



BALANCE SHEET

At 30 June 2005

(Prepared in accordance with PRC GAAP and regulations)

| ASSETS | Notes | 30 June 2005 (unaudited) | | 31 December 2004 (audited) | |
|--|-------|--------------------------|-----------------------|----------------------------|----------------|
| | | Group RMB | Company RMB | Group RMB | Company RMB |
| CURRENT ASSETS: | | | | | |
| Bank balances and cash | 5 | 996,693,972 | 673,353,754 | 287,436,358 | 229,283,234 |
| Current investments | 6 | 6,511,699 | 6,161,699 | 6,282,021 | 5,862,011 |
| Notes receivable | 7 | 141,648,009 | 118,789,084 | 75,619,896 | 53,023,525 |
| Accounts receivable | 8 | 279,507,694 | 105,801,641 | 212,781,875 | 95,508,850 |
| Other receivables | 9 | 260,851,851 | 237,800,377 | 307,269,537 | 261,649,074 |
| Prepayments | 10 | 133,166,930 | 124,553,781 | 482,636,975 | 443,819,369 |
| Inventories | 11 | 2,948,215,346 | 2,813,614,999 | 2,925,770,949 | 2,798,163,949 |
| TOTAL CURRENT ASSETS | | 4,766,595,501 | 4,080,075,335 | 4,297,797,611 | 3,887,310,012 |
| LONG-TERM INVESTMENTS: | | | | | |
| Long-term equity investments | 12 | 10,000,000 | 436,229,947 | 10,000,000 | 227,142,741 |
| FIXED ASSETS: | | | | | |
| Fixed assets - cost | 13 | 11,702,466,984 | 11,249,089,270 | 11,704,787,915 | 11,252,600,071 |
| Less: Accumulated depreciation | 13 | 5,508,891,158 | 5,390,981,740 | 5,274,519,995 | 5,169,429,540 |
| Fixed assets - net | | 6,193,575,826 | 5,858,107,530 | 6,430,267,920 | 6,083,170,531 |
| Less: Impairment | 13 | 4,699,700 | 4,699,700 | 4,699,700 | 4,699,700 |
| Fixed assets - net book value | 13 | 6,188,876,126 | 5,853,407,830 | 6,425,568,220 | 6,078,470,831 |
| Fixed assets under construction | 14 | 820,128,343 | 761,471,607 | 519,773,923 | 516,757,003 |
| TOTAL FIXED ASSETS | | 7,009,004,469 | 6,614,879,437 | 6,945,342,143 | 6,595,227,834 |
| INTANGIBLE ASSETS AND OTHER ASSETS: | | | | | |
| Intangible assets | 15 | 125,244,982 | 96,137,884 | 128,041,361 | 98,136,519 |
| TOTAL ASSETS | | 11,910,844,952 | 11,227,322,603 | 11,381,181,115 | 10,807,817,106 |



BALANCE SHEET

At 30 June 2005

(Prepared in accordance with PRC GAAP and regulations)

| LIABILITIES AND SHAREHOLDERS' EQUITY | Notes | 30 June 2005 (unaudited) | | 31 December 2004 (audited) | |
|--|-------|--------------------------|-----------------------|----------------------------|----------------|
| | | Group RMB | Company RMB | Group RMB | Company RMB |
| CURRENT LIABILITIES: | | | | | |
| Short-term loans | 16 | 965,778,543 | 750,778,543 | 1,345,090,866 | 1,077,590,866 |
| Notes payable | 17 | 4,980,000 | 4,980,000 | — | — |
| Accounts payable | 18 | 312,551,129 | 237,717,704 | 264,335,988 | 233,201,334 |
| Advances from customers | | 104,462,967 | 96,676,346 | 150,404,843 | 143,364,607 |
| Salaries and wages payable | | 2,096,524 | — | 1,742,272 | — |
| Employee benefits payable | | 1,318,646 | 395,164 | 1,294,535 | 378,650 |
| Taxes payable | 19 | 264,898,679 | 249,837,025 | 147,491,709 | 129,126,929 |
| Other fees payable | 20 | 32,675,914 | 32,630,832 | 34,739,290 | 34,581,170 |
| Other payables | 21 | 473,990,396 | 448,522,362 | 408,356,979 | 392,600,525 |
| Accrued expenses | 22 | 2,000,000 | 2,000,000 | 2,000,000 | 2,000,000 |
| Long-term liabilities due within one year | 23 | 819,270,000 | 808,270,000 | 618,270,000 | 607,270,000 |
| Total current liabilities | | 2,984,022,798 | 2,631,807,976 | 2,973,726,482 | 2,620,114,081 |
| LONG-TERM LIABILITIES: | | | | | |
| Long-term loans | 24 | 1,833,710,000 | 1,811,710,000 | 2,091,710,000 | 2,069,710,000 |
| Long-term payables | 25 | 38,366,000 | 38,366,000 | 39,301,000 | 39,301,000 |
| Total long-term liabilities | | 1,872,076,000 | 1,850,076,000 | 2,131,011,000 | 2,109,011,000 |
| TOTAL LIABILITIES | | 4,856,098,798 | 4,481,883,976 | 5,104,737,482 | 4,729,125,081 |
| MINORITY INTERESTS | | 314,821,354 | — | 199,601,038 | — |
| SHAREHOLDERS' EQUITY: | | | | | |
| Paid-in capital | 26 | 2,664,038,200 | 2,664,038,200 | 2,664,038,200 | 2,664,038,200 |
| Capital reserves | 27 | 1,378,347,042 | 1,378,347,042 | 1,378,147,042 | 1,378,147,042 |
| Surplus reserves | 28 | 1,009,807,299 | 1,005,631,939 | 1,009,807,299 | 1,005,631,939 |
| Including: Statutory public welfare fund | 28 | 203,765,455 | 201,710,102 | 203,765,455 | 201,710,102 |
| Cash dividend proposed after the balance sheet date | | | — | 319,684,584 | 319,684,584 |
| Unappropriated profits | | 1,687,732,259 | 1,697,421,446 | 705,165,470 | 711,190,260 |
| TOTAL SHAREHOLDERS' EQUITY | | 6,739,924,800 | 6,745,438,627 | 6,076,842,595 | 6,078,692,025 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | | 11,910,844,952 | 11,227,322,603 | 11,381,181,115 | 10,807,817,106 |

The accompanying notes are part of the financial statements.



STATEMENT OF INCOME AND PROFITS APPROPRIATION

For the period ended 30 June 2005

(Prepared in accordance with PRC GAAP and regulations)

| ASSETS | Notes | Six months period ended 30 June | | | |
|--|-------|---------------------------------|----------------|------------------|----------------|
| | | 2005 (unaudited) | | 2004 (unaudited) | |
| | | Group RMB | Company RMB | Group RMB | Company RMB |
| Revenue | 29 | 6,907,669,330 | 6,509,317,355 | 4,848,909,909 | 4,611,855,878 |
| Less: Cost of Sales | 30 | 5,167,050,162 | 4,837,638,338 | 4,025,670,608 | 3,825,165,503 |
| Sales tax | 31 | 19,706,091 | 18,306,620 | 18,478,160 | 17,633,425 |
| Gross profit | | 1,720,913,077 | 1,653,372,397 | 804,761,141 | 769,056,950 |
| Add: Other operating profit | 32 | (232,766,467) | (215,478,868) | 192,904,490 | 190,126,642 |
| Less: Operating expenses | | 41,066,751 | 23,997,909 | 32,514,015 | 23,452,059 |
| General and administrative expenses | | 178,748,447 | 165,455,602 | 139,661,121 | 131,221,510 |
| Financial costs | 33 | 97,375,235 | 91,462,879 | 98,630,104 | 94,593,851 |
| Profit from operation | | 1,170,956,177 | 1,156,977,139 | 726,860,391 | 709,916,172 |
| Add: Investment (loss) income | 34 | (304,860) | 8,675,593 | (11,575,047) | 2,622,109 |
| Non-operating income | | 1,412,635 | 1,385,969 | 210,870 | 210,870 |
| Less: Non-operating expenses | 35 | 10,417,301 | 10,219,866 | 26,975,628 | 26,965,628 |
| Profit before tax | | 1,161,646,651 | 1,156,818,835 | 688,520,586 | 685,783,523 |
| Less: Income tax | 36 | 171,441,534 | 170,587,649 | 53,310,046 | 53,263,583 |
| Minority interests | | 7,638,328 | — | 8,792,889 | — |
| Net profit for the period | | 982,566,789 | 986,231,186 | 626,417,651 | 632,519,940 |
| Add: Unappropriated profits at the beginning of the period | | 705,165,470 | 711,190,260 | 343,487,302 | 343,664,335 |
| Unappropriated profits at the end of the period | | 1,687,732,259 | 1,697,421,446 | 969,904,953 | 976,184,275 |

SUPPLEMENTAL INFORMATION:

| | Six months period ended | |
|--|--------------------------|--------------------------|
| | 30 June (unaudited) | |
| | 2005 | 2004 |
| | Group and Company RMB | Group and Company RMB |
| Gains (losses) on disposal of fixed assets | 82,604 | (15,958,992) |

The accompanying notes are part of the financial statements.



CASH FLOWS STATEMENT

For the period ended 30 June 2005

(Prepared in accordance with PRC GAAP and regulations)

| | Notes | Six months period ended 30 June | | | |
|---|-------|---------------------------------|----------------------|------------------|----------------|
| | | 2005 (unaudited) | | 2004 (unaudited) | |
| | | Group RMB | Company RMB | Group RMB | Company RMB |
| Cash flows from operating activities: | | | | | |
| Cash received from sales of goods and rendering of services | | 8,805,938,940 | 8,033,786,252 | 6,339,249,595 | 5,857,777,784 |
| Other cash received relating to operating activities | | 59,531,986 | 27,524,300 | 283,094,724 | 284,883,347 |
| Sub-total of cash inflows | | 8,865,470,926 | 8,061,310,552 | 6,622,344,319 | 6,142,661,131 |
| Cash paid for goods and services | | 6,114,540,749 | 5,446,769,544 | 5,029,385,293 | 4,602,998,992 |
| Cash paid to and on behalf of employees | | 175,058,453 | 167,247,167 | 195,350,459 | 190,801,274 |
| Tax payments | | 458,983,226 | 455,876,248 | 364,693,900 | 296,965,630 |
| Cash paid relating to other operating activities | 37 | 356,747,202 | 304,723,913 | 343,357,614 | 342,043,335 |
| Sub-total of cash outflows | | 7,105,329,630 | 6,374,616,872 | 5,932,787,266 | 5,432,809,231 |
| Net cash flows from operating activities | | 1,760,141,296 | 1,686,693,680 | 689,557,053 | 709,851,900 |
| Cash flows from investing activities: | | | | | |
| Cash received from disposal of investments | | 70,010 | — | — | — |
| Cash received from return on investments | | 1,271 | 16,021,518 | — | 658,543 |
| Net cash receipts from disposal of fixed assets, intangible assets and other long-term assets | | 4,468,698 | 4,468,698 | — | — |
| Cash received relating to other investing activities | | — | — | 4,530,699 | 4,530,699 |
| Sub-total of cash inflows | | 4,539,979 | 20,490,216 | 4,530,699 | 5,189,242 |
| Cash paid to acquire fixed assets, intangible assets and other long-term assets | | 304,715,907 | 247,886,221 | 216,615,522 | 214,620,116 |
| Cash paid to acquire investments | | 605,819 | 605,819 | 6,232,059 | 5,962,059 |
| Cash paid for acquisition subsidiaries and other operating units | | — | 216,127,000 | 25,330,280 | 35,000,000 |
| Cash paid for other investment activities | | — | — | — | — |
| Sub-total of cash outflows | | 305,321,726 | 464,619,040 | 248,177,861 | 255,582,175 |
| Net cash flows from investing activities | | (300,781,747) | (444,128,824) | (243,647,162) | (250,392,933) |



CASH FLOWS STATEMENT

For the period ended 30 June 2005

(Prepared in accordance with PRC GAAP and regulations)

| | Six months period ended 30 June | | | |
|---|---------------------------------|----------------------|------------------|----------------|
| | 2005 (unaudited) | | 2004 (unaudited) | |
| | Group RMB | Company RMB | Group RMB | Company RMB |
| Cash flows from financing activities: | | | | |
| Cash received from investors | 118,263,000 | — | 60,000 | — |
| Including: Cash received from minority investors | 118,263,000 | — | 60,000 | — |
| Cash received from borrowings | 791,130,963 | 690,778,543 | 1,263,973,998 | 1,201,103,998 |
| Sub-total of cash inflows | 909,393,963 | 690,778,543 | 1,264,033,998 | 1,201,103,998 |
| Repayments of borrowings | 1,227,443,286 | 1,074,590,866 | 1,181,644,365 | 1,147,774,365 |
| Dividends paid, profit distributed or interests paid | 431,117,612 | 413,747,013 | 421,069,837 | 415,938,281 |
| Including: dividends paid to minority shareholders in subsidiaries | 10,681,012 | — | 822,348 | — |
| Cash payment relating to other financing activities | 935,000 | 935,000 | 935,000 | 935,000 |
| Sub-total of cash outflows | 1,659,495,898 | 1,489,272,879 | 1,603,649,202 | 1,564,647,646 |
| Net cash flows from financing activities | (750,101,935) | (798,494,336) | (339,615,204) | (363,543,648) |
| Effect of foreign exchange rate changes on cash and cash equivalents | — | — | — | — |
| Net increase in cash and cash equivalents | 709,257,614 | 444,070,520 | 106,294,687 | 95,915,319 |



CASH FLOWS STATEMENT

For the period ended 30 June 2005

(Prepared in accordance with PRC GAAP and regulations)

| | Six months period ended 30 June | | | |
|--|---------------------------------|----------------------|------------------|----------------|
| | 2005 (unaudited) | | 2004 (unaudited) | |
| | Group RMB | Company RMB | Group RMB | Company RMB |
| Supplemental information | | | | |
| Reconciliation of net profit to cash flows from operating activities: | | | | |
| Net profit | 982,566,789 | 986,231,186 | 626,417,651 | 632,519,940 |
| Add: Minority interests | 7,638,328 | — | 8,792,889 | — |
| Impairment losses on assets | (19,265,611) | (16,438,799) | 3,878,873 | 3,878,873 |
| Depreciation of fixed assets | 237,245,337 | 224,426,374 | 241,528,719 | 232,996,465 |
| Amortization of intangible assets | 2,796,379 | 1,998,635 | 1,998,634 | 1,998,634 |
| Amortization of long-term deferred expenses | — | — | 1,007,623 | — |
| Increase (decrease) in accrued expenses | — | — | — | 100,000 |
| Gains (losses) on disposal of fixed assets, intangible assets and other long-term assets | (82,604) | (82,604) | 15,958,992 | 15,958,992 |
| Financial expenses | 100,174,166 | 93,484,579 | 97,688,711 | 93,379,503 |
| Losses (gains) arising from investments | (1,271) | (8,981,724) | 1,575,062 | (12,622,094) |
| Decrease (increase) in inventories | (22,444,397) | (15,451,050) | 23,263,350 | (26,379,206) |
| Decrease (increase) in receivables under operating activities | 282,705,541 | 283,800,865 | (228,191,839) | (168,668,410) |
| Increase (decrease) in payables under operating activities | 188,808,639 | 137,706,218 | (104,361,612) | (63,310,797) |
| Net cash flows from operating activities | 1,760,141,296 | 1,686,693,680 | 689,557,053 | 709,851,900 |
| Investing and financing activities that do not involve cash receipts and payments | 200,000 | 200,000 | — | |
| Net increase in cash and cash equivalents | | | | |
| Cash and cash equivalents at the end of the period | 996,693,972 | 673,353,754 | 412,432,367 | 351,312,540 |
| Less: cash and cash equivalents at the beginning of the period | 287,436,358 | 229,283,234 | 306,137,680 | 255,397,221 |
| Net increase in cash and cash equivalents | 709,257,614 | 444,070,520 | 106,294,687 | 95,915,319 |

The accompanying notes are part of the financial statements.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2005
(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. The period of this financial statements is from 1 January 2005 to 30 June 2005.

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 PERIOD ENDED 30 JUNE 2005
(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 30 June and 31 December each year. A subsidiary is an enterprise in which the Company, directly or indirectly, holds more than half of the equity, or whose operating activities are controlled by the Company through other mechanisms.

(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

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 PERIOD ENDED 30 JUNE 2005

(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.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2005

(PREPARED IN ACCORDANCE WITH PRC GAAP AND REGULATIONS)

2. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

Long-term investments

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

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

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

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

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

When a long-term equity investment is accounted for using the equity method, the difference between the initial investment cost of the Company and its share of owners' equity of the investee enterprise is accounted for as "equity investment difference". An excess of the initial investment cost over the Company's share of owners' equity of the investee enterprise is debited to "long-term equity investment - equity investment difference" and amortised on a straight-line basis and charged to the income statement accordingly. The amortization period is the investing period if it is stipulated in the investment contract. Otherwise, it is amortized over a period of not more than 10 years. A shortfall of the initial investment cost below the Company's share of owners' equity of the investee enterprise arising before the issuance of Caikuai [2003] 10, is credited to "long-term equity investment - equity investment difference", and amortized on a straight-line basis and charged to the income statement accordingly. The amortization period is the investing period if it is stipulated in the investment contract. Otherwise, it is amortized over a period of not less than 10 years. The shortfall of the initial investment cost below the Company's share of owners' equity of the investee enterprise arising after the issuance of Caikuai [2003] 10 is credited to "capital surplus - provision for equity investment".

(2) *Accounting treatment for long-term debt investments:*

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

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



NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2005

(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.

Recoverable amount

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

Fixed assets and depreciation

Fixed assets are tangible assets that, (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.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2005

(PREPARED IN ACCORDANCE WITH PRC GAAP AND REGULATIONS)

2. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

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.

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.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2005
(PREPARED IN ACCORDANCE WITH PRC GAAP AND REGULATIONS)

2. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

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.

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.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2005

(PREPARED IN ACCORDANCE WITH PRC GAAP AND REGULATIONS)

2. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

Income tax

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

3. TAXATION

Value added tax

Output value added tax ("VAT") is calculated at 17% on revenue from principal operations except gold (free of VAT) and sulphuric concentrate (13% on revenue), and paid after deducting input VAT on purchases.

Income tax

1. Company income tax

Pursuant to circulars of Guo Shui Fa [1999] No.172 issued by the State Tax Bureau 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 to year 2007. This year is the first year of the tax relief period with effective tax rate of 15%.

Pursuant to a notice issued jointly by the Ministry of Finance and the State Tax Bureau regarding income tax exemption for foreign investment enterprises which purchase domestic machinery and equipment (Cai Shui Zi [2000] No.49), the Company is entitled to a tax benefit ("Tax Benefit"), which is calculated as 40% of the current year's 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 from 17.5% to 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 Diaquan Silver and Copper respectively.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2005

(PREPARED IN ACCORDANCE WITH PRC GAAP AND REGULATIONS)

4. SCOPE OF CONSOLIDATION AND SUBSIDIARIES

| Name of subsidiary | Place of registration | Registered Capital RMB | Equity directly held by the company % | Equity indirectly held by the Company % | Principal Business | Type of enterprise | Consolidated or not |
|---|-----------------------------|---------------------------|--|--|--|--------------------|---------------------|
| Xiaoshan Tongda Chemical Limited ("Xiaoshan Tongda") | Hangzhou, Zhejiang Province | 1,000,000 | 60 | — | Sales of sulphuric acid | Company Limited | Yes |
| Jiangxi Copper Products Company Limited ("JCPC") | Guixi, Jiangxi Province | 225,000,000 | 60 | — | Produce and protracting of copper industrial materials | Company Limited | Yes |
| Sichuan Kangxi Copper Company Limited ("Kangxi Copper") | Xichang, 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") | Xichang, Sichuan | 300,000 | — | 80 | Reclaim and sales of scrap iron and copper | Company Limited | Yes |
| Sure Spread Limited ("Sure Spread") | Hong Kong | 53,140,000 | 55 | — | Import and export trading and related technique services | Company Limited | Yes |
| Jiangxi Copper Alloy Materials Company Limited ("JCAC") | Guixi, Jiangxi Province | 199,500,000 | 60 | — | Manufacture sales of copper and copper alloy rods and wires | Company Limited | Yes |
| Jiangxi Jiangtong-Wengfu Chemical Industry Company Limited ("Wengfu Chemical") | Guixi, Jiangxi Province | 181,500,000 | 70 | — | Manufacture sales of sulphuric acid and sales and lay product | Company Limited | Yes |



NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2005

(PREPARED IN ACCORDANCE WITH PRC GAAP AND REGULATIONS)

4. SCOPE OF CONSOLIDATION AND SUBSIDIARIES (continued)

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 June 2004, the Company bought 45.957% interest (RMB35,000,000) in Shanxi Diaoquan Silver and Copper Mining Company Limited ("Diaoquan Silver and Copper"). This interest of Diaoquan Silver and Copper which the Company owned is less than 50%, but the Company made an agreement with another investor that the Company has the power to govern the financial and operating policies of Diaoquan Silver and Copper. Thus, Diaoquan Silver and Copper is included in the scope of consolidation.

In January 2005, the Company invested jointly HKD50,000,000 to establish Sure Spread Limited ("Sure Spread") with Silver Grand International Industry Ltd. and Huagan Enterprise Co., Ltd., in which the Company contributed HKD27,500,000, representing 55% of registered capital. Sure Spread mainly engages in import and export trading and related technique services.

In February 2005, the Company invested jointly RMB199,500,000 to establish Jiangxi Copper Alloy Materials Company Limited ("JCAC") with JCC, in which the Company should contribute RMB119,700,000, representing 60% of registered capital. By the end of 30 June 2005, the Company actually invested RMB59,850,000 to JCAC. JCAC mainly engages in manufacturing and selling copper and copper alloy rods and wires, and related technique consulting services. By the end of 30 June 2005, JCAC was still in construction period.

In May 2005, the Company invested jointly RMB181,500,000 to established Jinagxi Jiangtong-Wengfu Chemical Industry Company Limited ("Wengfu Chemical") with Guizhou Hongfu Industry and Commerce Development Corporation Limited, in which the Company contributed RMB127,050,000, representing 70% of the registered capital. Wengfu Chemical mainly engaged in manufacturing and selling sulphuric acid and related by products. By the end of June 2005, Wengfu Chemical was still in construction period.

Sure Spread, JCAC and Wengfu Chemical are new subsidiaries established and included in the scope of consolidation this period.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2005

(PREPARED IN ACCORDANCE WITH PRC GAAP AND REGULATIONS)

5. BANK BALANCES AND CASH

| | Group 30 June 2005 | | | Group 31 December 2004 | | |
|--------------|-----------------------|------------------|-------------------|---------------------------|------------------|-------------------|
| | Foreign currency | Exchange Rate | RMB Equivalent | Foreign currency | Exchange Rate | RMB Equivalent |
| Cash on hand | | | | | | |
| RMB | — | — | 85,473 | — | — | 108,035 |
| USD | 509 | 8.2765 | 4,213 | 1,432 | 8.2765 | 11,854 |
| YEN | 2,270 | 0.0751 | 171 | — | — | — |
| HKD | 435 | 1.0649 | 463 | — | — | — |
| POUND | 1 | 14.9544 | 15 | — | — | — |
| Cash in bank | | | | | | |
| RMB | — | — | 872,438,026 | — | — | 285,657,049 |
| HKD | 3,430,588 | 1.0649 | 3,653,233 | 808,334 | 1.0637 | 859,825 |
| USD | 14,560,790 | 8.2765 | 120,512,378 | 96,610 | 8.2765 | 799,595 |
| Total | | | 996,693,972 | | | 287,436,358 |

6. CURRENT INVESTMENT

| | Group 30 June 2005 | | | Group 31 December 2004 | | |
|-------------------|-----------------------|------------------------------------|---------------------|---------------------------|------------------------------------|---------------------|
| | Cost RMB | Provision for impairment RMB | Net value RMB | Cost RMB | Provision for impairment RMB | Net value RMB |
| Stock investments | 6,777,404 | 1,265,705 | 5,511,699 | 6,241,595 | 959,574 | 5,282,021 |
| Bond investment | 1,000,000 | — | 1,000,000 | 1,000,000 | — | 1,000,000 |
| | 7,777,404 | 1,265,705 | 6,511,699 | 7,241,595 | 959,574 | 6,282,021 |

Stock investments are the shares with market value of RMB5,511,699 on 30 June 2005.

The market value is calculated based on closing price of stock exchange on 30 June 2005.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2005
(PREPARED IN ACCORDANCE WITH PRC GAAP AND REGULATIONS)

7. NOTES RECEIVABLE

| | Group 30 June 2005 RMB | Group 31 December 2004 RMB |
|---------------------------------|---------------------------------------|----------------------------------|
| Bank-accepted notes - unpledged | 141,648,009 | 75,619,896 |

The Group's balance due from shareholder who holds more than 5% shares of the Company is nil on 30 June 2005.

8. ACCOUNTS RECEIVABLE

The aging analysis of accounts receivable is as follows:

| | Group 30 June 2005 | | | | Group 31 December 2004 | | | |
|---------------|-----------------------|------------------------------|------------------------------|--------------------------|---------------------------|------------------------------|------------------------------|--------------------------|
| | Amount RMB | Bad debt Provision (%) | Bad debt Provision RMB | Net book value RMB | Amount RMB | Bad debt Provision (%) | Bad debt Provision RMB | Net book value RMB |
| Within 1 year | 273,670,061 | 77.2 | — | 273,670,061 | 206,656,321 | 67.9 | — | 206,656,321 |
| 1 to 2 years | 6,332,584 | 1.8 | 1,266,517 | 5,066,067 | 6,872,293 | 2.3 | 1,374,460 | 5,497,833 |
| 2 to 3 years | 1,543,131 | 0.4 | 771,565 | 771,566 | 1,255,442 | 0.4 | 627,721 | 627,721 |
| Over 3 years | 73,015,063 | 20.6 | 73,015,063 | — | 89,633,965 | 29.4 | 89,633,965 | — |
| | 354,560,839 | 100.0 | 75,053,145 | 279,507,694 | 304,418,021 | 100.0 | 91,636,146 | 212,781,875 |

| | Company 30 June 2005 | | | | Company 31 December 2004 | | | |
|---------------|-------------------------|------------------------------|------------------------------|--------------------------|-----------------------------|------------------------------|------------------------------|--------------------------|
| | Amount RMB | Bad debt Provision (%) | Bad debt Provision RMB | Net book value RMB | Amount RMB | Bad debt Provision (%) | Bad debt Provision RMB | Net book value RMB |
| Within 1 year | 99,964,008 | 55.3 | — | 99,964,008 | 89,383,296 | 47.7 | — | 89,383,296 |
| 1 to 2 years | 6,332,584 | 3.5 | 1,266,517 | 5,066,067 | 6,872,293 | 3.7 | 1,374,460 | 5,497,833 |
| 2 to 3 years | 1,543,131 | 0.9 | 771,565 | 771,566 | 1,255,442 | 0.7 | 627,721 | 627,721 |
| Over 3 years | 73,015,063 | 40.3 | 73,015,063 | — | 89,633,965 | 47.9 | 89,633,965 | — |
| | 180,854,786 | 100.0 | 75,053,145 | 105,801,641 | 187,144,996 | 100.0 | 91,636,146 | 95,508,850 |

A lawsuit about collection of RMB16,843,691 from a debtor which is due more than three years, has finished and the Company received the amount totally in current period. As such, a full of bad debt provision was reversed on the balance.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2005

(PREPARED IN ACCORDANCE WITH PRC GAAP AND REGULATIONS)

8. ACCOUNTS RECEIVABLE (continued)

Five largest debtors are as follows:

| Total amount of five largest debtors RMB | Percentage in total accounts receivable % |
|---|--|
| 248,603,447 | 70.1 |

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

| Shareholder | 30 June 2005 | 31 December 2004 |
|-------------|--------------|------------------|
| JCC | 4,581,429 | 3,072,788 |

9. OTHER RECEIVABLES

The aging analysis of other receivables is as follows:

| | Group 30 June 2005 | | | | Group 31 December 2004 | | | |
|---------------|-----------------------|------------------------------|------------------------------|--------------------------|---------------------------|------------------------------|------------------------------|--------------------------|
| | Amount | Bad debt Provision (%) | Bad debt Provision RMB | Net book value RMB | Amount | Bad debt Provision (%) | Bad debt Provision RMB | Net book value RMB |
| | RMB | | | | RMB | | | |
| Within 1 year | 253,167,631 | 91.1 | — | 253,167,631 | 300,302,614 | 91.8 | — | 300,302,614 |
| 1 to 2 years | 9,156,911 | 3.3 | 1,831,382 | 7,325,529 | 8,371,152 | 2.6 | 1,674,230 | 6,696,922 |
| 2 to 3 years | 717,381 | 0.3 | 358,690 | 358,691 | 540,002 | 0.2 | 270,001 | 270,001 |
| Over 3 years | 14,687,756 | 5.3 | 14,687,756 | — | 17,922,338 | 5.4 | 17,922,338 | — |
| | 277,729,679 | 100.0 | 16,877,828 | 260,851,851 | 327,136,106 | 100.0 | 19,866,569 | 307,269,537 |

| | Company 30 June 2005 | | | | Company 31 December 2004 | | | |
|---------------|-------------------------|------------------------------|------------------------------|--------------------------|-----------------------------|------------------------------|------------------------------|--------------------------|
| | Amount | Bad debt Provision (%) | Bad debt Provision RMB | Net book value RMB | Amount | Bad debt Provision (%) | Bad debt Provision RMB | Net book value RMB |
| | RMB | | | | RMB | | | |
| Within 1 year | 230,116,157 | 90.4 | — | 230,116,157 | 254,895,791 | 91.5 | — | 254,895,791 |
| 1 to 2 years | 9,156,911 | 3.6 | 1,831,382 | 7,325,529 | 8,326,202 | 3.0 | 1,665,240 | 6,660,962 |
| 2 to 3 years | 717,381 | 0.3 | 358,690 | 358,691 | 184,642 | 0.1 | 92,321 | 92,321 |
| Over 3 years | 14,687,756 | 5.7 | 14,687,756 | — | 15,282,196 | 5.4 | 15,282,196 | — |
| | 254,678,205 | 100.0 | 16,877,828 | 237,800,377 | 278,688,831 | 100.0 | 17,039,757 | 261,649,074 |

The Group's balance of forward contracts deposits is RMB172,991,883 (31 December 2004: RMB198,724,812).



NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2005
(PREPARED IN ACCORDANCE WITH PRC GAAP AND REGULATIONS)

9. OTHER RECEIVABLES (continued)

Five largest debtors are as follows:

| Total amount of five largest debtors RMB | Percentage in total accounts receivable % |
|---|--|
| 197,011,440 | 70.9 |

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

| Shareholder | 30 June 2005 | 31 December 2004 |
|-------------|--------------|------------------|
| JCC | 608,372 | 192,126 |

10. PREPAYMENTS

The aging analysis of prepayment is as follows:

| | Group 30 June 2005 | | Group 31 December 2004 | |
|---------------|-----------------------|--------------|---------------------------|-------|
| | RMB | % | RMB | % |
| Within 1 year | 97,622,265 | 73.3 | 458,564,627 | 95.0 |
| 1 to 2 years | 35,544,665 | 26.7 | 24,072,348 | 5.0 |
| | 133,166,930 | 100.0 | 482,636,975 | 100.0 |

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

| Shareholder | 30 June 2005 | 31 December 2004 |
|-------------|--------------|------------------|
| JCC | 131,321 | 198,187 |

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



NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2005

(PREPARED IN ACCORDANCE WITH PRC GAAP AND REGULATIONS)

11. INVENTORIES

| | Group 30 June 2005 | | | Group 31 December 2004 | | |
|------------------|-----------------------|------------------------------------|----------------------|---------------------------|------------------------------------|---------------------|
| | Cost RMB | Provision for impairment RMB | Net value RMB | Cost RMB | Provision for impairment RMB | Net value RMB |
| Raw material | 411,964,995 | 751,102 | 411,213,893 | 458,375,225 | 751,102 | 457,624,123 |
| Work in progress | 2,328,252,373 | — | 2,328,252,373 | 2,088,275,188 | — | 2,088,275,188 |
| Finished goods | 208,749,080 | — | 208,749,080 | 379,871,638 | — | 379,871,638 |
| | 2,948,966,448 | 751,102 | 2,948,215,346 | 2,926,522,051 | 751,102 | 2,925,770,949 |

The inventories as at 30 June 2005 included the finished goods amounting RMB18,216,455 pledged for short-term loan (31 December 2004: RMB25,803,560).

12. LONG-TERM EQUITY INVESTMENTS

| Items | Group 30 June 2005 | | | Group 31 December 2004 | | |
|---------------------------------|-----------------------|------------------------------------|-------------------|---------------------------|------------------------------------|------------------|
| | 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 | — | 4,942,676 | 4,942,676 | — |
| Total | 20,552,676 | 10,552,676 | 10,000,000 | 20,552,676 | 10,552,676 | 10,000,000 |

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

| Name of Investee | Number of shares | Share in theregistered 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.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2005
(PREPARED IN ACCORDANCE WITH PRC GAAP AND REGULATIONS)

12. LONG-TERM EQUITY INVESTMENTS (continued)

(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 promoter shares.

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

| Name of investee | Initial cost of investment | Amortization period of equity investment difference RMB | 30 June 2005 and 31 December 2004 | | | Cause |
|----------------------------|----------------------------|--|-----------------------------------|------------------------|-----------------------|-------------------|
| | | | Book value RMB | Impairment loss RMB | Net book value RMB | |
| Kangxi Copper | 3,677,424 | 10 years | 3,401,618 | (3,401,618) | — | Equity Purchasing |
| Diaoquan Silver and copper | 1,541,058 | — | 1,541,058 | (1,541,058) | — | Equity Purchasing |
| | 5,218,482 | | 4,942,676 | (4,942,676) | — | |

The unamortized debit difference of equity investment arising from acquisition of Kangxi Copper was RMB3,401,618, which was provided full impairment since it was immaterial.

The debit balance of equity investment arising from acquisition of Diaoquan Silver and Copper was RMB1,541,058, which was provided full impairment since it was immaterial.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2005

(PREPARED IN ACCORDANCE WITH PRC GAAP AND REGULATIONS)

12. LONG-TERM EQUITY INVESTMENTS (continued)

Company

| Items | 30 June 2005 | | | 31 December 2004 | | |
|--|--------------------|------------------------------------|--------------------|--------------------|------------------------------------|--------------------|
| | 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 | 436,229,947 | — | 436,229,947 | 227,142,741 | — | 227,142,741 |
| Equity investment difference (Note) | 4,942,676 | 4,942,676 | — | 4,942,676 | 4,942,676 | — |
| Total | 446,782,623 | 10,552,676 | 436,229,947 | 237,695,417 | 10,552,676 | 227,142,741 |

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 | | | 30 June 2005 RMB | Adjustment of investment gain or loss | | | | 30 June 2005 RMB | Book value | |
|-------------------|-------------------------------|---|--|------------------------|---------------------------------------|---|--|-----------------------------------|------------------------|-------------------------------|------------------------|
| | 31 December 2004 RMB | Addition during the period RMB | Deduction during the period RMB | | 31 December 2004 RMB | Gain or loss during the period RMB | Dividends received during the period RMB | Recovery of investments RMB | | 31 December 2004 RMB | 30 June 2005 RMB |
| JCPC | 135,000,000 | — | — | 135,000,000 | 19,906,976 | 2,681,062 | (15,925,581) | — | 6,662,457 | 154,906,976 | 141,662,457 |
| Xiaoshan Tonda | 1,082,289 | — | (48,240) | 1,034,049 | 5,896 | 41,801 | (95,937) | 48,240 | — | 1,088,185 | 1,034,049 |
| Kangxi Copper | 36,322,576 | — | — | 36,322,576 | 3,800,328 | 3,137,707 | — | — | 6,938,035 | 40,122,904 | 43,260,611 |
| Dianquan | | | | | | | | | | | |
| Silver and Copper | 33,458,942 | — | — | 33,458,942 | (2,434,266) | 927,203 | — | — | (1,507,063) | 31,024,676 | 31,951,879 |
| Sure Spread | — | 29,227,000 | — | 29,227,000 | — | 2,193,951 | — | — | 2,193,951 | — | 31,420,951 |
| JCAC | — | 59,850,000 | — | 59,850,000 | — | — | — | — | — | — | 59,850,000 |
| Wenfuhua | — | 127,050,000 | — | 127,050,000 | — | — | — | — | — | — | 127,050,000 |
| | 205,863,807 | 216,127,000 | (48,240) | 421,942,567 | 21,278,934 | 8,981,724 | (16,021,518) | 48,240 | 14,287,380 | 227,142,741 | 436,229,947 |



NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2005

(PREPARED IN ACCORDANCE WITH PRC GAAP AND REGULATIONS)

13. FIXED ASSETS AND ACCUMULATED DEPRECIATION

| | Group | | | |
|--|------------------|-----------------------------------|-----------------|----------------|
| | Buildings RMB | Equipment and machinery RMB | Vehicles RMB | Total RMB |
| Cost | | | | |
| 1 January 2005 | 4,337,064,257 | 6,431,107,780 | 936,615,878 | 11,704,787,915 |
| Additions during the period | 428,977 | 2,266,203 | 266,780 | 2,961,960 |
| Transfer from fixed assets under construction | 169,332 | 1,742,473 | 65,572 | 1,977,377 |
| Disposals | — | (3,167,515) | (4,092,753) | (7,260,268) |
| 30 June 2005 | 4,337,662,566 | 6,431,948,941 | 932,855,477 | 11,702,466,984 |
| Accumulated depreciation | | | | |
| 1 January 2005 | 1,277,769,299 | 3,472,967,321 | 523,783,375 | 5,274,519,995 |
| Charge for the period | 64,506,936 | 146,845,831 | 25,892,570 | 237,245,337 |
| Eliminated on disposal | — | (692,652) | (2,181,522) | (2,874,174) |
| 30 June 2005 | 1,342,276,235 | 3,619,120,500 | 547,494,423 | 5,508,891,158 |
| Impairment loss | | | | |
| 1 January 2005 and 30 June 2005 | — | 4,699,700 | — | 4,699,700 |
| Net value | | | | |
| At 1 January 2005 | 3,059,294,958 | 2,953,440,759 | 412,832,503 | 6,425,568,220 |
| At 30 June 2005 | 2,995,386,331 | 2,808,128,741 | 385,361,054 | 6,188,876,126 |
| Including: | | | | |
| Fixed assets pledged as collateral at 30 June 2005 - net | — | 14,407,898 | — | 14,407,898 |



NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2005

(PREPARED IN ACCORDANCE WITH PRC GAAP AND REGULATIONS)

14. FIXED ASSETS UNDER CONSTRUCTION

| Construction name | Budget RMB | Group | | | At 30 June 2005 RMB | % of completion RMB | Sources of funds |
|---|---------------|-------------------------------|--------------------|------------------------------------|---------------------------|---------------------------|------------------------------------|
| | | At 31 December 2004 RMB | Additions RMB | Transfer to fixed assets RMB | | | |
| Guixi Smelter Phase III | 1,065,000,000 | 9,769,023 | 2,211,705 | — | 11,980,728 | 100% | Loan and self-funding |
| Project of 150,000 Ton copper wire per year | 161,509,700 | 2,874,812 | 1,617,504 | — | 4,492,316 | 100% | Loan and self-funding |
| Fujiawu Mine Development and Construction Project | 871,540,000 | 118,312,500 | 59,953,914 | — | 178,266,414 | 20% | Proceeds, loan and self-funding |
| Fujiawu Mining Right Project | 181,000,000 | 131,782,994 | — | — | 131,782,994 | 73% | Loan and self-funding |
| Extension of Open-pitting Mining project | 109,400,000 | 85,588,837 | 2,237,519 | — | 87,826,356 | 80% | Loan and self-funding |
| Copper Re-cycling from Waste of Sparking Stove Mining Project | 137,110,000 | 31,320,253 | 62,760,698 | — | 94,080,951 | 69% | Loan and self-funding |
| Acquisition of land in Guixi | 37,986,300 | 31,878,820 | — | — | 31,878,820 | 84% | Loan and self-funding |
| Others | — | 108,246,684 | 173,550,457 | (1,977,377) | 279,819,764 | — | Loan and self-funding |
| Total | | 519,773,923 | 302,331,797 | (1,977,377) | 820,128,343 | | |
| Including: | | | | | | | |
| Capitalized borrowing cost | | 3,953,717 | 577,850 | — | 4,531,567 | | |

The rate for calculating interest capitalized amount in this period is 5.64%.



NOTES TO THE FINANCIAL STATEMENTS

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15. INTANGIBLE ASSETS

| | Group | | Total RMB |
|--|-------------------|---------------------|--------------|
| | Trademarks RMB | Mining right RMB | |
| Cost: | | | |
| 1 January 2005 and 30 June 2005 | 51,683,900 | 107,142,939 | 158,826,839 |
| Accumulated amortization: | | | |
| 1 January 2005 | 13,760,000 | 17,025,478 | 30,785,478 |
| Charge for the period | 860,000 | 1,936,379 | 2,796,379 |
| 30 June 2005 | 14,620,000 | 18,961,857 | 33,581,857 |
| Carrying amount: | | | |
| 1 January 2005 | 37,923,900 | 90,117,461 | 128,041,361 |
| 30 June 2005 | 37,063,900 | 88,181,082 | 125,244,982 |
| Including: | | | |
| Intangible assets pledged as collateral at 30 June 2005- net | — | 29,107,098 | 29,107,098 |
| Acquired method | Transfer | Transfer | |
| Remaining of period | 21.5 years | 14.1-46.5 years | |

16. SHORT-TERM LOANS

| Category | Group 30 June 2005 RMB | Group 31 December 2004 RMB |
|------------------|------------------------------|----------------------------------|
| Guaranteed loans | | |
| — RMB | 150,000,000 | — |
| Secured loans | | |
| — RMB | 52,000,000 | 109,500,000 |
| Credit loans | | |
| — RMB | 383,000,000 | 1,028,680,000 |
| — USD | 380,778,543 | 206,910,866 |
| | 965,778,543 | 1,345,090,866 |

The principal of USD credit loans amounted to USD46,000,000.

Annual interest rate ranges from 3.52% to 6.14%. For the loans guaranteed by JCC refer to Note 38(5)(c). For the categories and amount of the assets pledged for the secured loans, refer to Note 11 and 13.



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17. NOTES PAYABLE

| | Group 30 June 2005 RMB | Group 31 December 2004 RMB |
|---|------------------------------|----------------------------------|
| Bank-accepted notes payable within one year | 4,980,000 | — |

18. ACCOUNTS PAYABLE

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

| Shareholder | 30 June 2005 RMB | 31 December 2004 RMB |
|-------------|---------------------|-------------------------|
| JCC | 4,581,429 | 12,000 |

19. TAXES PAYABLE

| | Group 30 June 2005 RMB | Group 31 December 2004 RMB |
|-----------------|------------------------------|----------------------------------|
| Income tax | 168,601,502 | 63,292,534 |
| Value added tax | 90,915,140 | 75,261,472 |
| Business tax | 3,173 | 5,162 |
| Resource tax | 1,257,356 | 1,671,300 |
| Others | 4,121,508 | 7,261,241 |
| | 264,898,679 | 147,491,709 |

20. OTHER FEES PAYABLE

| | Group 30 June 2005 RMB | Group 31 December 2004 RMB |
|--|------------------------------|----------------------------------|
| Compensation fee for mineral resources | 32,630,832 | 34,581,170 |
| Others | 45,082 | 158,120 |
| | 32,675,914 | 34,739,290 |

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



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21. OTHER PAYABLES

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

| Shareholder | 30 June 2005 RMB | 31 December 2004 RMB |
|-------------|---------------------|-------------------------|
| JCC | 27,499,607 | 149,253,266 |

22. ACCRUED EXPENSES

| | Group 30 June 2005 RMB | Group 31 December 2004 RMB | Reason for not settled |
|--------------------------|------------------------------|----------------------------------|-------------------------------------|
| Professional service fee | 2,000,000 | 2,000,000 | Not paid as invoice not received |

23. LONG-TERM LIABILITIES DUE WITHIN ONE YEAR

| | Group 30 June 2005 RMB | Group 31 December 2004 RMB |
|---|------------------------------|----------------------------------|
| Long-term loans due within one year (Note 24) | 817,400,000 | 616,400,000 |
| Long-term payables due within one year (Note 25) | 1,870,000 | 1,870,000 |
| | 819,270,000 | 618,270,000 |

24. LONG-TERM LOANS

| | Group 30 June 2005 RMB | Group 31 December 2004 RMB |
|----------------------------------|------------------------------|----------------------------------|
| Credit loans | 2,618,110,000 | 2,548,400,000 |
| Guaranteed loans | — | 126,710,000 |
| Pledged loans | 33,000,000 | 33,000,000 |
| Total | 2,651,110,000 | 2,708,110,000 |
| Less: Amount due within one year | 817,400,000 | 616,400,000 |
| Amount due after one year | 1,833,710,000 | 2,091,710,000 |



NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2005

(PREPARED IN ACCORDANCE WITH PRC GAAP AND REGULATIONS)

24. LONG-TERM LOANS (continued)

| Bank name | 30 June 2005 RMB | Period | Annual Rate | Terms |
|-------------------------------|---------------------|-----------------------|-------------|--------|
| Industrial and Commercial | 35,000,000 | 2000.07.28-2005.07.27 | 5.58% | Credit |
| Bank of China, Yingtan Branch | 35,000,000 | 2000.07.28-2005.07.27 | 5.58% | Credit |
| Jiangtong Office | 8,400,000 | 2000.07.28-2005.07.28 | 5.58% | Credit |
| | 30,000,000 | 2002.09.26-2005.09.25 | 5.49% | Credit |
| | 32,000,000 | 2002.10.29-2005.10.28 | 5.49% | Credit |
| | 18,000,000 | 2002.10.29-2005.10.28 | 5.49% | Credit |
| | 40,000,000 | 2002.12.10-2005.12.09 | 5.49% | Credit |
| | 40,000,000 | 2002.12.12-2005.11.12 | 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 |
| | 60,000,000 | 2003.08.06-2006.08.05 | 4.94% | 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 |
| | 15,000,000 | 2001.11.19-2006.09.29 | 5.58% | Credit |
| | 40,000,000 | 2002.08.16-2007.09.29 | 5.58% | 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 |
| | 30,000,000 | 2003.01.09-2008.01.08 | 5.58% | Credit |
| | 30,000,000 | 2003.02.13-2008.02.12 | 5.58% | Credit |
| | 20,000,000 | 2003.03.11-2008.03.10 | 5.58% | Credit |
| | 10,000,000 | 2003.04.10-2008.04.09 | 5.58% | Credit |
| | 15,000,000 | 2003.06.27-2008.06.26 | 5.58% | Credit |
| | 15,000,000 | 2003.08.11-2008.08.10 | 5.58% | Credit |
| | 30,000,000 | 2003.10.09-2008.10.08 | 5.58% | Credit |
| | 45,000,000 | 2004.12.08-2007.12.07 | 5.30% | Credit |
| | 40,000,000 | 2004.12.10-2007.12.09 | 5.30% | Credit |
| | 10,000,000 | 2004.11.29-2009.11.28 | 5.85% | Credit |
| Bank of China, | 20,000,000 | 2002.09.27-2005.09.26 | 5.05% | Credit |
| Yingtan Branch | 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 |



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24. LONG-TERM LOANS (continued)

| Bank name | 30 June 2005 RMB | Period | Annual Rate | Terms |
|---|-----------------------|-----------------------|-------------|---------|
| China Construction Bank, Tongjidi Branch | 109,710,000 | 1997.02.18-2008.12.30 | 5.76% | Credit |
| | 210,000,000 | 1999.02.25-2009.11.30 | 5.76% | Credit |
| | 217,000,000 | 1999.09.15-2009.09.14 | 5.76% | Credit |
| | 50,000,000 | 2000.06.22-2006.06.21 | 5.76% | Credit |
| | 73,000,000 | 2003.03.28-2006.03.27 | 4.94% | Credit |
| | 20,000,000 | 2003.12.16-2006.12.15 | 4.94% | 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 |
| | 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 |
| | 30,000,000 | 2003.06.10-2008.06.09 | 5.58% | Credit |
| | 40,000,000 | 2003.07.07-2008.07.06 | 5.58% | Credit |
| | 15,000,000 | 2003.09.10-2008.09.09 | 5.58% | Credit |
| | 30,000,000 | 2003.11.05-2008.11.04 | 5.58% | Credit |
| | 30,000,000 | 2003.12.03-2008.12.02 | 5.58% | Credit |
| 10,000,000 | 2004.10.13-2009.10.12 | 5.58% | Credit | |
| Guixi Country Credit Union | 10,000,000 | 2003.07.23-2006.07.22 | 4.94% | Credit |
| Agriculture Bank, Guixi Tongcheng Branch | 60,000,000 | 2002.09.10-2005.09.09 | 5.04% | Credit |
| | 20,000,000 | 2002.09.27-2005.09.26 | 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 |
| | 30,000,000 | 2003.11.05-2006.11.04 | 4.94% | Credit |
| | 30,000,000 | 2003.12.09-2006.12.09 | 4.94% | Credit |
| | 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 Minsheng Bank Corp Ltd. Fuzhou Branch | 50,000,000 | 2003.04.21-2006.04.21 | 4.94% | Credit |
| China Merchants Bank, Nanchang Branch | 50,000,000 | 2003.12.29-2006.12.29 | 4.94% | Credit |
| | 50,000,000 | 2004.06.23-2007.06.22 | 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 | 2,651,110,000 | | | |

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



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25. LONG-TERM PAYABLES

| Items | Group 30 June 2005 RMB | Group 31 December 2004 RMB |
|---|------------------------------|----------------------------------|
| Long-term payables | 40,236,000 | 41,171,000 |
| Less: Long-term payable due within 1 year | 1,870,000 | 1,870,000 |
| Long-term payables due after 1 year | 38,366,000 | 39,301,000 |

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.

26. PAID-IN CAPITAL

The change of share capital of the Company from 1 January to 30 June 2005 is as follows:

| | Group 30 June 2005 and 31 December 2004 (share) |
|--|--|
| 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 2004. The face value of the above shares is RMB1.00.



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27. CAPITAL RESERVES

The change of capital reserves from 1 January to 30 June 2005 is as follows:

| | 1 January 2005 | Group Additions | 30 June 2005 |
|--|-----------------------|----------------------------|----------------------|
| | <i>RMB</i> | <i>RMB</i> | <i>RMB</i> |
| 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 | 200,000 | 1,600,000 |
| | 1,378,147,042 | 200,000 | 1,378,347,042 |

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

| | 1 January 2004 | Group Additions | 31 December 2004 |
|--|-----------------------|----------------------------|-----------------------------|
| | <i>RMB</i> | <i>RMB</i> | <i>RMB</i> |
| 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 |

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.



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28. SURPLUS RESERVES

The change of surplus reserves of the Company from 1 January to 30 June 2005 is as follows:

| | Group | | | Total RMB |
|---------------------------------------|----------------------------------|--------------------------------------|--------------------------------------|---------------|
| | Statutory surplus reserve RMB | Discretionary surplus reserve RMB | Statutory public welfare fund RMB | |
| At 1 January 2005 and 30 June 2005 | 266,287,688 | 539,754,156 | 203,765,455 | 1,009,807,299 |

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

| | Group | | | Total RMB |
|--|----------------------------------|--------------------------------------|--------------------------------------|---------------|
| | Statutory surplus reserve RMB | Discretionary surplus reserve RMB | Statutory public welfare fund 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.

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



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29. REVENUE

| Revenue by products | Group | |
|--------------------------------------|---------------------------------|----------------------|
| | Six months period ended 30 June | |
| | 2005 | 2004 |
| | RMB | RMB |
| Cathode copper | 2,914,085,570 | 2,429,041,897 |
| Gold | 874,126,485 | 507,400,338 |
| Copper rods and wires | 2,199,924,728 | 1,453,372,597 |
| Other (Silver, Sulphuric acid, etc.) | 783,002,623 | 409,375,951 |
| Tolling services | 136,529,924 | 49,719,126 |
| | 6,907,669,330 | 4,848,909,909 |

| Geographical Segments | Group | |
|-----------------------|---------------------------------|----------------------|
| | Six months period ended 30 June | |
| | 2005 | 2004 |
| | RMB | RMB |
| PRC mainland | 6,491,827,452 | 4,562,890,216 |
| Hong Kong | 364,256,386 | 138,439,298 |
| Belgium | 16,590,884 | — |
| Holand | 16,319,954 | — |
| Australia | 16,080,352 | — |
| New Zealand | 2,101,449 | — |
| South Korea | — | 89,786,457 |
| Taiwan | — | 56,263,205 |
| Others | 492,853 | 1,530,733 |
| | 6,907,669,330 | 4,848,909,909 |

| Total sales of the five largest customers | Percentage in total sales |
|---|---------------------------|
| RMB | % |
| 2,782,480,386 | 40.3 |



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30. COST OF SALES

| | Group | |
|------------------------|--------------------------------------|---------------|
| | Six months period ended 30 June 2005 | 2004 |
| | RMB | RMB |
| Cost of domestic sales | 4,892,625,269 | 3,761,882,608 |
| Cost of export sales | 274,424,893 | 263,788,000 |
| | 5,167,050,162 | 4,025,670,608 |

31. SALES TAXES

| | Group | |
|---|--------------------------------------|------------|
| | Six months period ended 30 June 2005 | 2004 |
| | RMB | RMB |
| Resource tax | 18,269,422 | 17,633,425 |
| City construction tax and education fee | 1,436,669 | 844,735 |
| | 19,706,091 | 18,478,160 |



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32. OTHER OPERATING PROFIT

| | Group | |
|--|--|--------------|
| | Six months period ended 30 June 2005 RMB | 2004 RMB |
| Sales of auxiliary materials and spare parts | | |
| — Revenue | 59,532,565 | 43,418,924 |
| — Expenses | (59,451,549) | (43,553,321) |
| | 81,016 | (134,397) |
| Sales of water and electricity | | |
| — Revenue | 27,956,249 | 24,345,064 |
| — Expenses | (29,078,360) | (26,311,613) |
| | (1,122,111) | (1,966,549) |
| (Loss) gain on forward contract | (248,276,970) | 182,722,894 |
| Others | 16,551,598 | 12,282,542 |
| | (232,766,467) | 192,904,490 |

33. FINANCIAL COSTS

| | Group | |
|-----------------------|--|-------------|
| | Six months period ended 30 June 2005 RMB | 2004 RMB |
| Interest expenses | 100,174,166 | 97,688,711 |
| Less: interest income | 4,445,575 | 1,602,249 |
| Exchange loss | 177,937 | 545,384 |
| Others | 1,468,707 | 1,998,258 |
| | 97,375,235 | 98,630,104 |



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34. INVESTMENT INCOME (LOSS)

| | Group | |
|--|---|---------------------|
| | Six months period ended 30 June 2005 RMB | 2004 RMB |
| Short-term investment income: | | |
| — Loss on share investment | (304,860) | (757,873) |
| Long-term investment income | | |
| — Amortization of long-term equity investment difference | — | (264,498) |
| — Impairment loss on long-term investment | — | (10,552,676) |
| | (304,860) | (11,575,047) |

| | Company | |
|---|---|------------------|
| | Six months period ended 30 June 2005 RMB | 2004 RMB |
| Short-term investment income: | | |
| — Loss on share investment | (306,131) | (757,873) |
| Long-term investment income | | |
| — Share of investee's profit recognized under equity method | 8,981,724 | 14,197,156 |
| — Amortization of long-term equity investment difference | — | (264,498) |
| — Impairment loss on long-term investment | — | (10,552,676) |
| | 8,675,593 | 2,622,109 |

35. NON-OPERATING EXPENSES

| | Group | |
|----------------------------------|---|-------------------|
| | Six months period ended 30 June 2005 RMB | 2004 RMB |
| Education fee | 7,853,002 | 6,814,781 |
| Donation | 1,681,458 | — |
| Loss on disposal of fixed assets | 643,415 | 15,958,992 |
| Others | 239,426 | 4,201,855 |
| | 10,417,301 | 26,975,628 |



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FOR THE PERIOD ENDED 30 JUNE 2005
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36. INCOME TAX

| | Group | |
|--|--|-------------------|
| | Six months period ended 30 June 2005 RMB | 2004 RMB |
| Income tax for the period (Note 1) | 170,587,649 | 103,859,031 |
| Additional tax paid in respect of the prior year (Note 2) | — | 1,125,223 |
| Income tax deductible (Note 3) | — | (51,720,672) |
| Income tax of subsidiaries | 853,885 | 46,464 |
| | 171,441,534 | 53,310,046 |

Note 1: The income tax of RMB170,587,649 which is calculated based on taxable income.

Note 2: By the end of 30 June 2005, tax verification report for the year ended 31 December 2004 is not 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, 2003 and 2004 was fully utilized by 31 December 2004. No addition in the tax benefit was noted in current period.

37. CASH PAID RELATING TO OTHER OPERATING ACTIVITIES

| | Group | |
|---|--|--------------------|
| | Six months period ended 30 June 2005 RMB | 2004 RMB |
| Amount paid in respect of operating expenses and general and administrative expenses | 177,016,862 | 144,221,517 |
| Non-operating expenses paid | 9,773,886 | 15,805,760 |
| Other expenses paid | 169,956,454 | 183,330,337 |
| | 356,747,202 | 343,357,614 |



NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2005
(PREPARED IN ACCORDANCE WITH PRC GAAP AND REGULATIONS)

38. SIGNIFICANT RELATED PARTY 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 | 30 June 2005 and 31 December 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 | 30 June 2005 and 31 December 2004 RMB | |
|------|--|------|
| | | % |
| JCC | 1,275,556,200 | 47.9 |

(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 |



NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2005

(PREPARED IN ACCORDANCE WITH PRC GAAP AND REGULATIONS)

38. SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(5) Significant transactions between the Company above and related parties in current period:

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

| | Group | |
|---|-----------------|-----------------|
| | 2005 RMB'000 | 2004 RMB'000 |
| Transactions with JCC and its affiliates: | | |
| Tolling fee and sales fee charged by the Group (note (c)) | 4,956 | 3,363 |
| Sale of copper cathode and sulphuric acid by the Group (note(a)) | 170,936 | 116,792 |
| Sales of auxiliary industrial products by the Group (note(a)) | 42,496 | 46,244 |
| Sale of waste, filter residue and black cement copper by the Group (note(a)) | 49,880 | 3,791 |
| Purchase of copper concentrates by the Group (note(a)) | 200,974 | 63,854 |
| Purchase of scrap copper by the Group (note(b)) | 328,803 | 455,943 |
| Purchase of auxiliary industrial products by the Group (note(a)) | 127,692 | 120,621 |
| License fee on railway transportation charged to the Group (note(b)) | — | 3,600 |
| Railway transportation services provided to the Group (note(a)) | 8,137 | 5,664 |
| Rentals for land use rights charged to the Group (note(c)) | 7,500 | 7,500 |
| Rentals for office premises charged to the group (note(c)) | 1,155 | 1,534 |
| Rentals for housing for the employees and use of common facilities charged to the Group (note(b)) | 6,549 | 3,355 |
| Repair and maintenance service provided to the Group (note(a)) | 39,008 | 49,156 |
| Construction services provided to the Group (note(a)) | 23,483 | 20,309 |
| Vehicle transportation services provided to the Group (note(a)) | 54,857 | 33,167 |
| Supply of water and transmission of electricity by the Group (note(b)) | 25,889 | 23,727 |
| Electricity supply provided to the Group (note (b)) | 3,912 | 2,165 |
| Industrial water supplied to the Group(note(b)) | 8,843 | 9,215 |
| Brokerage agency services provided to the Group (note (a)) | 3,563 | 4,459 |



NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2005

(PREPARED IN ACCORDANCE WITH PRC GAAP AND REGULATIONS)

38. SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(5) Significant transactions between the Company above and related parties in current period: (continued)

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

| | Group | |
|---|---------------------------------|---------|
| | Six months period ended 30 June | |
| | 2005 | 2004 |
| | RMB'000 | RMB'000 |
| Environmental greenery services provided to the Group (note(b)) | 3,604 | 3,028 |
| Rentals for office premises received by the group (note (c)) | 28 | 28 |
| Processing fee of blister(scrap) copper charged by the Group (note (c)) | 81,115 | 16,077 |
| Sales of raw copper sulphate by the Group (note (c)) | 5,590 | 20,070 |
| Sales of low oxygen copper rods and wires and processing of copper cathode into low oxygen copper rods and wires by the Group(note (c)) | 12,651 | 15,422 |
| Purchase of gold and silver bearing materials by the Group(note (c)) | 13,667 | 10,451 |
| Operation management services expenses provided by the Group (note (c)) | 807 | 709 |
| Sales of gases by the Group (note (a)) | 2,399 | 1,204 |
| Agency fee for development and sales of gases paid by the Group (note (c)) | — | 1,612 |
| Social welfare and support services provided to the Group(note(b)) | | |
| — welfare and medical services | 18,476 | 18,924 |
| — primary and secondary education services | 6,022 | 5,132 |
| — technical education services | — | 2,392 |
| — internal telecommunications services | 654 | 2,800 |
| — use of representative offices | — | 484 |
| Transactions with other two promoter shareholder | | |
| Sales of copper cathode to Jiangxi Xinxin (note(a)) | 174,484 | 129,364 |
| Sales of low oxygen copper rods and wires to Jiangxi Xinxin (note(a)) | 915 | 4,069 |
| Tolling fee received from Hubei Sanxin (note(a)) | 5,776 | 2,729 |
| Purchase of copper concentrates from Hubei Sanxin (note(a)) | 13,626 | 12,186 |
| Interest income from Hubei Sanxin (note (a)) | 332 | 725 |

Notes:

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



NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2005
(PREPARED IN ACCORDANCE WITH PRC GAAP AND REGULATIONS)

38. SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(5) Significant transactions between the Company above and related parties in current period: (continued)

(B) Amount due from or to related parties

| Account | Name of related parties | 30 June 2005 RMB | 31 December 2004 RMB |
|---|-------------------------|------------------------|----------------------------|
| Accounts receivable | JCC and its affiliates | 9,727,889 | 4,590,209 |
| Other receivables | JCC and its affiliates | 12,298,570 | 20,604,543 |
| Prepayments | JCC and its affiliates | 20,985,255 | 14,473,133 |
| | Hubei Sanxin | — | 8,683,367 |
| | | 43,011,714 | 48,351,252 |
| Accounts payable | JCC and its affiliates | 14,031,179 | 24,249,585 |
| Advance from customers | JCC and its affiliates | 42,289,350 | 4,870,579 |
| | Jiangxi Xinxin | 5,772,785 | 11,263 |
| | Hubei Sanxin | 2,215,084 | — |
| Other payables | JCC and its affiliates | 29,936,725 | 153,008,653 |
| 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 | 38,366,000 | 39,301,000 |
| | | 134,481,123 | 223,311,080 |

Note: Please refer to Note 25 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 30 June 2005, the Company has short-term bank loan of RMB150,000,000 guaranteed by JCC (31 December 2004: Nil).

(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. From January to June 2005, the total cost charged to the income statement is approximately RMB20,546,000 (January to June 2004: RMB19,466,000).



NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2005
(PREPARED IN ACCORDANCE WITH PRC GAAP AND REGULATIONS)

39. COMMITMENTS

(1) Capital commitments

| | 30 June 2005 RMB'000 | 31 December 2004 RMB'000 |
|--|-------------------------|-----------------------------|
| Capital expenditure contracted for but not provided in the financial statements: | | |
| — Commitment for acquisition of assets | 275,289 | 192,296 |
| — Commitment for investments(Note) | 100,000 | — |
| Total | 375,289 | 192,296 |

Note: On 3 June 2005, the Company entered into an agreement with JCC and its affiliates and Bank of China Group Investment Ltd ("BOCGI") for the establishment of the JCC Financial Co., Ltd. ("JCFC"). Pursuant to the agreement, total paid-in capital of JCFC will be RMB300,000,000, among which RMB140,000,000 or 46.7% will be contributed by JCC and its affiliates, RMB100,000,000 or 33.3% will be contributed by the Company and RMB60,000,000 or 20% will be contributed by BOCGI. JCFC will mainly engage in providing financial services to JCC and its affiliates and the Company. By the end of 30 June 2005, JCFC has not yet established.

(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:

| | 30 June 2005 RMB'000 | 31 December 2004 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 | 312,567 | 320,470 |
| Total | 359,985 | 367,888 |

The amount represents the balance due to JCC and Land & Resources Bureau of Jiangxi Province as the consideration for the rental of land use rights. The amount includes rental of land use right of Wushan Mine repayable in 50 annual installments of RMB806,136 each starting from year 2002 to year 2052. The other portion is repayable in 30 annual installments of RMB15,000,000 each starting from year 1997 to year 2027.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2005

(PREPARED IN ACCORDANCE WITH PRC GAAP AND REGULATIONS)

40. FORWARD CONTRACTS

At the balance sheet date, the unrealized loss on the outstanding forward copper contracts amounted to approximately RMB95,505,000 (31 December 2004: RMB105,396,000).

41. SUBSEQUENT EVENTS

According to the approval of the Company's general meeting of shareholders held on 20 May 2005, the Company will place no more than 231,000,000 Placing Shares to the companies applying the IPO regulation set by Shanghai Stock Exchange and Hong Kong Stock Exchange, and to HK & International organization and professional investors having no relationship with the Company. According to the Placing Agreement signed with Citigroup Global Markets Hong Kong Futures and Securities Limited ("CGM HK") on 25 July 2005, CGM HK will place the placing shares to no less than six independent places with the placing price determined at HK\$ 3.813 per placing share. The net proceeds of the placing is estimated to be approximately HK\$ 856 million after deducting the commission and expenses of the placing. The net proceeds of the placing will be used for any of expansion of production capacity of copper cathode of the company, technological renovation of mining technology and the development of the processed copper products.

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



SUPPLEMENTAL INFORMATION

For the period ended 30 June 2005

(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 RMB982,567,000 and RMB6,739,925,000 respectively according to PRC GAAP. These figures can be reconciled to that under IFRS as follows:

| | Net profit For the period ended 30 June 2005 RMB'000 | Net assets at 30 June 2005 RMB'000 |
|--|---|---|
| Per PRC GAAP | 982,567 | 6,739,925 |
| Adjustment according to IFRS: | | |
| – Specific accounts payable transferred to capital reserves which cannot be booked under IFRS and the relevant effect on fixed assets depreciation | 3,000 | (76,600) |
| – Unrealized loss on forward copper contracts which should be booked in other operating profit under IFRS | (11,016) | (52,379) |
| Per IFRS | 974,551 | 6,610,946 |

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

| Reporting profit | From 1 January to 30 June 2005 | | | |
|--|--------------------------------|------------------|-------------------------|------------------|
| | Return on net assets (%) | | Earning per share (RMB) | |
| | Fully diluted | Weighted average | Fully diluted | Weighted average |
| Profit from principal operations | 25.53 | 26.20 | 0.65 | 0.65 |
| Operating profits | 17.37 | 17.83 | 0.44 | 0.44 |
| Net profit | 14.58 | 14.96 | 0.37 | 0.37 |
| Net profit excluding non-recurring items | 14.42 | 14.80 | 0.36 | 0.36 |



SUPPLEMENTAL INFORMATION

For the period ended 30 June 2005

(Prepared in accordance with PRC GAAP and regulations)

3. IMPAIRMENT LOSS ON ASSETS AT 30 JUNE 2005

| Item | At 1 January 2005 | | Additions | Write-back | | Write-off | | At 30 June 2005 | |
|--|-------------------|----------------|-----------------------------|--------------|----------------|--------------|----------------|-----------------|----------------|
| | Group RMB | Company RMB | Group and Company RMB | Group RMB | Company RMB | Group RMB | Company RMB | Group RMB | Company RMB |
| 1. Bad debt provision | 111,502,715 | 108,675,903 | 260,690 | (19,832,432) | (17,005,620) | — | — | 91,930,973 | 91,930,973 |
| Including: Accounts receivable | 91,636,146 | 91,636,146 | 260,690 | (16,843,691) | (16,843,691) | — | — | 75,053,145 | 75,053,145 |
| Other receivables | 19,866,569 | 17,039,757 | — | (2,988,741) | (161,929) | — | — | 16,877,828 | 16,877,828 |
| 2. Impairment loss on short-term investments | 959,574 | 959,574 | 306,131 | — | — | — | — | 1,265,705 | 1,265,705 |
| Including: Stock investments | 959,574 | 959,574 | 306,131 | — | — | — | — | 1,265,705 | 1,265,705 |
| 3. Impairment loss on inventory | 751,102 | 751,102 | — | — | — | — | — | 751,102 | 751,102 |
| Including: Raw material | 751,102 | 751,102 | — | — | — | — | — | 751,102 | 751,102 |
| 4. Impairment loss on long-term investment | 10,552,676 | 10,552,676 | — | — | — | — | — | 10,552,676 | 10,552,676 |
| Including: Stock investment | 5,610,000 | 5,610,000 | — | — | — | — | — | 5,610,000 | 5,610,000 |
| Equity investment difference | 4,942,676 | 4,942,676 | — | — | — | — | — | 4,942,676 | 4,942,676 |
| 5. Impairment loss on fixed assets | 4,699,700 | 4,699,700 | — | — | — | — | — | 4,699,700 | 4,699,700 |
| Including: Buildings | — | — | — | — | — | — | — | — | — |
| Equipment and machinery | 4,699,700 | 4,699,700 | — | — | — | — | — | 4,699,700 | 4,699,700 |
| Vehicles | — | — | — | — | — | — | — | — | — |



SUPPLEMENTAL INFORMATION

For the period ended 30 June 2005

(Prepared in accordance with PRC GAAP and regulations)

4. THE EXPLANATIONS TO THE ITEMS IN FINANCIAL STATEMENTS WHOSE FLUCTUATION RANGE IS OVER 30% (INCLUDING 30%) AND COVER THE TOTAL ASSETS OF BALANCE SHEET DATE OVER 5% (INCLUDING 5%) OR COVER THE TOTAL PROFIT IN THIS YEAR OVER 10% (INCLUDING 10%) AREAS FOLLOWS:

Items in statement of balance sheet:

Tax payable:

The amount of current period increased a lot compared with that of same period of prior year, which was due to the large amount of VAT-out caused by the great increase of sales volume.

Items in statement of income and profits appropriation:

Sales:

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

General and administrative expense:

The amount of current period increased a lot compared with that of same period of prior year, which was mainly due to the increase of salary expense, environmental expenses and compensation fee for mineral resources.