

Management Discussion and Analysis

The management of the Company is pleased to provide the following discussion and analysis of the Company's 2005 business results for better understanding of investors in reading this annual report. Unless otherwise specified, the financial data mentioned in such discussion and analysis is mainly extracted from the Company's financial statements prepared under the PRC GAAP and regulations. The investors are advised to pay attention to the Company's audited financial statements for the years 2005 and 2004 prepared under the PRC GAAP and regulations when reading this discussion and analysis.

1. Production and material supply

In 2005, the Company produced 422,000 tonnes of copper cathode (inclusive of tolling copper), representing approximately 16.8% of the total production of the PRC. The Company also produced 12,053 kg of gold, 322,577 kg of silver, 984,000 tonnes of sulphuric acid and 736,000 tonnes of pyrite concentrates, holding the lines of last year. During the reporting period, the Company self-produced 146,000 tonnes of copper (representing 21% of the total domestic production of 690,000 tonnes of contained copper in 2005), 5,600 kg of gold and 51,400 kg of silver contained in copper concentrate. In addition, the Company's subsidiaries 四川康西銅業有限責任公司 (Sichuan Kang Xi Copper Limited Liability Company) and 山西刁泉銀銅業有限公司 (Shanxi Diaquan Silver and Copper Mining Company Limited) respectively provided the Company approximately 20,000 tonnes of blister copper and 1,400 tonnes of contained copper, as well as 1,915 kg of contained gold and 14,249 kg of contained silver during the reporting period.

During the reporting period, approximately 125,000 tonnes of the Company's self-produced copper cathode were provided to its subsidiary Jiangxi Copper Products Company Limited for further processing into copper rods and wires.

During the reporting period, copper materials (including copper concentrate, blister and scrap copper) self-produced by the Company and provided by the holding company, JCC, accounted for 40.7% of the demand of the Company, whilst copper concentrate, blister copper and scrap copper purchased at home or abroad or those for tolling accounted for approximately 59.3%, of which the imported concentrate accounted for 22.8%. The gold and silver materials produced by the Company and its subsidiaries accounted for 62.3% and 20.4% of the gold and silver output for the reporting period.

2. Resource reserve

As at the end of the reporting period, the reserve of the Dexing Copper Mine, Yongping Copper Mine, Fujiawu Copper Mine and Wushan Copper Mine of the Company included 7,960,000 tonnes of copper, 212 tonnes of gold, 5,200 tonnes of silver and 250,000 tonnes of molybdenum. The copper reserve owned by the Company accounted for one-third of that of China, ranking No.1 in the PRC. In addition, the Company's holding company, JCC, owned resource reserve through its Chengmenshan Copper Mine, Dongxiang Copper Mine and Yinshan Lead-Zinc Mine, including 2,850,000 tonnes of copper, 179 tonnes of gold and 4,100 tonnes of silver. Pursuant to the purchase option agreement signed by the Company on 16 May 1997, the Company enjoys a right of first refusal to purchase any mine resources to be sold by its holding company.



A global leading mine — Dexing Copper Mine

3. Operating results

For the year 2005, sales revenue as audited under PRC GAAP amounted to RMB13,340.69 million (2004: RMB10,627.27 million), representing an increase of RMB2,713.42 million (or 25.5%) from last year. Profit from principal operations amounted to RMB3,341.82 million (2004: RMB1,933.11 million), representing an increase of RMB1,408.71 million (or 72.9%) from last year. The gross profit margin was 25.3% (2004: 18.6%), increase by 6.7 percentage points from last year. Net profit amounted to RMB1,851.38 million (2004: RMB1,143.5 million), representing an increase of RMB707.88 million (or 61.9%) from last year. Earnings per share (fully diluted) amounted to RMB0.64 (2004: RMB0.43), representing an increase of RMB0.21 (or 48.8%) from last year.

1. Revenue from principal operations

For the year 2005, the Company's revenue from principal operations amounted to RMB13,340.69 million, representing an increase of RMB2,713.42 million (or 25.5%) over last year. This is primarily attributable to a growth in sales volume and selling prices. The growth in sales volume contributed RMB480.33 million (or 18%) to the increase in revenue from principal operations, whereas the growth in selling prices contributed RMB2,233.09 million (or 82%) to the increase in revenue from principal operations.

Comparative figures of sales volume of major products for 2005 and 2004 are set out as follows:

	2005	2004	Increase (decrease)	Increase (decrease) (%)
Copper cathode (tonne)	192,276	208,583	(16,307)	(7.8)
Tolling copper cathode (tonne)	110,224	89,665	20,559	22.9
Copper rods and wires (tonne)	145,538	144,369	1,169	0.8
Gold (kg)	13,680	10,229	3,451	33.7
Silver (kg)	385,875	228,241	157,634	69.1
Sulphuric acid (tonne)	1,002,562	1,067,444	(64,882)	(6.1)
Pyrite concentrates (tonne)	1,031,972	1,090,175	(58,203)	(5.3)

Comparative figures of selling prices (exclusive of tax) of major products for 2005 and 2004 are set out as follows:

	2005	2004	Increase (decrease)	Increase (decrease) (%)
Copper cathode (RMB/tonne)	29,216	23,608	5,608	23.8
Tolling copper cathode (RMB/tonne)	2,515	2,220	295	13.3
Copper rods and wires (RMB/tonne)	30,567	24,401	6,166	25.3
Gold (RMB/kg)	117,579	108,803	8,776	8.1
Silver (RMB/kg)	1,874	1,749	125	7.2
Sulphuric acid (RMB/tonne)	302	361	(59)	(16.3)
Pyrite concentrates (RMB/tonne)	161	136	25	18.4

Management Discussion and Analysis

3. Operating results (Continued)

1. Revenue from principal operations (Continued)

The Company's revenue from principal operations and its structure for 2005 and 2004 are set out as follows:

	2005		2004		Increase (decrease)	
	Sales revenue RMB'000	Percentage to total sales revenue %	Sales revenue RMB'000	Percentage to total sales revenue %	Sales revenue RMB'000	%
Copper cathode	5,617,526	42.1	4,924,209	46.3	693,317	14.1
Tolling copper cathode	277,240	2.1	199,064	1.9	78,176	39.3
Copper rods and wires	4,448,658	33.3	3,416,820	32.2	1,031,838	30.2
Gold	1,608,493	12.1	1,088,675	10.2	519,818	47.7
Silver	723,206	5.4	367,628	3.5	355,578	96.7
Sulphuric acid	302,653	2.3	385,281	3.6	(82,628)	(21.4)
Pyrite concentrates	166,540	1.2	148,066	1.4	18,474	12.5
Other scraps	196,376	1.5	97,531	0.9	98,845	101.3
Total	13,340,692	100.0	10,627,274	100.0	2,713,418	25.5

The Company's revenue from principal operations by geographic location for 2005 and 2004 are set out as follows:

	2005 RMB'000	2004 RMB'000	Increase (decrease) %
Mainland China	12,496,541	9,851,880	26.8
Hong Kong	784,098	441,550	77.6
Taiwan	—	192,683	(100.0)
Korea	—	123,668	(100.0)
Australia	16,392	—	Not Applicable
Belgium	16,591	—	Not Applicable
Holland	16,008	—	Not Applicable
Other areas	11,062	17,493	(36.8)
Total	13,340,692	10,627,274	25.5

3. Operating results (Continued)

2. Cost of principal operations

For the year 2005, the Company's cost of principal operations amounted to RMB9,959.91 million, representing an increase of RMB1,303.52 million (or 15.1%) over last year. During the reporting period, the increase in cost of principal operation is primarily attributable to growths in both sales volume and unit cost. The growth in sales volume contributed RMB324.34 million (or 24.9%) to the increase in total cost of principal operations; whereas the growth in unit selling cost contributed RMB979.18 million (or 75.1%) to the increase in cost of principal operations.

During the reporting period, the increase in unit product cost during the reporting period was mainly due to price hikes of raw materials (including copper concentrate, blister and scrap copper and gold and silver contained materials) purchased by the Company, as well as the increased electricity tariff.

3. Expenses in the reporting period

For the year 2005, the Company's management expenses amounted to RMB331.22 million, accounting for approximately 2.5% of revenue from principle operations of the Company. Sales expenses amounted to RMB95.77 million, accounting for approximately 0.7% of revenue from principle operations. Financial costs amounted to RMB171.16 million, accounting for approximately 1.3% of revenue from principle operations of the Company. The decrease in expenses in the reporting period is mainly attributable to the decreased financial costs resulting from sufficient cash and a decrease in commercial borrowings during the reporting period. The percentage of expenses in the reporting period in turnover is mainly attributable to a significant increase in turnover and strict control over management and selling expenses during the reporting period.

Comparative figures of expenses in the reporting period for 2005 and 2004 are set out as follows:

	2005		2004	
	<i>RMB'000</i>	Percentage of turnover (%)	<i>RMB'000</i>	Percentage of turnover (%)
Management expenses	331,222	2.5	321,291	3.0
Operating expense	95,765	0.7	84,827	0.8
Financial costs	171,161	1.3	201,191	1.9
Total	598,148	4.5	607,309	5.7

3. Operating results (*Continued*)

4. Profit from other operations

For the year 2005, the Company's loss from other operations amounted to RMB534.56 million, representing an increase of RMB616.17 million over last year. The main reason is that under PRC GAAP, the Company closed its hedging contracts and recorded a decrease in gains of RMB546 million for the reporting period based on the delivery prices of futures, which was included in loss from other operations (decrease in gains under IFRS: RMB361.49 million). Notwithstanding the continuously hiking copper prices driven by extraordinary factors and speculative buys, the Company believed that it is necessary for the Company, the largest copper producer of the PRC, to adopt hedging strategy as a prudent operating guideline to hedge the risks from readily declining copper prices resulting from the over-speculative copper market. Although with a loss in opportunistic profit as a result, the Company still managed to achieve annual profit target as planned, thereby ensuring the continuous fast growth in its operating results.

5. Non-operating expense

For the year 2005, the Company's non-operating expense amounted to RMB36.4 million, representing a decrease of RMB87.3 million (or 70.6%) from last year. This is mainly attributable to the disposal of certain fixed assets retired due to technology renovation and dismantlement during the first half of the year. In addition, approximately RMB20.42 million of provision for impairment was made during the reporting period for certain fixed assets subject to retirement due to technology renovation and dismantlement.

6. Income tax

For the year 2005, the Company's income tax amounted to RMB298.94 million, representing an increase of RMB181.98 million (or 155.6%) over last year. This is mainly attributable to the significant increase in profit for the reporting period. In addition, the Company obtained an income tax rebate of RMB44.59 million for its procurement of tax-preferential domestically manufactured equipment, representing decrease of RMB31.81 million from last year. As at the end of the reporting period, the tax rebate facility of current year for procurement of domestically manufactured equipment was used up.

7. Gross profit margin

The Company's gross profit is mainly derived from its copper products and gold operations. During the reporting period, gross profit from copper products and gold accounted for 83.2% of the Company's total gross profit, of which gross profit from copper products contributed 67.4%. Hence, the Company's gross profit is highly sensitive to change in copper prices.

In 2005, the Company's comprehensive gross profit margin increased by 6.7 percentage points to 25.3% as a result of price hikes in copper cathode and gold. According to annual reports publicly disclosed by other domestic copper manufacturers, the Company enjoys a higher self-supplying ratio than the domestic industry level, coupled with its diversification in manufacturing precious metals including gold and silver. In addition, the Company put efforts in developing cycle economy by leveraging its technology strength throughout technological innovations. Thus, waste from smelting process is greatly recycled and used, leading to substantial income stream with environmental benefit. As a result, the Company's comprehensive gross profit margin is much higher than other domestic counterparts.

Management Discussion and Analysis

3. Operating results (Continued)

7. Gross profit margin (Continued)

Fluctuations of the Company's gross profit margin by business and by products are set out as follows:

Unit: RMB'000

By business	Revenue from principal operations	Cost of principal operations	Gross profit margin (%)	Increase (decrease) in revenue from principal operations from last year (%)	Increase (decrease) in cost of principal operations from last year (%)	Increase (decrease) in gross profit margin from last year (%)
Non-ferrous metals						
Copper cathode and tolling	5,894,766	4,572,766	22.4	15.0	1.0	10.8
Copper products processing						
Copper rods and wires and tolling	4,458,105	3,559,546	20.2	30.5	27.8	1.7
Precious metals						
Gold/silver	2,332,051	1,589,733	31.8	60.0	58.0	0.9
Others						
Sulphuric acid and pyrite concentrates etc.	655,770	237,868	63.7	4.6	(29.2)	17.3
Total	13,340,692	9,959,913	25.3	25.5	15.1	6.8
Of which:						
connected transactions (note)	661,816	547,085	17.3	(25.4)	(19.0)	(6.5)

The Company's gross profit and its constituents for 2005 and 2004 are set out as follows:

Unit: RMB'000

	2005 RMB'000	Percentage to total gross profit (%)	2004 RMB'000	Percentage to total gross profit (%)
Copper cathode and tolling	1,322,000	39.10	597,514	30.32
Copper rods and wires and tolling	898,559	26.58	631,332	32.03
Gold/silver	742,318	21.96	451,194	22.89
Sulphuric acid and pyrite concentrates etc.	417,902	12.36	290,841	14.76
Total	3,380,779	100.00	1,970,881	100.00

4. Operating results of the Company's subsidiaries and associated companies

Operating results of the Company's subsidiaries and associated companies for the reporting period are set out as follows:

1. Jiangxi Copper Products Company Limited

This company's registered capital is RMB225,000,000, 60% of which was owned by the Company. It is mainly engaged in production, processing and sales of copper rod and wires. During the reporting period, it sold 159,000 tonnes of copper rods and wires, representing an increase of 14,000 tonnes (or 9.9%) over last year. As at the end of the reporting period, this company owned total assets of RMB363.23 million. For the year 2005, its sales revenue amounted to RMB4,458.11 million, representing an increase of RMB1,038.38 million (or 30.4%) over last year; net profit amounted to RMB19.22 million, representing a decrease of RMB13.96 million (or 42.1%) from last year.

2. Sichuan Kang Xi Copper Limited Liability Company

This company's registered capital is RMB140,000,000, 57.14% of which was owned by the Company. It is mainly engaged in smelting of copper, with products such as blister copper and sulphuric acid. During the reporting period, it provided approximately 22,000 tonnes of blister copper to the Company, representing an increase of 2,000 tonnes (or 10.0%) over last year. In addition, it provided 1,859 kg of contained gold and 3,586 kg of contained silver in blister copper to the Company, and sold 52,000 tonnes of sulphuric acid to third parties. As at the end of the reporting period, this company owned total assets of RMB333.40 million. For the year 2005, its sales revenue amounted to RMB642.61 million, representing an increase of RMB153.36 million (or 31.3%) over last year; net profit amounted to RMB14.35 million, representing an increase of RMB10.19 million (or 245%) over last year.

3. Shanxi Diaoquan Silver and Copper Mine Company Limited

This company's registered capital is RMB76,160,000, 45.96% of which was owned by the Company. It is mainly engaged in copper mining and ore-dressing, with products including copper concentrate. During the reporting period, it provided approximately 1,429 tonnes of copper concentrate to the Company. In addition, it provided 56 kg of contained gold and 10,663 kg of contained silver in copper concentrate to the Company. As at the end of the reporting period, this company owned total assets of RMB145.87 million. For the year 2005, its sales revenue amounted to RMB56.93 million, representing an increase of RMB38.35 million (or 206.4%) over last year; net profit amounted to RMB8.01 million, representing an increase of RMB13.31 million from the loss of last year. Thus, the Company realised the expected turnaround from loss to profit after the acquisition of it.

4. Sure Spread Limited

This company's registered capital is HK\$50,000,000, 55% of which was owned by the Company. It is mainly engaged in import and export and related technology services. As at the end of the reporting period, this company owned total assets of HK\$57.64 million. Its sales revenue for the year 2005 was HK\$564.40 million, with net profit of HK\$6.54 million.

5. Financial analysis

Total assets

As at the end of the reporting period, the Company's total assets amounted to RMB13,134.43 million, representing an increase of RMB1,753.25 million (or 15.4%) over last year. The main reason for the increase in total assets is that on 25 July 2005, the Company successfully raised net proceeds of approximately RMB890 million from issuing of 231,000,000 H shares in Hong Kong, which was deposited in special account with commercial bank. The proceeds will be gradually utilised in line with the progress of the Company's fixed assets investment. In addition, the price hike of raw materials led to a corresponding increase in value of the Company's inventory.

Total liabilities

As at the end of the reporting period, the Company's total liabilities amounted to RMB4,261.42 million, representing a decrease of RMB843.32 million (or 16.5%) from last year. During the reporting period, the Company properly cut down commercial borrowings given its sufficient working capital due to significantly increased cash flow from operating activities as a result of increasing product prices.

Shareholders' interests

As at the end of the reporting period, the Company's shareholders' interests amounted to RMB8,504.07 million, representing an increase of RMB2,427.23 million (or 39.9%) over last year. This is mainly attributable to the issue of new H shares and significant increase in profit after payment of cash dividends for 2004.

Bank loans

As at the end of the reporting period, the Company's bank loans (according to IFRS) totalled RMB3,000.51 million, of which loans of approximately RMB1,722.80 million are payable within one year; loans of approximately RMB346 million are payable within one to two years; loans of approximately RMB931.71 million are payable within two to five years. The interest rates of all the bank loans ranged from 3.5% to 6.2% (2004: 3.5% to 7.5%).

Assets pledged as security

As at the end of the reporting period, Shanxi Diaoquan Silver and Copper Mine Company Limited (a subsidiary of the Company) pledged fixed assets with a value of approximately RMB33.28 million, inventory with a value of approximately RMB30.99 million and mining rights valued at RMB27.92 million as security for its debts. Save for the above, no assets of the Company and any other subsidiaries were pledged as security.

Capital structure

As at the end of the reporting period, the Company's gearing ratio (total liabilities divided by total assets) was 32.4%, representing a decrease of 12.5 percentage points from last year. The Company's liabilities-capital ratio (long-term loans divided by the sum of long term loans and shareholders' interest) was 13.4%, representing a decrease of 12.6 percentage points from last year. The decreased ratios led to a further optimisation of the Company's capital structure, and enhanced its profitability and capability against risks.

6. Cash flow

As at the end of the year, the Company held approximately RMB1,142.50 million in cash and cash equivalents, representing an increase of RMB855.06 million from the end of the previous year.

Due to the significantly increased profit and decreased trade receivables for the reporting period, the Company's net cash flow from operating activities significantly increased by RMB1,244.89 million (or 135.2%) of last year to RMB2,165.84 million.

During the reporting period, the Company's net cash outflow from investment activities amounted to RMB963.82 million, representing an increase of RMB403.39 million (or 72.0%) from last year. During the reporting period, the Company has embarked on a new round of development strategy for project investments including Guixi Smelter Phase IV Expansion, Fujiawu Mine Development and Construction Project, technological renovation of Wushan Copper Mine and slag recovery project. During the reporting period, a total of RMB749.15 million was used as capital expenditures for the Company's projects (excluding those of subsidiaries). During the reporting period, the Company also made investment totalling RMB286.75 million in the 220,000-tonne copper alloy project of Jiangxi Copper Alloy Company Limited, 400,000-tonne sulphuric acid project of JCC-Wengfu Chemical Company Limited and environmental energy-saving project of Sichuan Kangxi Copper Company Limited, and an investment of HK\$27.5 million in Sure Spread Limited.

During the reporting period, the Company's cash outflow from financing activities amounted to RMB345.75 million, representing a decrease of RMB33.46 million from last year. During the reporting period, the net decrease in loans was RMB877.7 million, and a total of RMB522.09 million of dividends and interest expenses for 2004 was paid. The decrease in net cash outflow from financing activities was mainly due to the decreased commercial borrowings as a result of sufficient working capital during the reporting period.

7. Foreign exchange risks

As most of the Company's income, expense, assets and liabilities are denominated in or settled through Renminbi, the foreign exchange risks are insignificant.

8. Use of raised proceeds

The Company raised net proceeds of approximately RMB890 million from the placement of 231,000,000 H shares in Hong Kong on 25 July 2005. As at the end of the reporting period, the Company utilised approximately RMB142.37 million of the said proceeds. The remaining proceeds of RMB747.63 million were deposited with commercial bank, which will be gradually utilised in line with the progress of project investments.

During the reporting period, progresses of projects financed by raised proceeds are as follows:

1) Guixi Smelter Phase IV Expansion

The total investment of Guixi Smelter Phase IV Expansion is estimated at approximately RMB3,428.19 million. As at the end of the reporting period, a total of RMB123.50 million (or 4%) of total investment has been invested in the project, of which approximately RMB87.44 million were proceeds from placement of H shares, and RMB36.06 million were non-public raised proceeds. A total of RMB123.5 million was invested during the reporting period. The project is expected to be completed by the end of 2007. Upon its completion, the Company's production capacity of copper cathode is expected to reach 700,000 tonnes per annum, which will enable the Company to become one of the largest copper manufacturers in the world.

2) Fujiauwu Mine Development and Construction Project

The total investment of Fujiauwu Mine Development and Construction Project is estimated at approximately RMB871.54 million. As at the end of the reporting period, a total of RMB278.37 million had been invested in the project, of which approximately RMB40.99 million were proceeds from the A share offering in 2001, and RMB11.55 million were proceeds from the placement of H shares during the reporting period, totalling RMB52.54 million. A total of RMB155.56 million was invested during the reporting period. Upon its completion, the project will further extend the steady production period of Dexing Copper Mine by 10 years as well as its open mining service period by 17 years over the existing level, which will secure the self-supplying of copper raw materials for the Company.

3) Wushan Copper Mine's 5,000-tonne Expansion Project

The total investment of Wushan Copper Mine's expansion project with an ore handling capacity of 5,000 tonnes per day is estimated at approximately RMB257.31 million. As at the end of the reporting period, a total of RMB64.97 million had been invested in the project, of which RMB22.63 million were proceeds from the placement of H shares. A total of RMB64.97 million was invested during the reporting period. Upon its completion, the ore handling capacity of Wushan Copper Mine will be increased to 5,000 tonnes from the existing 3,000 tonnes per day. The project is estimated to contribute to the Company additional 6,145 tonnes of copper concentrate and 107 kg of contained gold and 10,000 kg of contained silver.

8. Use of raised proceeds *(Continued)*

4) Project of Copper Recovering from Flash Furnace Slag

The total investment of the project is estimated at RMB239.24 million. As at the end of the reporting period, a total of RMB220.88 million had been invested in the project, of which RMB11.76 million were proceeds from the placement of H shares. A total of RMB189.56 million was invested during the reporting period. As a project of consolidated utilization of resources and environmental protection, it is a key project for the Company's pursuit of cycle economy with original innovative technology in the PRC. The project was basically completed at the end of 2005. Upon its completion, the Company can recover approximately 5,000 tonnes of copper contained materials from the waste annually.

5) Project of Heat Recovery from off-gas of Anode Furnaces

The total investment of the project is estimated at RMB54.24 million. As at the end of the reporting period, a total of RMB16.44 million had been invested in the project, of which RMB8.99 million were proceeds from the placement of H shares. A total of RMB16.44 million was invested during the reporting period. It is another project for the Company's pursuit of environment treatment and cycle economy. Upon its completion, the project is expected to produce approximately 200,000 tonnes of steam per annum, equivalent to energy saving of 20,000 tonnes of standard coal or an annual reduction in coal consumption with a value of approximately RMB12 million.

9. Progress of projects financed by non-public raised proceeds

1) 220,000-tonne copper and copper alloy rods and wires project of Jiangxi Copper Alloy Company Limited

In February 2005, the Company and JCC established Jiangxi Copper Alloy Company Limited, a joint venture in Guixi, Jiangxi Province, to which the Company contributed RMB119,700,000, representing 60% of its registered capital. The total investment of the project is estimated at RMB393.1 million. As at the end of the reporting period, a total of RMB85.89 million had been invested in the project. A total of RMB85.89 million was invested during the reporting period. The project is expected to be completed by April 2006. Upon its completion, the company will be able to produce 220,000 tonnes of copper and copper alloy rods and wires per annum. By then, the Company's processing capacity of copper rods and wires will reach 370,000 tonnes, which will enable the Company to become one of the largest enterprises in domestic copper rod processing, production and sales sector.

2) 400,000-tonne sulphuric acid project of JCC-Wengfu Chemical Company Limited

In May 2005, the Company and Guizhou Wengfu Chemical Company Limited established JCC-Wengfu Chemical Company Limited, a joint venture in Yongping Mine, Jiangxi Province, to which the Company contributed RMB127,050,000, representing 70% of its registered capital. The total investment of the project is estimated at RMB309.85 million. As at the end of the reporting period, a total of RMB84.73 million had been invested in the project. A total of RMB84.73 million was invested during the reporting period. The project is expected to be completed by April 2006. Upon its completion, the company will be able to produce 400,000 tonnes sulphuric acid per annum.

9. Progress of projects financed by non-public raised proceeds *(Continued)*

3) Environmental energy-saving project of Sichuan Kangxi Copper Company Limited

In October 2005, the Company made further capital contribution of RMB40,000,000 to Sichuan Kangxi Copper Company Limited to finance its environmental energy-saving project. As a result, the Company's interest in its registered capital increased to 57.14% from the previous 40%. The total investment of the project is estimated at RMB209.4 million. As at the end of the reporting period, a total of RMB42 million had been invested in the project. A total of RMB42 million was invested during the reporting period. Upon its completion, the company will be able to produce additional 10,000 tonnes of blister copper per annum.

4) Investment in Sure Spread Limited

In January 2005, the Company, Silver Grant International Industries Limited and Jiangxi Huagai Enterprise Company Limited established Sure Spread Limited in Hong Kong, to which the Company contributed HK\$27,500,000, representing 55% of its registered capital. It is mainly engaged in import and export and related technology services. Details of its annual results after establishment are set out in the section headed "Operating results of the Company's subsidiaries and associated companies" of this report.