,588,837	78%	Loan and self-funding
Acquisition of land in Guixi Others	137,110,000	—	31,320,253	—	31,320,253	23%	Loan and self-funding
	37,986,300	—	31,878,820	—	31,878,820	84%	Loan and self-funding
	—	95,273,049	195,988,832	(183,015,197)	108,246,684	—	Loan and self-funding
Total		508,792,981	537,432,067	(526,451,125)	519,773,923		
Including: Capitalized borrowing cost		8,054,975	2,960,581	(7,061,839)	3,953,717		

The rate for calculating interest capitalized amount in this year is 5.3%.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2004
(Prepared in accordance with PRC GAAP and regulations)

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 Daiquan Silver and Copper	—	30,690,379	30,690,379
31 December 2004	51,683,900	107,142,939	158,826,839
Accumulated amortization:			
1 January 2004	12,040,000	13,962,673	26,002,673
Charge for the year	1,720,000	3,062,805	4,782,805
31 December 2004	13,760,000	17,025,478	30,785,478
Carrying amount:			
1 January 2004	39,643,900	62,489,887	102,133,787
31 December 2004	37,923,900	90,117,461	128,041,361
Including: Intangible assets pledged as collateral at 31 December 2004- net	—	29,904,842	29,904,842
Acquired method	Transfer	Transfer	
Remaining of period	22 years	14.6 - 47 years	

16. Long-term deferred expenses

	Group		31 December 2004 RMB
	1 January 2004 RMB	Amortization RMB	
Pre-operating expenses — Jiangxi Copper Products Company Limited	1,007,623	(1,007,623)	—

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2004
(Prepared in accordance with PRC GAAP and regulations)

17. SHORT-TERM LOANS

Category	Group 31 December 2004 RMB	Group 31 December 2003 RMB
Secured loans		
- RMB	109,500,000	40,000,000
Credit loans		
- RMB	1,028,680,000	693,660,350
- USD	206,910,866	273,390,960
	1,345,090,866	1,007,051,310

The principal of USD credit loans amounted to USD25,000,000.

Annual interest rate ranges from 3.54% to 5.31%. For the categories and amount of the assets pledged for the secured loans, refer to Notes 11 and 13.

18. Notes payable

	Group 31 December 2004 RMB	Group 31 December 2003 RMB
Bank-accepted notes payable within one year	—	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	31 December 2004 RMB	31 December 2004 RMB
JCC	12,000	131,931

20. Taxes payable

	Group 31 December 2004 RMB	Group 31 December 2003 RMB
Income tax	63,292,534	7,691,889
Value added tax	75,261,472	(18,889,782)
Business tax	5,162	3,230
Resource tax	1,671,300	1,237,493
Others	7,261,241	2,638,630
	147,491,709	(7,318,540)

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2004
(Prepared in accordance with PRC GAAP and regulations)

21. Other fees payable

	Group 31 December 2004 RMB	Group 31 December 2003 RMB
Compensation fee for mineral resources	34,581,170	18,734,219
Others	158,120	82,271
	34,739,290	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

22. Other payables

In Group's balance of other payables, the balance due to shareholder who holds more than 5% of the Company is as follow:

Shareholder	31 December 2004 RMB	31 December 2003 RMB
JCC	149,253,266	81,398,369

23. Accrued expenses

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

24. Long-term liabilities due within one year

	Group 31 December 2004 RMB	Group 31 December 2003 RMB
Long-term loans due within one year (Note 25)	616,400,000	333,000,000
Long-term payables due within one year (Note 26)	1,870,000	1,870,000
	618,270,000	334,870,000

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2004
(Prepared in accordance with PRC GAAP and regulations)

25. Long-term loans

	Group 31 December 2004 RMB	Group 31 December 2003 RMB
Credit loans	2,548,400,000	2,698,400,000
Guaranteed loans	126,710,000	154,710,000
Secured loans	33,000,000	—
Total	2,708,110,000	2,853,110,000
Less: Amount due within one year	616,400,000	333,000,000
Amount due after one year	2,091,710,000	2,520,110,000

Bank name	31 December 2003 RMB	Period	Annual Rate	Terms
Industrial and Commercial	78,400,000	2000.07.28 - 2005.07.27	5.58%	Credit
Bank of China,	15,000,000	2001.11.19 - 2006.09.29	5.58%	Credit
Yingtian Branch Jiangtong Office	40,000,000	2002.08.16 - 2007.09.29	5.58%	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
	30,000,000	2002.10.29 - 2007.10.28	5.58%	Credit
	20,000,000	2002.11.15 - 2007.11.14	5.58%	Credit
	30,000,000	2002.11.18 - 2007.11.17	5.58%	Credit
	15,000,000	2002.12.06 - 2007.12.05	5.58%	Credit
	40,000,000	2002.12.10 - 2005.12.09	5.49%	Credit
	40,000,000	2002.12.12 - 2005.11.12	5.49%	Credit
	30,000,000	2002.12.16 - 2005.12.15	5.49%	Credit
	30,000,000	2002.12.18 - 2005.12.17	5.49%	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
	60,000,000	2003.08.06 - 2006.08.05	4.94%	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
	20,000,000	2003.11.27 - 2006.11.23	4.94%	Credit
	30,000,000	2003.12.09 - 2006.12.07	4.94%	Credit
	30,000,000	2003.12.10 - 2006.12.09	4.94%	Credit
	10,000,000	2004.11.29 - 2009.11.28	5.85%	Credit
	45,000,000	2004.12.08 - 2007.12.07	5.30%	Credit
	40,000,000	2004.12.10 - 2007.12.09	5.30%	Credit
Bank of China, Yingtian Branch	17,000,000	2000.02.13 - 2005.02.13	6.03%	Guaranteed
	20,000,000	2002.09.27 - 2005.09.26	5.05%	Credit
	30,000,000	2002.12.18 - 2005.12.17	5.05%	Credit
	20,000,000	2003.03.25 - 2006.03.25	5.05%	Credit
	30,000,000	2003.12.24 - 2006.12.24	4.94%	Credit

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2004
(Prepared in accordance with PRC GAAP and regulations)

25. Long-term loans (Continued)

Bank name	31 December 2003 RMB	Period	Annual Rate	Terms
China Construction Bank, Tongjidi Branch	109,710,000	1997.02.18 - 2008.12.30	5.76%	Guaranteed
	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
	15,000,000	2001.10.29 - 2007.04.28	5.76%	Credit
	35,000,000	2001.12.11 - 2007.04.28	5.76%	Credit
	40,000,000	2002.05.20 - 2005.05.19	5.49%	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
	30,000,000	2002.12.05 - 2008.06.04	5.76%	Credit
	30,000,000	2002.12.13 - 2008.06.12	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
	73,000,000	2003.03.28 - 2006.03.27	4.94%	Credit
	30,000,000	2003.06.10 - 2008.06.09	5.58%	Credit
	40,000,000	2003.07.07 - 2008.07.06	5.58%	Credit
	Agriculture Bank, Guixi Tongcheng Branch	15,000,000	2003.09.10 - 2008.09.09	5.58%
30,000,000		2003.11.05 - 2008.11.04	5.58%	Credit
30,000,000		2003.12.03 - 2008.12.02	5.58%	Credit
20,000,000		2003.12.16 - 2006.12.15	4.94%	Credit
10,000,000		2004.10.13 - 2009.10.12	5.58%	Credit
80,000,000		2002.09.10 - 2005.09.09	5.04%	Credit
90,000,000		2002.10.10 - 2005.10.09	5.04%	Credit
30,000,000		2002.12.13 - 2005.12.12	5.04%	Credit
50,000,000		2003.01.21 - 2006.01.20	5.04%	Credit
15,000,000		2003.02.11 - 2006.02.10	5.04%	Credit
China Merchants Bank, Nanchang Branch	30,000,000	2003.11.05 - 2006.11.04	4.94%	Credit
	30,000,000	2003.12.09 - 2006.12.09	4.94%	Credit
China Minsheng Bank Corp Ltd. Fuzhou Branch	10,000,000	2003.12.15 - 2006.12.15	4.94%	Credit
	100,000,000	2003.12.29 - 2006.12.29	4.94%	Credit
China Merchants Bank, Nanchang Branch	50,000,000	2004.06.23 - 2007.06.22	4.94%	Credit
	50,000,000	2003.12.29 - 2006.12.29	4.94%	Credit
China Minsheng Bank 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
Industrial and Commercial Bank of China, Datong Branch	22,000,000	2000.02.23 - 2007.02.18	7.49%	Pledged
	11,000,000	2000.02.23 - 2005.02.18	7.49%	Pledged
Total	2,708,110,000			

The guaranteed loans were all guaranteed by JCC. Please refer to Note 42 (5) (c) for details.

For the categories and amount of assets pledged for the secured loans, please refer to Note 15 for detail.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2004
(Prepared in accordance with PRC GAAP and regulations)

26. Long-term payables

Items	Group 31 December 2004 RMB	Group 31 December 2003 RMB
Long-term payables	41,171,000	43,041,000
Less: Long-term payable due within 1 year	1,870,000	1,870,000
Long-term payables due after 1 year	39,301,000	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.

27. Paid-in capital

The change of share capital of the Company from 1 January to 31 December 2004 is as follows:

	31 December 2004 and 31 December 2003 (shares)
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

No changes of share capital of the Company during year 2003. The face value of the above shares is RMB1.00.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2004
(Prepared in accordance with PRC GAAP and regulations)

28. Capital reserves

The change of capital reserves from 1 January to 31 December 2004 is as follows:

	Group		
	1 January 2004 RMB	Additions RMB	31 December 2004 RMB
Share premium	1,292,633,979	—	1,292,633,979
Revaluation reserve	113,063	—	113,063
Specific government grant transferred in (Note 1)	84,000,000	—	84,000,000
Other transfer (Note 2)	—	1,400,000	1,400,000
	1,376,747,042	1,400,000	1,378,147,042

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

	Group		
	1 January 2003 RMB	Additions RMB	31 December 2003 RMB
Share premium	1,292,633,979	—	1,292,633,979
Revaluation reserve	113,063	—	113,063
Specific government grant transferred in (Note 1)	—	84,000,000	84,000,000
	1,292,747,042	84,000,000	1,376,747,042

Note 1: Amount represents government grant reclassified when Guixi phase III project is completed.

Note 2: Amount represents government grant reclassified when specific environment protection projects are completed.

29. Surplus reserves

The change of surplus reserves of the Company from 1 January to 31 December 2004 is as follows:

	Group			
	Statutory surplus reserve RMB	Discretionary surplus reserve RMB	Statutory public welfare fund RMB	Total RMB
At 1 January 2004	149,750,619	280,081,326	117,836,691	547,668,636
Current year's appropriations	116,537,069	229,070,168	116,531,426	462,138,663
Current year's usage of statutory public welfare fund (Note)	—	30,602,662	(30,602,662)	—
At 31 December 2004	266,287,688	539,754,156	203,765,455	1,009,807,299

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

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2004
(Prepared in accordance with PRC GAAP and regulations)

29. Surplus reserves (Continued)

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

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

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.

30. Cash dividend proposed after the balance sheet date

	Year ended 31 December 2004 RMB	Year ended 31 December 2003 RMB
At 1 January	319,684,584	79,921,146
Less: Dividend paid	319,684,584	79,921,146
Add: Cash dividend for the current year proposed after the balance sheet date	319,684,584	319,684,584
At 31 December	319,684,584	319,684,584

Cash dividend distribution for year 2003 was approved by annual general meeting in May 2004 and was all paid to the shareholders in year 2004.

The board of directors proposed to issue cash dividend of RMB0.12 per share (RMB0.12 in 2003) to all the shareholders, which is subject to be approved by next annual general meeting.

31. Unappropriated profits

(1) Appropriation of statutory surplus reserve

Pursuant to the Provision 177 of Company Law and the Company's Article of Association, 10% of net profit (10% in 2003) is appropriated as statutory surplus reserve.

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

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2004
(Prepared in accordance with PRC GAAP and regulations)

31. Unappropriated profits (Continued)

(2) Appropriation to statutory public welfare fund

Pursuant to the Provision 177 of Company Law and the Company's Article of Association, the board of directors proposed to appropriate 10% of the current year's net profit (10% in 2003) as statutory public welfare fund, which is subject to be approved by next annual general meeting.

(3) Appropriation to discretionary surplus reserve

The board of directors proposed to appropriate 20% of the current year's net profit (15% in 2003) as discretionary surplus reserve, which is subject to be approved by next annual general meeting.

(4) Proposed dividend

Detail please refer to Note 30.

32. Revenue

Revenue by products	Group Year ended 31 December 2004 RMB	Group Year ended 31 December 2003 RMB
Cathode copper	4,924,209,095	3,509,714,710
Gold	1,088,773,992	946,619,809
Copper rods and wires	3,416,820,275	—
Other (Silver, Sulphuric acid, etc.)	995,493,217	626,162,354
Tolling services	201,976,943	338,393,911
	10,627,273,522	5,420,890,784

Geographical Segments	Group Year ended 31 December 2004 RMB	Group Year ended 31 December 2003 RMB
PRC	9,851,880,136	4,852,103,592
India	—	25,019,365
Hong Kong	441,549,528	162,599,750
Taiwan	192,683,145	291,094,587
South Korea	123,668,365	69,524,852
Others	17,492,348	20,548,638
	10,627,273,522	5,420,890,784

Total sales of the five largest customers RMB	Percentage in total sales %
4,229,206,000	39.8

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2004
(Prepared in accordance with PRC GAAP and regulations)

33. Cost of sales

	Group Year ended 31 December 2004 RMB	Group Year ended 31 December 2003 RMB
Cost of domestic sales	8,068,902,648	3,812,471,637
Cost of export sales	587,490,522	496,176,025
	8,656,393,170	4,308,647,662

34. Sales taxes

	Group Year ended 31 December 2004 RMB	Group Year ended 31 December 2003 RMB
Resource tax	35,609,015	35,369,509
City construction tax and education fee	2,157,603	421,028
	37,766,618	35,790,537

35. Other operating profit (loss)

	Group Year ended 31 December 2004 RMB	Group Year ended 31 December 2003 RMB
Sales of auxiliary materials and spare parts		
— Revenue	171,998,315	73,194,101
— Expenses	(167,232,477)	(70,154,128)
	4,765,838	3,039,973
Sales of water and electricity		
— Revenue	71,599,122	52,257,640
— Expenses	(60,352,237)	(45,486,689)
	11,246,885	6,770,951
Gain (loss) on forward contract	49,684,137	(61,513,550)
Others	15,910,306	12,356,876
	81,607,166	(39,345,750)

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2004
(Prepared in accordance with PRC GAAP and regulations)

36. Financial costs

	Group Year ended 31 December 2004 RMB	Group Year ended 31 December 2003 RMB
Interest expenses	199,517,593	162,305,114
Less: Interest income	3,790,002	1,860,086
Exchange loss (gain)	337,865	(507,653)
Others	5,125,085	4,351,014
	201,190,541	164,288,389

37. Investment income (loss)

Group	Year ended 31 December 2004 RMB	Year ended 31 December 2003 RMB
Short-term investment income:		
Loss on share investment	(896,973)	(1,657,872)
Long-term investment income		
Profits declared by investee under cost method	241,392	—
Amortization of long-term equity investment difference	(183,871)	(91,935)
Impairment loss of long term investment	(10,552,676)	—
	(11,392,128)	(1,749,807)

Company	Year ended 31 December 2004 RMB	Year ended 31 December 2003 RMB
Short-term investment income:		
Loss on share investment	(897,200)	(1,657,872)
Long-term investment income		
Share of investee's profit recognized under equity method	19,248,925	2,285,120
Amortization of long-term equity investment difference	(183,871)	(91,935)
Impairment loss of long term investment	(10,552,676)	—
	7,615,178	535,313

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2004
(Prepared in accordance with PRC GAAP and regulations)

38. Non-operating expenses

	Year ended 31 December 2004 RMB	Year ended 31 December 2003 RMB
Education expenditures	14,702,460	16,336,529
Donation	3,000,000	—
Loss on disposal of fixed assets	92,451,996	—
Provision for impairment on fixed assets	4,699,700	15,033,458
Others	9,589,256	1,146,308
	124,443,412	32,516,295

39. Income tax

	Group 31 December 2004 RMB	Group 31 December 2003 RMB
Income tax for the year (Note 1)	189,263,176	81,898,370
Additional tax paid in respect of the prior year (note 2)	1,125,223	—
Income tax deductible (Note 3)	(76,398,774)	(52,512,093)
Income tax of subsidiaries	2,972,048	(285,424)
	116,961,673	29,100,853

Note 1: The income tax of RMB189,263,176 which is calculated based on taxable income.

Note 2: This represents additional income tax of RMB1,125,223 payment for the year 2003 according to tax verification report issued by the local tax bureau.

Note 3: Pursuant to a notice issued jointly by the Ministry of Finance and the State Tax Bureau (Cai Shui Zi [2000] No.49) and written approval from the state tax bureau of Jiangxi Province, the unutilized tax benefit in respect to the purchase of domestic machinery and equipment for the year 2002 and 2003 is RMB 30,258,738 and RMB 21,461,936 respectively, and the tax benefit for 2004 is RMB 24,678,100, which are deductible from income tax for the year 2004 and the subsequent years. For the year ended 31 December 2004, the income tax payable of the Company exceeds the amount of income tax for the year 2001, 2002 and 2003, therefore all the approved amount of exemption from income tax for 2002, 2003 and 2004 is allowed to be used for the exemption of the income tax of current year. By 31 December 2004, the tax benefit for the year 2002, 2003 and 2004 is fully utilized in current year.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2004
(Prepared in accordance with PRC GAAP and regulations)

40. Acquisition of subsidiary

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

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

	RMB
Current assets	16,393,253
Fixed assets	112,553,357
Intangible asset	30,690,379
Current liabilities	(53,832,102)
Long-term liability	(33,000,000)
Net assets	72,804,887
Minority interests	(39,345,945)
The Company's share of net assets (45.957%)	33,458,942
Equity investment difference	1,541,058
Total	35,000,000
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

The operating results of the subsidiary for the period from the effective date of acquisition to 31 December 2004 are as follows:

	From the effective date of acquisition to 31 December 2004 RMB
Revenue	18,580,014
Profit from operations	1,724,057
Profit before tax	(5,296,834)
Net profit	(5,296,834)

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2004
(Prepared in accordance with PRC GAAP and regulations)

41. Cash paid relating to other operating activities

	Group Year ended 31 December 2004 RMB	Group Year ended 31 December 2003 RMB
Amount paid in respect of operating expenses and general and administrative expenses	243,522,720	190,408,200
Non-operating expenses paid	27,291,716	17,482,837
Other expenses paid	134,595,181	36,861,645
	405,409,617	244,752,682

42. Related party relationships and transactions

- (1) Related parties who can exercise control over the Company (except subsidiary companies mentioned in note (4))

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	31 December 2003 and 2004 RMB
JCC	3,896,060,000

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

Name	31 December 2003 and 31 December 2004 RMB	%
JCC	1,275,556,200	47.9

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2004
(Prepared in accordance with PRC GAAP and regulations)

42. Related party relationships and 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 mentioned above and 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 year:

	Year ended 31 December 2004 RMB'000	Year ended 31 December 2003 RMB'000
Transactions with JCC and its affiliates:		
Tolling fee and sales fee charged by the Group (note (c))	123,945	263,692
Sale of copper cathode and sulphuric acid by the Group (note(a))	650,536	415,304
Sales of auxiliary industrial products by the Group (note(a))	109,156	72,131
Sale of waste, filter residue and black cement copper by the Group (note(a))	7,086	5,311
Purchase of copper concentrates by the Group (note(a))	179,549	110,191
Purchase of scrap copper by the Group (note(b))	1,012,751	497,215
Purchase of blister copper by the Group (note (a))	26,631	—
Purchase of auxiliary industrial Products by the Group (note(a))	306,928	224,411
License fee on railway transportation charged to the Group (note(b))	7,170	7,200
Railway transportation services provided to the Group (note(a))	11,911	11,976
Rental for land use rights charged to the Group (note(c))	15,000	15,000
Rentals for office premises charged to the Group(note(c))	3,521	3,626
Rentals for housing for the employees and use of common facilities charged to the Group (note(b))	13,988	14,761
Repair and maintenance service provided to the Group (note(a))	122,798	104,267
Equipment maintenance and machinery processing services provided to the Group((note(b))	738	—
Construction service provided to the Group (note(a))	127,699	101,787

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2004
(Prepared in accordance with PRC GAAP and regulations)

42. Related party relationships and 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 Xinxin and Hubei Sanxin in current year: (Continued)

	Year ended 31 December 2004 RMB'000	Year ended 31 December 2003 RMB'000
Vehicle transportation service provided to the Group (note(a))	76,582	62,365
Proceeds on disposal of property, plant and equipment received by the Group (at carrying amount)	—	839
Supply of water and transmission of electricity by the Group(note(b))	53,876	44,623
Electricity supply provided to the Group (note (b))	7,647	—
Industrial water supplied to the Group (note(b))	18,880	19,671
Brokerage agency service provided to the Group (note(a))	7,953	3,048
Environmental greenery services provided to the Group (note(b))	6,279	7,034
Rentals for office premises provided by the Group (note (c))	56	56
Processing fee of blister (scrap) copper charged by the Group (note (c))	4,451	1,036
Sales of raw copper sulphate by the Group (note (c))	54,026	14,050
Sales of low oxygen copper rods and wire and processing of copper cathode into copper rods and wires by the Group (note (c))	108,532	120,278
Purchase of gold and silver-bearing materials by the Group (note (c))	45,241	27,985
Purchase of copper cathode by the Group (note (a))	271,322	127,751
Agency fee for development and sale of gases paid by the Group (note (c))	—	2,434
Sale of gases by the Group (note (a))	3,038	1,557
Operation management services expenses borne by the Group (note (c))	2,912	2,290
Net book value of property, plant and equipment exchange with JCC (note c)	—	3,010

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2004
(Prepared in accordance with PRC GAAP and regulations)

42. Related party relationships and 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 Xinxin and Hubei Sanxin in current year: (Continued)

	Year ended 31 December 2004 RMB'000	Year ended 31 December 2003 RMB'000
Social welfare and support services provided to the Group(note(b))		
— Welfare and medical services	52,689	47,478
— Primary and secondary education service	10,237	12,411
— Technical education service	4,465	3,926
— Internal telecommunications services	3,394	1,352
— Use of representative offices	3,304	2,808
Transactions with other two promoter shareholders		
Sales of copper cathode to Jiangxi Xinxin (note(a))	396,836	235,353
Sale of low oxygen copper rods and wires to Jiangxi Xinxin by the Group(note a)	6,809	1,801
Tolling fee received from Hubei Sanxin (note(a))	11,607	12,605
Purchase of copper concentrates from Hubei Sanxin (note(a))	27,477	30,864
Interest income from Hubei Sanxin (note (a))	573	905

Notes:

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

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2004
(Prepared in accordance with PRC GAAP and regulations)

42. Related party relationships and transactions (Continued)

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

(B) Amount due from or to related parties

Account	Name of related parties	31 December 2004 RMB	31 December 2003 RMB
Accounts receivable	JCC and its affiliates	4,590,209	13,134,458
Other receivables	JCC and its affiliates	20,604,543	873,627
Prepayments	JCC and its affiliates Hubei Sanxin	14,473,133 8,683,367	14,916,504 10,000,000
		48,351,252	38,924,589
Notes payable	JCC and its affiliates	—	50,000
Accounts payable	JCC and its affiliates	24,249,585	12,546,799
Advance from customers	JCC and its affiliates Jiangxi Xinxin	4,870,579 11,263	8,239,561 —
Other payables	JCC and its affiliates	153,008,653	92,074,677
Long-term payables within one year (Note)	JCC and its affiliates	1,870,000	1,870,000
Long-term payables (Note)	JCC and its affiliates	39,301,000	41,171,000
		223,311,080	155,952,037

Note: Please refer to Note 26 for details on long-term payables and long-term payables due within one year.

Except items with specific notes, all payables are free of interest with no fixed payment schedule.

(C) Guarantee

Up to 31 December 2004, the Company has long-term bank loan of RMB126,710,000 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 RMB58,543,000 (2003: RMB53,293,000).

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2004
(Prepared in accordance with PRC GAAP and regulations)

43. Commitments

(1) Capital commitments

	2004 RMB'000	2003 RMB'000
Capital expenditure contracted for but not provided in the financial statements:		
— Commitment for acquisition of assets	192,296	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:

	2004 RMB'000	2003 RMB'000
The minimum lease payments under non-cancelable operating leases:		
Within one year	15,806	15,806
In the second year	15,806	15,806
In the third year	15,806	15,806
Over three years	320,470	336,276
Total	367,888	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.

44. Forward contracts

At the balance sheet date, the unrealized loss on the outstanding forward copper contracts amounted to approximately RMB105,396,000(2003: RMB70,510,000).

45. Subsequent events

- (1) In January 2005, a minute was made by the Company's board of directors' meeting to set up a joint venture named Jiangxi Copper Alloy Company Limited ("JCAC") (江西銅業銅合金有限公司) with JCC. The paid-in capital of JCAC amounts to RMB199,500,000. The Company will invest RMB119,700,000 representing 60% of the equity. JCAC will be engaged in the manufacturing of copper and copper alloy rods and wires.
- (2) In January 2005, the Company invested HK\$27,500,000 to a joint venture enterprise named Sure Spread Limited ("Sure Spread") in Hong Kong. The paid-in capital of Sure Spread amounts to HK\$50,000,000 and 55% of the equity is owned by the Company. Sure Spread mainly engaged in foreign trading and relevant technical service.

Supplemental Information

FOR THE YEAR ENDED 31 DECEMBER 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 RMB1,143,501,000 and RMB6,076,843,000 respectively according to PRC GAAP. These figures can be reconciled to that under IFRS as follows:

	Net profit For the year ended 31 December 2004 RMB'000	Net assets at 31 December 2004 RMB'000
Per PRC GAAP	1,143,501	6,076,843
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	6,000	(79,400)
— Unrealized loss on forward copper contracts which should be booked in other operating profit under IFRS	(41,362)	(41,362)
Per IFRS	1,108,139	5,956,081

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

Reporting profit	2004			
	Return on net assets (%)		Earning per share (RMB)	
	Fully diluted	Weighted average	Fully diluted	Weighted average
Profit from principal operations	31.81	34.12	0.73	0.73
Operating profits	23.16	24.84	0.53	0.53
Net profit	18.82	20.19	0.43	0.43
Net profit excluding non-recurring items	19.95	21.40	0.46	0.46

Supplemental Information

FOR THE YEAR ENDED 31 DECEMBER 2004
(Prepared in accordance with PRC GAAP and regulations)

3. Impairment loss on assets at 31 December 2004

Item	At 1 January 2004		Acquired on acquisition of Diaoquan Silver and Copper		Addition Group and Company		Write-back		Write-off		At 31 December 2004	
	Group RMB	Company RMB	Group RMB	Company RMB	Group RMB	Company RMB	Group RMB	Company RMB	Group RMB	Company RMB	Group RMB	Company RMB
1. Bad debt provision	109,430,212	104,846,163	2,826,813	42,146,947	33,904,426	29,320,376	8,996,831	8,996,831	111,502,715	108,675,903		
Including: Accounts receivable	82,486,661	78,438,036	—	16,858,778	4,785,280	275,777	2,924,013	3,384,891	91,636,146	91,636,146		
Other receivables	26,943,551	26,408,127	2,826,813	25,288,169	29,119,146	29,044,599	6,072,818	5,611,940	19,866,569	17,039,757		
2. Impairment loss on short-term investments	207,785	207,785	—	959,574	—	—	207,785	207,785	959,574	959,574		
Including: Stock investments	207,785	207,785	—	959,574	—	—	207,785	207,785	959,574	959,574		
3. Impairment loss on inventory	1,618,667	1,618,667	—	—	867,565	867,565	—	—	751,102	751,102		
Including: Raw material	1,618,667	1,618,667	—	—	867,565	867,565	—	—	751,102	751,102		
4. Impairment loss on long-term investment	—	—	—	10,552,676	—	—	—	—	10,552,676	10,552,676		
Including: Stock investment	—	—	—	5,610,000	—	—	—	—	5,610,000	5,610,000		
Equity investment difference	—	—	—	4,942,676	—	—	—	—	4,942,676	4,942,676		
5. Impairment loss on fixed assets	15,033,458	15,033,458	—	4,699,700	—	—	15,033,458	15,033,458	4,699,700	4,699,700		
Including: Buildings	217,413	217,413	—	—	—	—	217,413	217,413	—	—		
Equipment and machinery	8,729,621	8,729,621	—	4,699,700	—	—	8,729,621	8,729,621	4,699,700	4,699,700		
Vehicles	6,086,424	6,086,424	—	—	—	—	6,086,424	6,086,424	—	—		

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

Items in statement of income and profits appropriation:

Sales and cost of sales:

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

Auditors' Report

(Prepared in accordance with IFRS)



To the shareholders of Jiangxi Copper company limited

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

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

Respective responsibilities of directors and auditors

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

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

Basis of opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2004 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

10 March 2005

Consolidated Income Statement

FOR THE YEAR ENDED 31 DECEMBER 2004
(Prepared in accordance with IFRS)

	NOTES	2004 RMB'000	2003 RMB'000
Turnover	4	10,627,274	5,420,891
Cost of sales and services	5	(8,688,160)	(4,342,161)
Gross profit		1,939,114	1,078,730
Other operating income	6	41,364	33,799
Distribution costs		(84,827)	(61,977)
Administrative expenses		(326,417)	(246,002)
Other operating expenses	7	(136,822)	(104,489)
Profit from operations	8	1,432,412	700,061
Finance costs	9	(199,517)	(162,413)
Profit before taxation		1,232,895	537,648
Taxation	11	(116,962)	(29,101)
Profit after taxation		1,115,933	508,547
Minority interests		(7,794)	(3,304)
Net profit for the year		1,108,139	505,243
Appropriations:			
Transfer to reserves	12	(462,139)	(176,857)
Profit for the year, retained		646,000	328,386
Dividends	13	319,685	319,685
Basic earnings per share	14	RMB0.416	RMB0.190

Consolidated Balance Sheet

AT 31 DECEMBER 2004

(Prepared in accordance with IFRS)

	NOTES	2004 RMB'000	2003 RMB'000
Non-current assets			
Property, plant and equipment	15	6,865,228	6,756,431
Goodwill	16	—	3,586
Other assets	17	128,041	102,134
Other investments	19	10,000	15,610
		7,003,269	6,877,761
Current assets			
Inventories	20	2,925,771	2,307,655
Trade and other receivables	21	1,046,069	598,868
Marketable securities	22	6,282	7,232
Bank balances and cash		287,436	306,138
		4,265,558	3,219,893
Current liabilities			
Trade and other payables	24	961,415	872,581
Taxation payable		63,291	7,692
Bank borrowings - amounts due within one year	27	1,961,491	1,340,051
		2,986,197	2,220,324
Net current assets		1,279,361	999,569
		8,282,630	7,877,330
Capital and reserves			
Share capital	28	2,664,038	2,664,038
Reserves		3,292,042	2,503,588
		5,956,080	5,167,626
Minority interests		195,539	148,423
Non-current liabilities			
Bank borrowings - amounts due after one year	27	2,091,710	2,520,110
Other payable - amount due after one year	30	39,301	41,171
		2,131,011	2,561,281
		8,282,630	7,877,330

The financial statements on pages 99 to 134 were approved and authorised for issue by the Board of Directors on 10 March 2005 and are signed on its behalf by:

He Changming
DIRECTOR

Wong Chiwei
DIRECTOR

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 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 31 December 2003 and 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 year	—	—	—	—	—	—	—	1,108,139	1,108,139
Dividends paid - 2003 final	—	—	—	—	—	—	—	(319,685)	(319,685)
Appropriations to reserves	—	—	—	—	116,537	116,532	229,070	(462,139)	—
Transfer	—	—	—	—	—	(30,603)	30,603	—	—
At 31 December 2004	2,664,038	1,281,696	70,546	(92,506)	266,286	203,765	539,755	1,022,500	5,956,080

Consolidated Cash Flow Statement

FOR THE YEAR ENDED 31 DECEMBER 2004
(Prepared in accordance with IFRS)

	NOTE	2004 RMB'000	2003 RMB'000
Operating activities			
Profit before taxation		1,232,895	537,648
Adjustments for:			
Allowance for bad and doubtful debts		12,578	1,036
Amortisation of goodwill		184	92
Amortisation of other assets		4,783	3,997
Depreciation of property, plant and equipment		457,387	414,856
(Gain) loss on disposal of marketable securities		(63)	1,663
Loss on disposal of property, plant and equipment		97,152	14,809
Interest expense		199,517	162,413
Interest income		(3,790)	(3,682)
Impairment loss recognised in respect of goodwill		4,943	—
Impairment loss recognised in respect of other investments		5,610	—
Unrealised loss (gain) on marketable securities		960	(6)
Operating cash flows before movements in working capital		2,012,156	1,132,826
Increase in inventories		(612,607)	(778,499)
Increase in trade and other receivables		(458,564)	(205,849)
Increase in trade and other payables		55,481	198,779
Cash generated by operations		996,466	347,257
Income tax paid		(65,242)	(20,655)
Net cash from operating activities		931,224	326,602
Investing activities			
Proceeds on disposal of property, plant and equipment		1,325	2,865
Interest received		3,790	3,682
Proceeds on disposal of marketable securities		10,143	57,758
Purchase of property, plant and equipment		(550,547)	(581,434)
Acquisition of a subsidiary	31	(25,330)	(24,064)
Purchase of marketable securities		(10,090)	(65,948)
Net cash used in investing activities		(570,709)	(607,141)
Financing activities			
New borrowings raised		2,753,409	2,654,788
Capital contribution by minority shareholder of a subsidiary		60	30,000
Repayment of bank borrowings		(2,608,569)	(2,081,748)
Dividend paid by the Company		(319,685)	(79,921)
Interest paid		(202,478)	(192,003)
Repayment of other payable		(1,870)	(1,870)
Dividend paid by a subsidiary to minority shareholder		(84)	(68)
Net cash (used in) from financing activities		(379,217)	329,178
Net (decrease) increase in cash and cash equivalents		(18,702)	48,639
Cash and cash equivalents at beginning of the year		306,138	257,499
Cash and cash equivalents at end of the year, representing bank balances and cash		287,436	306,138

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 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") on 24 January 1997. In the opinion of the directors, its ultimate holding company is Jiangxi Copper Corporation ("JCC").

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

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

2. Potential impact arising from the recently issued accounting standards

In 2004, the International Accounting Standards Board issued a number of new or revised International Financial Reporting Standards ("IFRS") which are effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new IFRS in the financial statements for the year ended 31 December 2004.

The Group has commenced considering the potential impact of these new IFRS but is not yet in a position to determine whether these IFRS would have a significant impact on how its results of operations and financial position are prepared and presented. These IFRS may result in changes in the future as to how the results and financial position are prepared and presented.

3. Significant accounting policies

The financial statements have been prepared under the historical cost convention, except for the revaluation of certain financial instruments at fair value, and in accordance with IFRS.

In the current year, the Group has adopted, for the first time, the accounting treatment of IFRS 3 "Business combinations" to business combinations for which the agreement date is on or after 31 March 2004 and has also adopted, for the first time, International Accounting Standard ("IAS") 36 (Revised) "Impairment of assets" and IAS 38 (Revised) "Intangible assets" for goodwill and intangible assets acquired through 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 those 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 required 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 of cost less accumulated impairment losses. Under IFRS 3, goodwill is not amortised and instead must be tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired. The adoption of IFRS 3, IAS 36 (Revised) and IAS 38 (Revised) have had no material effect on the results for the current or prior accounting period. Accordingly, no prior period adjustment has been made.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2004
(Prepared in accordance with IFRS)

3. Significant accounting policies (Continued)

The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and enterprises controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets, liabilities and contingent liabilities on the date of acquisition is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets, liabilities and contingent liabilities on the date of acquisition (i.e. discount on acquisition) is credited to profit and loss in the period of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised.

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

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

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

Investments in subsidiaries

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

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

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of a subsidiary at the date of acquisition. Goodwill is recognised as an asset and reviewed for impairment at least annually. Any impairment is recognised immediately in income and is not subsequently reversed.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually and whenever there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

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

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

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2004
(Prepared in accordance with IFRS)

3. Significant accounting policies (Continued)

Revenue recognition

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

Service income is recognised when services are provided.

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

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

Commodity sales contracts

Revenue from contracts that are entered into and continue to meet the Group's expected sale requirements designated for that purpose at their inception, and are expected to be settled by physical delivery, are recognised in the financial statements as and when they are delivered into.

Property, plant and equipment

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

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

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

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

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

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

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

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2004
(Prepared in accordance with IFRS)

3. Significant accounting policies (Continued)

Trademark

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

Mining rights

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

Inventories

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

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

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

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

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amount of its tangible and intangible assets (excluding goodwill acquired in business combinations with agreement date on or after 31 March 2004) to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

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

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

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2004
(Prepared in accordance with IFRS)

3. Significant accounting policies (Continued)

Financial instruments

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

Trade receivables

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

Investments in securities

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

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

Bank borrowings

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

Trade payables

Trade payables are stated at their nominal value.

Equity instruments

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

Commodity derivatives

The Group engages in activities using derivatives related to copper prices; these activities are not formally designated as hedges, and, as such, are accounted for as financial instruments held-for-trading.

Derivatives are initially measured at cost including associated transaction costs. Subsequently, these instruments are remeasured to their fair value.

Commodity derivative contracts are marked-to-market at each balance sheet date, and any changes in their fair values are included in gains or losses on derivative financial instruments.

Provisions

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

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2004
(Prepared in accordance with IFRS)

3. Significant accounting policies (Continued)

Government subsidy

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

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

Taxation

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

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

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

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

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

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

Research and development expenditure

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

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

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

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

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2004
(Prepared in accordance with IFRS)

3. Significant accounting policies (Continued)

Restoration, rehabilitation and environmental expenditure

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

Exploration and development expenditure

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

Retirement benefits schemes

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

Borrowing costs

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

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

Operating leases

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

Foreign currency translation

The Group maintains its books and records in Renminbi.

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

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2004
(Prepared in accordance with IFRS)

4. Turnover and segment information

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

	2004 RMB'000	2003 RMB'000
Business segments		
Sales of goods	10,425,297	5,082,497
Tolling services	201,977	338,394
	10,627,274	5,420,891

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

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

5. Cost of sales and services

The cost of sales and services includes amount of approximately RMB867,000 (2003: RMB2,277,000) relating to a reversal of allowance made to write down spare parts inventories to estimated net realisable value.

6. Other operating income

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

	2004 RMB'000	2003 RMB'000
Net income on sales of auxiliary and other materials	24,476	19,849
Net gain on derivative financial instruments	4,260	—
Interest income from banks	3,790	1,977
Other interest income	—	1,705
Others	8,838	10,268
	41,364	33,799

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2004
(Prepared in accordance with IFRS)

7. Other operating expenses

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

	2004 RMB'000	2003 RMB'000
Loss on disposals of property, plant and equipment	97,152	14,809
General education	14,702	16,337
Impairment loss recognised in respect of other investments	5,610	—
Donations	3,085	20
Net loss on derivative financial instruments	—	61,514
Others	16,273	11,809
	136,822	104,489

8. Profit from operations

	2004 RMB'000	2003 RMB'000
Profit from operations has been arrived at after charging:		
Allowance for bad and doubtful debts	12,578	1,036
Amortisation of goodwill (note a)	184	92
Amortisation of mining rights and trademark (note a)	4,783	3,997
Auditors' remuneration	2,762	2,918
Depreciation of property, plant and equipment (note b)	457,387	414,856
Impairment loss recognised in respect of goodwill (note a)	4,943	—
Impairment loss recognised in respect of other investments (note c)	5,610	—
Licence fee on railway transportation	7,170	7,200
Minimum lease payments under operating leases in respect of:		
— land use rights	15,806	15,806
— machinery and vehicles	3,120	3,120
— office premises	3,504	3,608
— staff quarters and use of common facilities (note d)	20,065	22,320
Exploration and development expenses	6,213	5,237
Restoration, rehabilitation and environmental expenses	63,405	47,319
Staff costs, including directors' and supervisors' remuneration (note d)	423,845	378,535
Unrealised loss on marketable securities	960	—

Notes:

- (a) The amount was included in administrative expenses.
- (b) Depreciation of approximately RMB450,337,000 (2003: RMB409,435,000) and approximately RMB7,050,000 (2003: RMB5,421,000) were included in cost of sales and services and administrative expenses respectively.
- (c) The amount was included in other operating expenses.
- (d) The amount was also included in staff costs disclosed above.
- (e) There were approximately 13,800 employees as at 31 December 2004 (2003: 13,400 employees).

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2004
(Prepared in accordance with IFRS)

9. Finance costs

	2004 RMB'000	2003 RMB'000
Interest on borrowings wholly repayable within five years	202,478	176,048
Interest on borrowings not wholly repayable within five years	—	15,955
Total borrowing costs	202,478	192,003
Less: Amount included in the cost of qualifying assets	(2,961)	(29,590)
	199,517	162,413

The capitalisation rate for general borrowings during the year was 5.3% (2003: 5.7%).

10. Directors' and supervisors' remuneration

	2004 RMB'000	2003 RMB'000
Directors		
Fees:		
Executive	—	—
Independent non-executive	80	80
	80	80
Other emoluments (executive directors):		
Salaries and other benefits	2,731	1,581
Performance related bonus	360	38
Retirement benefits scheme contributions	127	443
	3,218	2,062
	3,298	2,142
Supervisors		
Fees		
	—	—
Other emoluments:		
Salaries and other benefits	1,154	759
Performance related bonus	—	70
Retirement benefits scheme contributions	91	212
	1,245	1,041
	1,245	1,041

The five highest paid individuals of the Group were all executive directors. Emoluments of each of the directors and supervisors are less than RMB1,000,000 for the years ended 31 December 2004 and 2003.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2004
(Prepared in accordance with IFRS)

11. Taxation

	2004 RMB'000	2003 RMB'000
Domestic income tax		
Current tax	115,656	29,101
Underprovision in prior year	1,306	—
	116,962	29,101

Pursuant to the Provisional Regulation of the PRC on enterprise income tax promulgated by the State Council on 26 November 1993, with effect from 1 January 1994, all PRC domestic enterprises are subject to a unified income tax rate of 33% on their taxable profits.

Pursuant to a notice dated 16 April 2001 issued by the Jiangxi Provincial Tax Bureau, the Company, being located in the mid-western part of the PRC, is subject to a reduced income tax rate of 15% for a period of three years from year 2002 to year 2004. Pursuant to a notice dated 13 September 2004 issued by the Jiangxi Provincial Tax Bureau, the Company is subject to a reduced income tax rate of 15% for a further period of three years from 2005 to year 2007.

Pursuant to a notice dated 14 January 2000 issued jointly by the Ministry of Finance and the State Tax Bureau, which was also subsequently confirmed by the Company with the Jiangxi Provincial Tax Bureau, the Company, being a Sino-foreign joint venture joint stock limited company, is entitled to a tax benefit ("Tax Benefit"), which is calculated as 40% of the current year's additions of PRC produced plant and equipment for production use. The Tax Benefit is, however, limited to the amount of increase in enterprise income tax for the current year in which the plant and equipment are acquired as compared with the tax amount of the preceding year. The portion of the Tax Benefit that is not utilised can be carried forward for future application for a period of not more than five years from the year in which the plant and equipment are acquired. The Tax Benefit not utilised as at 31 December 2003 amounted to RMB49.7 million (2004: Nil).

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

	2004 RMB'000	2003 RMB'000
Profit before tax	1,232,895	537,648
Tax at the domestic rates of 33% for the Group	406,855	176,551
Reduction of income tax in respect of reduced income tax rate of 15% for the Company	(229,842)	(96,656)
Tax effect of income that is not taxable in determining current year taxable profit	(3,223)	(455)
Tax effect of expenses that are not deductible in determining current year taxable profit	15,886	1,820
Tax effect of the allowance for doubtful debts that is not deductible in determining current year taxable profit	574	196
Tax effect of the reversal of allowance to write down inventories to net realisable values that is not recognised as deferred tax asset	(130)	(342)
Tax effect of the write-down of property, plant and equipment that is not recognised as deferred tax asset	705	499
Reduction of income tax in respect of the Tax Benefit	(76,399)	(52,512)
Underprovision in prior year	1,306	—
Tax loss of a subsidiary not recognised	1,230	—
Taxation	116,962	29,101

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2004
(Prepared in accordance with IFRS)

11. Taxation (Continued)

At 31 December 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 bad and doubtful debts of approximately RMB113 million (2003: RMB109 million) could be deducted in determining taxable profits in the future. Accordingly, the potential deferred tax asset of approximately RMB17 million (2003: RMB16 million) has not been recognised in the financial statements.

At 31 December 2004, the Group has unused tax losses of approximately RMB 4 million in respect of a subsidiary acquired during the year available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of the subsidiary's future profit streams.

12. Transfer to reserves

	2004 RMB'000	2003 RMB'000
The amount represents transfer to:		
Statutory surplus reserve	116,537	50,539
Statutory public welfare fund	116,532	50,532
Discretionary surplus reserve	229,070	75,786
	462,139	176,857

The amounts transferred to statutory surplus reserve and statutory public welfare fund for the year by the Company and JCPC (see note 18) are each based on 10% (2003: 10%) of the net profit for the year, prepared in accordance with the PRC accounting standards. The amount transferred to discretionary surplus reserve for the year by the Company is based on 20% (2003: 15%) of the Company's net profit for the year, prepared in accordance with the PRC accounting standards.

The amounts transferred to statutory surplus reserve and statutory public welfare fund for the year by Xiaoshan Tongda (see note 18) are based on 10% (2003: 10%) and 5% (2003: 5%) respectively of the subsidiary's net profit for the year, prepared in accordance with the PRC accounting standards. No appropriation was made by the remaining subsidiaries during the year as they were having losses carried forward.

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

13. Dividends

	2004 RMB'000	2003 RMB'000
Proposed final dividend of RMB0.12 (2003: RMB0.12) per share	319,685	319,685

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.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2004
(Prepared in accordance with IFRS)

13. Dividends (Continued)

The directors propose to distribute a final dividend of RMB0.12 per share (tax inclusive for A Shares) for the year ended 31 December 2004. Total estimated dividend to be paid is approximately RMB319,685,000 (based on the existing issued 2,664,038,200 shares).

Dividends for the existing 1,156,482,000 H Shares will be paid on or before 9 June 2005 to the shareholders on the register of shareholders of H Shares of the Company on 27 April 2005.

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

This dividend is subject to approval by the shareholders at the annual general meeting to be convened on 20 May 2005.

14. Basic earnings per share

The calculation of basic earnings per share for the year is based on the net profit for the year of RMB1,108,139,000 (2003: RMB505,243,000) and on 2,664,038,200 shares (2003: 2,664,038,200 shares) outstanding during the year.

No diluted earnings per share have been presented as these were no dilutive potential ordinary shares in issue in either 2004 and 2003.

15. Property, plant and equipment

	Land and buildings RMB'000	Plant, machinery and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
THE GROUP					
COST					
At 1 January 2004	4,009,593	6,474,622	979,111	494,254	11,957,580
Additions	216	734	1,300	551,258	553,508
Acquisition of a subsidiary	93,157	18,276	1,120	—	112,553
Effect of government subsidy (note 25)	—	(1,400)	—	—	(1,400)
Reclassifications	218,193	153,101	155,157	(526,451)	—
Disposals/write off	(14,989)	(346,887)	(208,943)	—	(570,819)
At 31 December 2004	4,306,170	6,298,446	927,745	519,061	12,051,422
DEPRECIATION AND IMPAIRMENT					
At 1 January 2004	1,087,916	3,466,417	646,816	—	5,201,149
Provided for the year	164,573	242,036	50,778	—	457,387
Eliminated on disposals	(5,613)	(284,047)	(182,682)	—	(472,342)
At 31 December 2004	1,246,876	3,424,406	514,912	—	5,186,194
CARRYING AMOUNT					
At 31 December 2004	3,059,294	2,874,040	412,833	519,061	6,865,228
At 31 December 2003	2,921,677	3,008,205	332,295	494,254	6,756,431

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2004
(Prepared in accordance with IFRS)

15. Property, plant and equipment (Continued)

	Land and buildings RMB'000	Plant, machinery and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
THE COMPANY					
COST					
At 1 January 2004	3,966,789	6,427,812	976,422	330,869	11,701,892
Additions	—	—	971	547,127	548,098
Effect of government subsidy (note 25)	—	(1,400)	—	—	(1,400)
Reclassifications	198,057	142,288	21,044	(361,389)	—
Transfer to a subsidiary	—	—	—	(563)	(563)
Disposals/write off	(14,989)	(346,887)	(208,943)	—	(570,819)
At 31 December 2004	4,149,857	6,221,813	789,494	516,044	11,677,208
DEPRECIATION AND IMPAIRMENT					
At 1 January 2004	1,087,322	3,464,422	646,799	—	5,198,543
Provided for the year	159,816	232,518	43,559	—	435,893
Eliminated on disposals	(5,613)	(284,047)	(182,682)	—	(472,342)
At 31 December 2004	1,241,525	3,412,893	507,676	—	5,162,094
CARRYING AMOUNT					
At 31 December 2004	2,908,332	2,808,920	281,818	516,044	6,515,114
At 31 December 2003	2,879,467	2,963,390	329,623	330,869	6,503,349

Included in construction in progress of the Group and the Company is net interest capitalised of approximately RMB3,954,000 (2003: RMB8,055,000).

	THE GROUP		THE COMPANY	
	2004	2003	2004	2003
	RMB'000	RMB'000	RMB'000	RMB'000
The land and buildings are situated on State-owned land in the PRC with rights to use the land obtained by:				
- the Group (note a)	131,585	42,210	—	—
- JCC (note b)	2,686,246	2,660,586	2,686,245	2,660,586
- other (note c)	241,463	218,881	222,087	218,881
	3,059,294	2,921,677	2,908,332	2,879,467

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2004
(Prepared in accordance with IFRS)

15. Property, plant and equipment (Continued)

Notes:

- (a) The lease terms of the land use rights ranged from 35 to 42 years as at 31 December 2004.
- (b) Pursuant to a lease agreement dated 30 April 1997, the Company leases from JCC the rights to use the land for a fixed term of 30 years, subject to the right of the Company to renew for a further term of 5 years, at an annual rental of approximately RMB15,000,000.
- (c) Pursuant to a lease agreement, the Company leases the rights to use the land for a term of 50 years commencing from 1 January 2002, at an annual rental of approximately RMB806,000.

16. Goodwill

	THE GROUP RMB'000
COST	
At 1 January 2004	3,678
Arising on acquisition of a subsidiary	1,541
At 31 December 2004	5,219
AMORTISATION AND IMPAIRMENT	
At 1 January 2004	92
Provided for the year	184
Impairment loss recognised in the year	4,943
At 31 December 2004	5,219
CARRYING AMOUNT	
At 31 December 2004	—
At 31 December 2003	3,586

Goodwill is amortised over its estimated useful life. The foreseeable life of the goodwill arising on acquisition of a subsidiary is 10 years. During the year, the directors reviewed the carrying amount of goodwill and considered that the recoverable amount is minimal due to the subsidiaries continuing operating loss. Accordingly, an amount of RMB4,943,000 was recognised as impairment loss to write off the carrying value of the goodwill in the financial statements.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2004
(Prepared in accordance with IFRS)

17. Other assets

	Mining rights RMB'000	Trademark RMB'000	Total RMB'000
THE GROUP			
COST			
At 1 January 2004	76,453	51,684	128,137
Acquisition of a subsidiary	30,690	—	30,690
At 31 December 2004	107,143	51,684	158,827
AMORTISATION			
At 1 January 2004	13,963	12,040	26,003
Provided for the year	3,063	1,720	4,783
At 31 December 2004	17,026	13,760	30,786
CARRYING AMOUNT			
At 31 December 2004	90,117	37,924	128,041
At 31 December 2003	62,490	39,644	102,134
THE COMPANY			
COST			
At 1 January 2004 and 31 December 2004	76,453	51,684	128,137
AMORTISATION			
At 1 January 2004	13,963	12,040	26,003
Provided for the year	2,277	1,720	3,997
At 31 December 2004	16,240	13,760	30,000
CARRYING AMOUNT			
At 31 December 2004	60,213	37,924	98,137
At 31 December 2003	62,490	39,644	102,134

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

In 2003, the Company acquired the mining right (excluding mining rights to resources beneath the minus-400-metre level) of the Wushan Copper Mine from JCC. According to the mining right certificate, the Company has the right to mine in the Wushan Copper Mine for a period of 50 years.

In 2004, the Company acquired the mining right through acquisition of a subsidiary, Diaquan (see note 18). According to the mining right certificate, Diaquan has the right to mine for a period of 3 years. In the opinion of the directors, the respective mining right certificate will be renewed continuously until the end of the mine's estimated useful life of approximately 20 years.

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

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2004
(Prepared in accordance with IFRS)

18. Investments in subsidiaries

	THE COMPANY	
	2004 RMB'000	2003 RMB'000
Unlisted investments, at cost	210,600	175,600

Details of the Company's principal subsidiaries at 31 December 2004 are as follows:

Name of subsidiary	Paid up/ registered capital	Place of establishment and operation	Proportion of nominal value of issued ordinary share capital/registered capital held by the Company		Principal activities
			Directly	Indirectly	
蕭山銅達化工有限公司 ("Xiaoshan Tongda")	RMB1,000,000	PRC*	60%	—	Trading of sulphuric acid
Jiangxi Copper Products Company Limited ("JCPC")	RMB225,000,000	PRC*	60%	—	Manufacturing and processing of copper rods and wires
四川康西銅業有限責任公司 ("Kangtong")	RMB100,000,000	PRC*	40%**	—	Refining copper concentrate to produce blister copper
山西省刁泉銀銅礦業 有限公司 ("Diaoquan")	RMB76,157,900	PRC*	45.957%**	—	Sales of copper materials, precious metal materials and sulphuric concentrate powder
西昌安寧金屬回收 有限公司("Anning")	RMB300,000	PRC*	—	80%	Reclaim and sales of scrap iron and copper

* Established as limited liability company in the PRC.

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

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2004
(Prepared in accordance with IFRS)

19. Other investments

	THE GROUP		THE COMPANY	
	2004 RMB'000	2003 RMB'000	2004 RMB'000	2003 RMB'000
COST				
At 1 January	15,610	5,610	5,610	5,610
Arising on acquisition of a subsidiary	—	10,000	—	—
At 31 December	15,610	15,610	5,610	5,610
ACCUMULATED IMPAIRMENT LOSS				
Impairment losses for the year and balance at 31 December	5,610	—	5,610	—
CARRYING AMOUNT				
At 31 December	10,000	15,610	—	5,610

The amount represents unquoted equity investments, the fair value of which cannot be reliably determined. They are stated at cost and subject to a test for impairment loss. During the year, the directors reviewed the carrying amount of other investments and considered that the recoverable amount of an unquoted equity investment is minimal due to its continuing operating loss. Accordingly, an amount of RMB5,610,000 was recognised as impairment loss to write off the carrying value of their other investment in the financial statements.

20. Inventories

	THE GROUP		THE COMPANY	
	2004 RMB'000	2003 RMB'000	2004 RMB'000	2003 RMB'000
Auxiliary materials and consumable supplies	137,904	88,112	58,477	68,751
Spare parts	319,720	336,885	301,419	336,885
Work in progress	2,088,275	1,734,451	2,082,737	1,734,451
Finished goods	379,872	148,207	355,531	76,454
	2,925,771	2,307,655	2,798,164	2,216,541

The balance of inventories of the Group and the Company at 31 December 2004 includes spare parts of approximately RMB14,528,000 (2003: RMB12,908,000) which are carried at net realisable value.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2004
(Prepared in accordance with IFRS)

21. Trade and other receivables

	THE GROUP		THE COMPANY	
	2004 RMB'000	2003 RMB'000	2004 RMB'000	2003 RMB'000
Trade receivables - third parties	268,848	283,689	135,228	157,186
Other receivables - third parties	726,410	286,483	645,443	254,828
Amounts due from JCC and its affiliates - trade (note)	47,348	28,596	44,061	17,785
Amount due from minority shareholder of a subsidiary (note)	3,463	100	—	—
Amounts due from subsidiaries (note)	—	—	35,485	26,017
	1,046,069	598,868	860,217	455,816

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

	THE GROUP		THE COMPANY	
	2004 RMB'000	2003 RMB'000	2004 RMB'000	2003 RMB'000
Trade receivables				
Within one year	262,714	273,862	129,103	147,389
Between one to two years	5,506	4,777	5,497	4,749
Between two to three years	628	5,050	628	5,048
	268,848	283,689	135,228	157,186
Amounts due from JCC and its affiliates - trade				
Within one year	47,330	28,596	44,043	17,785
Between one to two years	18	—	18	—
	47,348	28,596	44,061	17,785

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

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

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

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2004
(Prepared in accordance with IFRS)

22. Marketable securities

	THE GROUP		THE COMPANY	
	2004 RMB'000	2003 RMB'000	2004 RMB'000	2003 RMB'000
Fair value at 31 December	6,282	7,232	5,862	7,232

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

23. Other financial assets

Bank balances and cash

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

Credit risk

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

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

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

24. Trade and other payables

	THE GROUP		THE COMPANY	
	2004 RMB'000	2003 RMB'000	2004 RMB'000	2003 RMB'000
Trade payables - third parties	237,847	545,370	207,487	489,764
Other payables - third parties	539,558	203,818	493,293	196,244
Amounts due to JCC and its affiliates - trade (note)	182,140	120,828	179,856	111,400
Amount due to JCC - other (note 30)	1,870	1,870	1,870	1,870
Amounts due to minority shareholders of a subsidiary (note)	—	695	—	—
Amount due to a subsidiary (note)	—	—	40,513	—
	961,415	872,581	923,019	799,278

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2004
(Prepared in accordance with IFRS)

24. Trade and other payables (Continued)

The aged analysis of trade payables and amounts due to JCC and its affiliates (excluding the other payable as set out in note 30) are as follows:

	THE GROUP		THE COMPANY	
	2004 RMB'000	2003 RMB'000	2004 RMB'000	2003 RMB'000
Trade payables				
Within one year	231,736	532,888	201,918	478,311
Between one to two years	3,103	3,462	3,094	3,454
Between two to three years	770	4,019	320	3,569
Over three years	2,238	5,001	2,155	4,430
	237,847	545,370	207,487	489,764

Amounts due to JCC and its affiliates - trade

	THE GROUP		THE COMPANY	
	2004 RMB'000	2003 RMB'000	2004 RMB'000	2003 RMB'000
Within one year	181,691	120,691	179,407	111,263
Between one to two years	346	12	346	12
Between two to three years	—	13	—	13
Over three years	103	112	103	112
	182,140	120,828	179,856	111,400

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

25. Government subsidy received

	THE GROUP AND THE COMPANY	
	2004 RMB'000	2003 RMB'000
Balance at 1 January	—	84,000
Recognised during the year	1,400	—
Utilisation to reduce the carrying amount of the relevant project (note 15)	(1,400)	(84,000)
Balance at 31 December	—	—

The amount in 2004 represents the government subsidy received for financing various projects. These projects were completed during the year.

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

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2004
(Prepared in accordance with IFRS)

26. Other financial liabilities

Trade and other payables

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

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

27. Bank borrowings

	THE GROUP		THE COMPANY	
	2004 RMB'000	2003 RMB'000	2004 RMB'000	2003 RMB'000
Long term bank loans	2,708,110	2,853,110	2,675,110	2,853,110
Short term bank loans	1,345,091	1,007,051	1,077,591	857,051
	4,053,201	3,860,161	3,752,701	3,710,161
Less: Amount due within one year included under current liabilities	(1,961,491)	(1,340,051)	(1,682,991)	(1,190,051)
Amount due after one year	2,091,710	2,520,110	2,069,710	2,520,110
Analysed as:				
— secured	142,500	40,000	—	—
— unsecured	3,910,701	3,820,161	3,752,701	3,710,161
	4,053,201	3,860,161	3,752,701	3,710,161
Bank borrowings are repayable as follows:				
Within one year	1,961,491	1,340,051	1,682,991	1,682,991
Between one to two years	693,000	605,400	693,000	693,000
Between two to five years	1,376,710	1,637,710	1,376,710	1,376,710
Over five years	22,000	277,000	—	277,000
	4,053,201	3,860,161	3,752,701	3,752,701

The bank and other borrowings carry interest at rates ranging from 3.5% to 7.5% (2003: 2.1% to 6.0%) per annum. Majority of the bank borrowings are in Renminbi.

At 31 December 2004, bank borrowings amounting to approximately RMB126,710,000 (2003: RMB154,710,000) were supported by guarantees from JCC.

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

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2004
(Prepared in accordance with IFRS)

28. Share capital

	Registered, issued and fully paid 2004 & 2003 RMB'000
Share of RMB1 each	
Balance comprises:	
— 1,277,556,200 Domestic Shares	1,277,556
— 1,156,482,000 H Shares	1,156,482
— 230,000,000 A Shares	230,000
	2,664,038

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

29. Reserves

	Share premium RMB'000	Capital reserve RMB'000	Other reserve RMB'000	Statutory surplus reserve RMB'000	Statutory public welfare fund RMB'000	Discretionary surplus reserve RMB'000	Accumulated profits RMB'000	Total RMB'000
THE COMPANY								
At 1 January 2003	1,281,696	70,546	(92,506)	99,174	67,286	204,197	447,417	2,077,810
Net profit for the year	—	—	—	—	—	—	503,152	503,152
Dividends paid - 2002 final	—	—	—	—	—	—	(79,921)	(79,921)
Appropriations to reserves	—	—	—	50,524	50,524	75,786	(176,834)	—
At 1 January 2004	1,281,696	70,546	(92,506)	149,698	117,810	279,983	693,814	2,501,041
Net profit for the year	—	—	—	—	—	—	1,102,085	1,102,085
Dividends paid - 2003 final	—	—	—	—	—	—	(319,685)	(319,685)
Appropriations to reserves	—	—	—	114,535	114,535	229,070	(458,140)	—
Transfer	—	—	—	—	(30,603)	30,603	—	—
At 31 December 2004	1,281,696	70,546	(92,506)	264,233	201,742	539,656	1,018,074	3,283,441

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

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

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2004
(Prepared in accordance with IFRS)

29. Reserves (Continued)

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

Statutory public welfare fund represents the appropriation of profit after taxation according to the requirements of the Company's and its subsidiaries' Articles of Association and the Companies Law in the PRC. According to the requirements, the Company and its subsidiaries each transfers 5% to 10% of profit after taxation calculated in accordance with PRC accounting standards and regulations which in aggregate amounted to approximately RMB116,532,000 for the year (2003: RMB50,532,000) to the statutory public welfare fund. The fund can only be utilised for capital expenditure on employees' collective welfare facilities and cannot be used in staff welfare expenses. Such employee welfare facilities are owned by the Company and its subsidiaries. The statutory public welfare fund is not distributable to shareholders other than in liquidation. In year 2004, approximately RMB30,603,000 (2003: nil) had been utilised by the Company for capital expenditure on employees' collective welfare facilities and the amount had been transferred to discretionary surplus reserve.

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

Pursuant to the Company's Articles of Association, the amount available for the purpose of profit distribution will be deemed to be the lesser of (a) the net after-tax profit determined in accordance with PRC accounting standards and regulations and (b) the net after-tax profit determined in accordance with IFRS. However, the Articles of Association permit the Company to distribute dividends only after making up past losses and making allocations to the statutory reserve funds. The Company's reserve available for distribution as at 31 December 2004 was RMB1,030,874,844 (2003: RMB663,171,886) which represents accumulated profits as at 31 December 2004 determined in accordance with PRC accounting standards.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2004
(Prepared in accordance with IFRS)

30. Other payable

	THE GROUP AND THE COMPANY	
	2004 RMB'000	2003 RMB'000
Portion bearing interest at 5.3% (2003: 5.3%) per annum, due within one year included as amount due to JCC - other under current liabilities (note 24)	1,870	1,870
Non-interest bearing portion, due after one year	39,301	41,171
	41,171	43,041

The amount is repayable as follows:

Within one year	1,870	1,870
Between one to two years	1,870	1,870
Between two to five years	5,610	5,610
After five years	31,821	33,691
	41,171	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 paid during the year amounted to approximately RMB99,000 (2003: RMB99,000).

31. Acquisition of a subsidiary

On 16 June 2004, the Group acquired a 45.957% equity interest of Diaquan for cash consideration of RMB35,000,000. Diaquan contributed approximately RMB1.1 million to the revenue and a loss of RMB2.9 million to the net profit of the Group for the period from the date of acquisition to 31 December 2004. If the acquisition had been effective from 1 January 2004, the revenue and net profit of the Group would have been RMB10,628 million and RMB1,106 million respectively. The pro forma information is presented for illustrative purposes only is not necessarily an indicative revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2004, nor is it intended to be a projection of future results.

On 1 October 2003, the Group acquired 40% equity interest of Kangtong for cash consideration of RMB40,000,000. Kangtong contributed approximately RMB68.2 million of revenue and an insignificant amount of net profit for the period from the date of acquisition to 31 December 2003.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2004
(Prepared in accordance with IFRS)

31. Acquisition of a subsidiary (Continued)

Both the above transactions have been accounted for by the purchase method of accounting.

	2004 RMB'000 <i>(Note a)</i>	2003 RMB'000
Net assets acquired:		
Property, plant and equipment	112,553	91,863
Other assets	30,690	—
Other investments	—	10,000
Inventories	5,509	18,278
Trade and other receivables	1,215	20,979
Bank balances and cash	9,670	15,936
Trade and other payables	(34,753)	(26,251)
Taxation payable	(3,879)	—
Bank borrowings	(48,200)	(40,000)
Minority interests	(39,346)	(54,483)
	33,459	36,322
Goodwill (Note b)	1,541	3,678
	35,000	40,000
Satisfied by cash	35,000	40,000
Net cash outflow arising on acquisition:		
Cash consideration	35,000	40,000
Bank balances and cash acquired	(9,670)	(15,936)
	25,330	24,064

Notes:

- a. In the opinion of the directors, the carrying amounts of assets, liabilities and contingent liabilities of Diaquan at the date of acquisition approximate their fair values.
- b. The goodwill is attributable to the synergies expected to arise after the Group's acquisition of Diaquan.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2004
(Prepared in accordance with IFRS)

32. Related party transactions

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

	2004 RMB'000	2003 RMB'000
(i) Transactions with JCC and its affiliates:		
Sale of copper cathode and sulphuric acid by the Group (note a)	650,536	415,304
Sale of raw copper sulphate by the Group (note c)	54,026	14,050
Tolling fee and sales fee charged by the Group (note c)	123,945	263,692
Processing fee of blister (scrap) copper charged by the Group (note c)	4,451	1,036
Sale of waste, filter residue and black cement copper by the Group (note a)	7,086	5,311
Sale of auxiliary industrial products by the Group (note a)	109,156	72,131
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)	108,532	120,278
Purchase of copper concentrates by the Group (note a)	179,549	110,191
Purchase of blister copper by the Group (note a)	26,631	—
Purchase of scrap copper by the Group (note b)	1,012,751	497,215
Purchase of auxiliary industrial products by the Group (note a)	306,928	224,411
Purchase of gold and silver-bearing materials by the Group (note c)	45,241	27,985
Purchase of copper cathode by the Group (note c)	271,322	127,751
Brokerage agency services provided to the Group (note a)	7,953	3,048
Construction services provided to the Group (note a)	127,699	101,787
Environmental greenery services provided to the Group (note b)	6,279	7,034
Industrial water supplied to the Group (note b)	18,880	19,671
Licence fee on railway transportation charged to the Group (note b)	7,170	7,200
Railway transportation services provided to the Group (note a)	11,911	11,976
Rentals for office premises received by the Group (note c)	56	56
Rentals for housing for the employees and use of common facilities charged to the Group (note b)	13,988	14,761
Rental for land use rights charged to the Group (note c)	15,000	15,000
Rentals for office premises charged to the Group (note c)	3,521	3,626
Repair and maintenance services provided to the Group (note a)	122,798	104,267
Retirement benefits contributions paid by the Group (note b)	58,543	53,293
Sale of gases by the Group (note a)	3,038	1,557
Agency fee for development and sale of gases paid by the Group (note c)	—	2,434
Social welfare and support services provided to the Group (note b)		
— welfare and medical services	52,689	47,478
— primary and secondary education services	10,237	12,411
— technical education services	4,465	3,926
— internal telecommunications services	3,394	1,352
— use of representative offices	3,304	2,808
Supply of water and transmission of electricity by the Group (note b)	53,876	44,623
Electricity supply provided to the Group (note b)	7,647	1,506
Vehicle transportation services provided to the Group (note a)	76,582	62,365
Equipment maintenance and machinery processing services provided to the Group (note b)	738	—
Operation management services expenses borne by the Group (note c)	2,912	2,290
Proceeds on disposal of property, plant and equipment received by the Group (at carrying amount)	—	839
Net book value of property, plant and equipment exchanged with JCC (note c)	—	3,010

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2004
(Prepared in accordance with IFRS)

32. Related party transactions (Continued)

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

The Company entered into a processing agreement with JCC dated 3 September 2001 whereby the Company was appointed on an exclusive basis to process copper concentrates, blister copper and scrap copper imported by JCC into copper cathode and to arrange for the sales and distribution of such copper cathode in the PRC. On 25 May 2004, the Company entered into a new processing agreement with JCC. The new processing agreement was entered under substantially same terms and conditions as the processing agreement dated 3 September 2001. The directors of the Company are of a view that the entering into of the processing agreement may indirectly result in JCC being engaged in a business likely to be in competition with those of the Company and may result in JCC breaching the terms and conditions of the letter of undertaking dated 22 May 1997 by JCC (the "Undertaking") and the asset injection agreement dated 26 May 1997 entered into between JCC and the Company (the "Injection Agreement"). However, the directors of the Company are of a view that the processing agreement has already built in a mechanism to minimise its competing effect and that the processing agreement is in the best interest of the Company and its independent shareholders. Accordingly, the Company did not enforce against JCC for any breach of the terms and conditions of the Undertaking and the Injection Agreement arising out of the processing agreement or to take any other action against JCC. The ordinary resolution for such authorisation was passed at the extraordinary general meeting of the Company held on 23 October 2001.

On 27 September 2004, the Company entered into an agreement with JCC to acquire operating assets and related liabilities of the Chengmen Shan Mine and the mining right thereof from JCC at the aggregate consideration of RMB378,188,600 (subject to adjustment). Details of the acquisitions and the connected transactions are set out in the circular of the Company dated 12 October 2004 and approved by the shareholders at an extraordinary general meeting held on 26 November 2004.

On 26 November 2004, the Company entered into the Consolidated Industrial Services Agreement, the Consolidated Supply Agreement and the Consolidated Miscellaneous Services Agreement ("New Agreements") with JCC for a term commencing from 1 January 2005 to 31 December 2007. The New Agreements superseded the Consolidated Supply Agreement, the Consolidated Industrial Services Agreement and the Consolidated Miscellaneous Services Agreement dated 19 January 2001 and consolidated the Sale Agreement dated 3 April 2003, Purchase Agreement for blister copper dated 28 November 2003 and Processing Agreement for Blister (scrap) copper dated 28 November 2003. Details of the connected transactions are set out in the circular of the Company dated 7 December 2004 and approved by the shareholders at the extraordinary general meeting of the Company held on 20 January 2005.

During the year ended 31 December 2003, JCPC was informed by JCC that JCC was transferring its 40% interest in JCPC to a wholly-owned subsidiary, 江西銅業集團銅材有限公司 ("JXPC"). Such transfer would become effective upon the relevant registration procedures with the relevant governmental authorities being completed.

On 28 November 2003, the Company entered into a joint venture capital increase agreement ("JV Capital Increase Agreement") with JCC and JXPC, pursuant to which the Company, JCC and JXPC agreed to increase the registered capital of JCPC from RMB150,000,000 to RMB225,000,000 by an additional registered capital in the amount of RMB75,000,000. The Company and JCC/JXPC invested a sum of RMB45,000,000 and RMB30,000,000 respectively in cash during the year ended 31 December 2003, which is in accordance with the respective shareholdings held by the Company and JCC in JCPC, as additional capital contribution to JCPC according to the JV Capital Increase Agreement.

On 28 November 2003, as a result of the change of shareholder and capital increase in JCPC, the Company and JXPC entered into a supplemental agreement to amend the JV Agreement to reflect, inter alia, the change in the shareholder and the registered capital of JCPC. JCPC is now owned as to 60% by the Company and 40% by JXPC. Details of the above are set out in the circular of the Company dated 22 December 2003 and approved by the shareholders at the extraordinary general meeting of the Company held on 15 January 2004.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2004
(Prepared in accordance with IFRS)

32. Related party transactions (Continued)

(ii) Transactions with the promoters of the Company:

	2004 RMB'000	2003 RMB'000
Sales of copper cathode to Jiangxi Xinxin (note a)	396,836	235,353
Sale of low oxygen copper rods and wires to Jiangxi Xinxin by the Group (note a)	6,809	1,801
Tolling fee received from Hubei Sanxin (note a)	11,607	12,605
Purchase of copper concentrates from Hubei Sanxin (note a)	27,477	30,864

In addition, the Group had made prepayment to Hubei Sanxin as at 31 December 2004 in respect of the purchase of copper concentrates amounting to RMB10,000,000 (2003: RMB10,000,000). Interest charged by the Group during the year in respect of the prepayment amounted to approximately RMB573,000 (2003: approximately RMB905,000). Interest was determined with reference to the terms of the relevant agreement (including amendments thereto).

Notes:

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

33. Pledge of assets

The Group

At 31 December 2004, property, plant and equipment and inventories of approximately RMB56,637,000 (2003: RMB22,360,000) and RMB25,803,000 (2003: RMB16,705,000) respectively and mining right of RMB29,905,000 (2003: Nil) were pledged to secure certain of the Group's bank borrowings.

34. Operating lease commitments

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

	THE GROUP AND THE COMPANY	
	2004 RMB'000	2003 RMB'000
Within one year	15,806	15,806
In the second to fifth year inclusive	63,224	63,224
After five years	288,858	304,664
	367,888	383,694

The above amounts mainly represent commitments under the non-cancellable operating leases in respect of land use rights as described in note 15 (b),(c).

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2004
(Prepared in accordance with IFRS)

35. Capital commitments

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

	THE GROUP		THE COMPANY	
	2004 RMB'000	2003 RMB'000	2004 RMB'000	2003 RMB'000
Commitments for the acquisition of property, plant and equipment:				
— contracted for but not provided in the financial statements	192,296	216,129	192,296	216,129
— authorised but not contracted for	1,146,710	877,040	1,146,710	877,040
	1,339,006	1,093,169	1,339,006	1,093,169
An analysis of the capital commitments is as follows:				
— Expansion projects	1,306,805	1,060,702	1,306,805	1,060,702
— Exploration projects	24,430	24,428	24,430	24,428
— Other general projects	7,771	8,039	7,771	8,039
	1,339,006	1,093,169	1,339,006	1,093,169

36. Derivative financial instruments

The Group and the Company enters into certain transactions with derivative financial instruments for the purpose of fixing prices and price ranges for its copper cathode and gold.

At the balance sheet date, the Group and the Company had outstanding commodity derivative contracts in relation to copper cathode, details of which are as follows:

	THE GROUP		THE COMPANY	
	2004	2003	2004	2003
Quantities (in tonnes)	69,290	30,240	65,590	30,240
Average price per tonne (RMB)	26,904	20,394	26,881	20,394
Delivery period	From January 2005 to April 2005	From February 2004 to August 2004	From January 2005 to April 2005	From February 2004 to August 2004

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2004
(Prepared in accordance with IFRS)

36. Derivative financial instruments (Continued)

At the balance sheet date, the Group and the Company had outstanding commodity derivative contracts in relation to gold, details of which are as follows:

	THE GROUP AND THE COMPANY	
	2004	2003
Quantities (in gram)	1,130,000	—
Average price per gram (RMB)	117	—

37. Retirement benefits schemes

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

The total cost charged to the income statement of approximately RMB60,415,370 (2003: RMB54,723,000) represents contribution payable to the schemes by the Group at rates specified in the rules of the schemes.

38. Events after balance sheet date

On 25 January 2005, the Company entered into a joint venture agreement (the "JV Agreement") with JCC to establish a Sino-foreign equity joint venture (the "JV Company") to engage in the manufacturing of copper and copper alloy rods and wires. Pursuant to the JV Agreement, the JV Company will be contributed as to RMB119,700,000 by the Company and as to RMB79,800,000 by JCC. The JV Company will be owned as to 60% by the Company and 40% by JCC.

39. Differences between IFRS and PRC accounting standards and regulations as applicable to the group

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

	2004 RMB'000	2003 RMB'000
Net assets as per consolidated balance sheet prepared under IFRS	5,956,080	5,167,626
Different accounting treatment in respect of government subsidy	79,400	84,000
Different accounting treatment in respect of derivative financial instruments	41,362	—
Net assets as per consolidated balance sheet prepared under PRC accounting standards and regulations	6,076,842	5,251,626
Net profit as per consolidated income statement prepared under IFRS	1,108,139	505,243
Different accounting treatment in respect of depreciation relating to government subsidy	(6,000)	—
Different accounting treatment in respect of derivative financial instruments	41,362	—
Net profit as per consolidated income statement prepared under PRC accounts standards and regulations	1,143,501	505,243

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

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2004
(Prepared in accordance with IFRS)

40. Balance sheet of the company

	NOTES	2004 RMB'000	2003 RMB'000
Non-current assets			
Property, plant and equipment	15	6,515,114	6,503,349
Other assets	17	98,137	102,134
Investments in subsidiaries	18	210,600	175,600
Other investments	19	—	5,610
		6,823,851	6,786,693
Current assets			
Inventories	20	2,798,164	2,216,541
Trade and other receivables	21	860,217	455,816
Marketable securities	22	5,862	7,232
Bank balances and cash		229,283	255,397
		3,893,526	2,934,986
Current liabilities			
Trade and other payables	24	923,019	799,278
Taxation payable		54,877	5,990
Bank and borrowings - amount due within one year	27	1,682,991	1,190,051
		2,660,887	1,995,319
Net current assets			
		1,232,639	939,667
		8,056,490	7,726,360
Capital and reserves			
Share capital	28	2,664,038	2,664,038
Reserves	29	3,283,441	2,501,041
		5,947,479	5,165,079
Non-current liabilities			
Bank borrowings - amount due after one year	27	2,069,710	2,520,110
Other payable - amount due after one year	30	39,301	41,171
		2,109,011	2,561,281
		8,056,490	7,726,360