

Auditors' Report

FOR THE YEAR ENDED 31 DECEMBER 2005
(Prepared in accordance with PRC GAAP and regulations)

Deloitte. 德勤

De Shi Bao (Shen) (06) No.P0613

TO THE SHAREHOLDERS OF JIANGXI COPPER COMPANY LIMITED

We have audited the accompanying balance sheets of the Company and the Group as of 31 December 2005 and the related statements of income and cash flows of the Company and the Group for the year then ended. The preparation of these financial statements is the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements on pages 73 to 131 present fairly, in all material respects, the financial position of the Company and the Group as of 31 December 2005 and the results of their operations and cash flows for the year then ended in accordance with the requirements of the Accounting Standards for Business Enterprises and the Accounting System for Business Enterprises promulgated by the State.

Deloitte Touche Tohmatsu CPA Ltd.
Shanghai, China

Chinese Certified Public Accountant

Jiang Qian Qian

Fan Zhen Jie

19 April 2006

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

Balance Sheet

AT 31 DECEMBER 2005
(Prepared in accordance with PRC GAAP and regulations)

ASSETS	Notes	Group		Company	
		31 December 2005 RMB	31 December 2004 RMB	31 December 2005 RMB	31 December 2004 RMB
CURRENT ASSETS:					
Bank balances and cash	5	1,142,497,348	287,436,358	833,893,230	229,283,234
Current investments	6	350,000	6,282,021	—	5,862,011
Notes receivable	7	71,338,163	75,619,896	69,899,813	53,023,525
Accounts receivable	8,44	206,123,292	212,781,875	95,889,769	95,508,850
Other receivables	9,44	226,004,133	307,269,537	196,754,868	261,649,074
Prepayments	11	652,492,546	482,636,975	632,124,470	443,819,369
Inventories	12	3,285,887,850	2,925,770,949	3,127,680,254	2,798,163,949
TOTAL CURRENT ASSETS		5,584,693,332	4,297,797,611	4,956,242,404	3,887,310,012
LONG-TERM INVESTMENTS:					
Long-term equity investments	13,44	10,000,000	10,000,000	554,438,575	227,142,741
FIXED ASSETS:					
Fixed assets – cost	14	11,966,692,773	11,704,787,915	11,508,147,693	11,252,600,071
Less: Accumulated depreciation	14	5,738,232,052	5,274,519,995	5,607,695,114	5,169,429,540
Fixed assets – net		6,228,460,721	6,430,267,920	5,900,452,579	6,083,170,531
Less: Impairment	14	25,124,466	4,699,700	25,124,466	4,699,700
Fixed assets – net book value	14	6,203,336,255	6,425,568,220	5,875,328,113	6,078,470,831
Fixed assets under construction	15	1,209,569,068	519,773,923	993,716,442	516,757,003
TOTAL FIXED ASSETS		7,412,905,323	6,945,342,143	6,869,044,555	6,595,227,834
INTANGIBLE ASSETS AND OTHER ASSETS:					
Intangible assets	16	122,056,217	128,041,361	94,139,250	98,136,519
Long-term deferred expenses	17	4,769,675	—	—	—
Total intangible assets and other assets		126,825,892	128,041,361	94,139,250	98,136,519
TOTAL ASSETS		13,134,424,547	11,381,181,115	12,473,864,784	10,807,817,106

Balance Sheet

AT 31 DECEMBER 2005

(Prepared in accordance with PRC GAAP and regulations)

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	Group		Company	
		31 December 2005 RMB	31 December 2004 RMB	31 December 2005 RMB	31 December 2004 RMB
CURRENT LIABILITIES:					
Short-term loans	18	1,080,096,321	1,345,090,866	921,216,221	1,077,590,866
Notes payable	19	22,957,201	—	22,957,201	—
Accounts payable	20	470,284,658	264,335,988	388,555,869	233,201,334
Advances from customers		50,688,187	150,404,843	39,480,604	143,364,607
Salaries and wages payable		4,093,767	1,742,272	—	—
Employee benefits payable		1,517,466	1,294,535	723,842	378,650
Taxes payable	21	280,535,501	147,491,709	259,865,669	129,126,929
Other fees payable	22	42,344,431	34,739,290	42,298,242	34,581,170
Other payables	23	345,187,816	408,356,979	358,134,615	392,600,525
Accrued expenses	24	4,000,000	2,000,000	4,000,000	2,000,000
Long-term liabilities due within one year	25	644,570,000	618,270,000	624,870,000	607,270,000
Total current liabilities		2,946,275,348	2,973,726,482	2,662,102,263	2,620,114,081
LONG-TERM LIABILITIES:					
Long-term loans	26	1,277,710,000	2,091,710,000	1,266,710,000	2,069,710,000
Long-term payables	27	37,431,000	39,301,000	37,431,000	39,301,000
Total long-term liabilities		1,315,141,000	2,131,011,000	1,304,141,000	2,109,011,000
TOTAL LIABILITIES		4,261,416,348	5,104,737,482	3,966,243,263	4,729,125,081
MINORITY INTERESTS		368,937,343	199,601,038	—	—
SHAREHOLDERS' EQUITY:					
Paid-in capital	28	2,895,038,200	2,664,038,200	2,895,038,200	2,664,038,200
Capital reserves	29	2,043,336,794	1,378,147,042	2,043,336,794	1,378,147,042
Surplus reserves	30	1,754,080,747	1,009,807,299	1,746,601,671	1,005,631,939
Including: Statutory public welfare fund	30	379,128,344	203,765,455	375,587,410	201,710,102
Unappropriated profits	31	1,812,275,967	1,024,850,054	1,822,644,856	1,030,874,844
Including: Cash dividend proposed after the balance sheet date	31(5)	555,847,334	319,684,584	555,847,334	319,684,584
Translation reserve		(660,852)	—	—	—
TOTAL SHAREHOLDERS' EQUITY		8,504,070,856	6,076,842,595	8,507,621,521	6,078,692,025
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		13,134,424,547	11,381,181,115	12,473,864,784	10,807,817,106

The accompanying notes are part of the financial statements.

Statement of Income and Profits Appropriation

FOR THE YEAR ENDED 31 DECEMBER 2005
(Prepared in accordance with PRC GAAP and regulations)

Items	Notes	Group		Company	
		Year ended 31 December 2005 RMB	Year ended 31 December 2004 RMB	Year ended 31 December 2005 RMB	Year ended 31 December 2004 RMB
Revenue	32,44	13,340,692,387	10,627,273,522	12,581,283,508	9,768,326,497
Less: Cost of Sales	33,44	9,959,912,635	8,656,393,170	9,381,992,341	7,898,170,671
Sales tax	34	38,964,596	37,766,618	35,777,779	35,538,865
Gross profit		3,341,815,156	1,933,113,734	3,163,513,388	1,834,616,961
Add: Other operating profit (loss)	35	(534,557,324)	81,607,166	(493,953,180)	88,330,608
Less: Operating expenses		95,764,813	84,826,910	59,355,263	58,803,861
General and administrative expenses		331,222,354	321,291,152	299,144,577	299,498,207
Financial costs	36	171,161,344	201,190,541	158,486,491	189,492,553
Profit from operation		2,209,109,321	1,407,412,297	2,152,573,877	1,375,152,948
Add: Investment income (loss)	37,44	3,179,937	(11,392,128)	27,345,073	7,615,178
Non-operating income		4,781,930	741,877	4,755,264	678,160
Less: Non-operating expenses	38	41,177,364	124,443,412	39,923,600	124,105,816
Profit before tax		2,175,893,824	1,272,318,634	2,144,750,614	1,259,340,470
Less: Income tax	39	298,940,921	116,961,673	292,326,286	113,989,625
Minority interests		25,568,958	11,855,546	—	—
Net profit for the year		1,851,383,945	1,143,501,415	1,852,424,328	1,145,350,845
Add: Unappropriated profits at the beginning of the year		1,024,850,054	663,171,886	1,030,874,844	663,348,919
Profits available for appropriation		2,876,233,999	1,806,673,301	2,883,299,172	1,808,699,764
Less: Appropriations to statutory surplus reserve	31(1)	187,060,568	116,537,069	185,242,433	114,535,084
Appropriations to statutory public welfare fund	31(2)	186,728,014	116,531,426	185,242,433	114,535,084
Appropriations to discretionary surplus reserve	31(3)	370,484,866	229,070,168	370,484,866	229,070,168
Profits available for appropriation to shareholders		2,131,960,551	1,344,534,638	2,142,329,440	1,350,559,428
Less: Cash dividends proposed after the balance sheet date	31(4)	319,684,584	319,684,584	319,684,584	319,684,584
Unappropriated profits at the end of the year		1,812,275,967	1,024,850,054	1,822,644,856	1,030,874,844

The accompanying notes are part of the financial statements.

Cash Flows Statement

FOR THE YEAR ENDED 31 DECEMBER 2005

(Prepared in accordance with PRC GAAP and regulations)

Items	Notes	Group		Company	
		Year ended 31 December 2005 RMB	Year ended 31 December 2004 RMB	Year ended 31 December 2005 RMB	Year ended 31 December 2004 RMB
Cash flows from operating activities:					
Cash received from sales of goods and rendering of services		17,907,140,392	15,742,381,605	16,233,503,356	14,205,919,922
Other cash received relating to operating activities	41	100,806,016	85,397,168	84,117,410	91,283,471
Sub-total of cash inflows		18,007,946,408	15,827,778,773	16,317,620,766	14,297,203,393
Cash paid for goods and services		13,599,510,034	13,038,364,007	12,205,223,500	11,610,717,982
Cash paid to and on behalf of employees		521,417,462	433,173,622	500,651,834	434,745,419
Tax payments		815,612,302	1,029,882,884	761,691,195	873,720,564
Cash paid relating to other operating activities	42	905,570,339	405,409,617	838,718,560	372,283,730
Sub-total of cash outflows		15,842,110,137	14,906,830,130	14,306,285,089	13,291,467,695
Net cash flows from operating activities		2,165,836,271	920,948,643	2,011,335,677	1,005,735,698
Cash flows from investing activities:					
Cash received from disposal of investments		38,818,250	10,079,928	38,748,240	10,079,928
Cash received from return on investments		5,993	303,993	16,026,239	188,294
Net cash receipts from disposal of fixed assets, intangible assets and other long-term assets		3,900,546	1,325,178	3,874,705	1,325,178
Sub-total of cash inflows		42,724,789	11,709,099	58,649,184	11,593,400
Cash paid to acquire fixed assets, intangible assets and other long-term assets		973,658,756	536,722,021	749,151,884	529,741,099
Cash paid to acquire investments		32,886,229	35,419,894	348,863,229	44,669,604
Including: Cash paid for acquisition of subsidiaries		—	25,330,280	315,977,000	35,000,000
Sub-total of cash outflows		1,006,544,985	572,141,915	1,098,015,113	574,410,703
Net cash flows from investing activities		(963,820,196)	(560,432,816)	(1,039,365,929)	(562,817,303)

Cash Flows Statement

FOR THE YEAR ENDED 31 DECEMBER 2005
(Prepared in accordance with PRC GAAP and regulations)

Items	Notes	Group		Company	
		Year ended 31 December 2005 RMB	Year ended 31 December 2004 RMB	Year ended 31 December 2005 RMB	Year ended 31 December 2004 RMB
Cash flows from financing activities					
Cash received from investors		1,053,017,752	60,000	894,854,752	—
Including: Cash received from minority investors		158,163,000	60,000	—	—
Cash received from borrowings		1,735,891,954	2,753,408,897	1,524,511,854	2,490,108,897
Sub-total of cash inflows		2,788,909,706	2,753,468,897	2,419,366,606	2,490,108,897
Repayments of borrowings		2,610,705,608	2,608,569,341	2,288,405,608	2,447,569,341
Dividends paid, profit distributed or interests paid		522,087,634	522,246,705	496,450,750	509,701,938
Including: dividends paid to minority shareholders in subsidiaries		10,681,012	83,947	—	—
Cash payment relating to other financing activities	43	1,870,000	1,870,000	1,870,000	1,870,000
Sub-total of cash outflows		3,134,663,242	3,132,686,046	2,786,726,358	2,959,141,279
Net cash flows from financing activities		(345,753,536)	(379,217,149)	(367,359,752)	(469,032,382)
Effect of foreign exchange rate changes on cash and cash equivalents		(1,201,549)	—	—	—
Net (decrease) increase in cash and cash equivalents		855,060,990	(18,701,322)	604,609,996	(26,113,987)

Cash Flows Statement

FOR THE YEAR ENDED 31 DECEMBER 2005

(Prepared in accordance with PRC GAAP and regulations)

	Group		Company	
	Year ended 31 December 2005 RMB	Year ended 31 December 2004 RMB	Year ended 31 December 2005 RMB	Year ended 31 December 2004 RMB
Supplemental information				
Reconciliation of net profit to cash flows from operating activities:				
Net profit	1,851,383,945	1,143,501,415	1,852,424,328	1,145,350,845
Add: Minority interests	25,568,958	11,855,546	—	—
Impairment losses on assets	421,956	23,586,906	(1,687,621)	28,170,956
Depreciation of fixed assets	478,114,574	463,386,650	452,424,306	441,892,727
Amortization of intangible assets	5,985,114	4,782,805	3,997,269	3,997,268
Amortization of long-term deferred expenses	—	1,007,623	—	—
Increase (decrease) in accrued expenses	2,000,000	(100,000)	2,000,000	—
Losses (gains) on disposal of fixed assets, intangible assets and other long-term assets	51,715	92,451,996	(222,914)	92,451,996
Financial expenses	190,556,338	199,517,593	175,600,466	187,056,773
Losses (gains) arising from investments	953,581	(120,122)	(23,211,555)	(19,127,428)
Decrease (increase) in inventories	(360,116,901)	(611,738,904)	(329,516,305)	(580,755,591)
Decrease (increase) in receivables under operating activities	(239,661,450)	(514,413,247)	(300,570,124)	(458,685,713)
Increase (decrease) in payables under operating activities	210,578,411	107,230,382	180,097,827	165,383,865
Net cash flows from operating activities	2,165,836,271	920,948,643	2,011,335,677	1,005,735,698
Net increase in cash and cash equivalents				
Cash and cash equivalents at the end of the year	1,142,497,348	287,436,358	833,893,230	229,283,234
Less: cash and cash equivalents at the beginning of the year	287,436,358	306,137,680	229,283,234	255,397,221
Net (decrease) increase in cash and cash equivalents	855,060,990	(18,701,322)	604,609,996	(26,113,987)

The accompanying notes are part of the financial statements.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 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 par value of RMB1.00 each on 21 December 2001 and were listed on Shanghai Stock Exchange ("SSE") on 11 January 2002. The Company's share capital increased to RMB2,664,038,200 after the issue of A shares.

According to the approval of the Company's annual general meeting of 2004 and pursuant to the sanction document of ZhengJianGuoHeZi (2004)16 issued by the China Security and Regulatory Commission("CSRC"), the Company places an aggregate of 231,000,000 H shares of par value of RMB1.00 each. After the placing, the share capital of the Company increases to RMB2,895,038,200, refer to Note 28.

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

2. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

Accounting system and accounting standards adopted

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

Basis of accounting and principle of measurement

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

Accounting year

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

Recording currency

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

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2005

(Prepared in accordance with PRC GAAP and regulations)

2. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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.

Cash equivalents

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

Accounting for bad debts

(1) Criteria for recognition of bad debts

Bad debts are recognized in the following circumstances:

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

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

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

(2) Accounting treatment for bad debt losses

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

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

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2005
(Prepared in accordance with PRC GAAP and regulations)

2. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

Sales and discount of notes receivable and account receivable

When the Company sells or discounts notes receivable and account receivable with significant risk and reward ownership transferred to financial organ, fund received deducting carrying amount and related taxes is recognized as a gain or loss in the current period; otherwise, fund received is recognized as bank loan.

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 amount at the point where those products become physically separated.

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

The Company adopts a perpetual inventory system to account for its inventory.

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.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2005

(Prepared in accordance with PRC GAAP and regulations)

2. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

Current investments *(Continued)*

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

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

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

Recoverable amount

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

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.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2005
(Prepared in accordance with PRC GAAP and regulations)

2. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

Long-term investments *(Continued)*

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

When 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".

When the equity method is adopted, the equity investment difference is debited to income statement or credited to capital reserves on the initial investment respectively. If the newly incurred equity investment credit difference on the additional investment is less than or equal to the unamortized balance of the equity investment debit difference on the initial investment, the unamortized balance is deducted to the extent that the newly incurred equity investment credit difference is reduced to zero. The remaining equity investment debit difference not fully deducted is continued to amortize according to stipulated term.

(2) Accounting treatment for long-term debt investments

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

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

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 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.

If there is an indication that there has been a change in the conditions based on which an impairment loss was recognized in prior periods, and as such the recoverable amount is in excess of the carrying amount, the impairment loss is reversed.

Fixed assets and depreciation

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 lives	Annual depreciation rates
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%

Subsequent cost incurred on an asset upon its initial recognition shall be recognised as addition to the asset provided economic benefits associated with the item will flow to the Company, and the revised carrying amount does not exceed the recoverable amount of the said asset.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2005
(Prepared in accordance with PRC GAAP and regulations)

2. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

Impairment of fixed assets

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

Fixed assets under construction

Cost of fixed assets under construction is measured based on the actual construction expenditure. 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.

At the end of each period, the Company determines whether an impairment loss should be recognized for a fixed assets under construction by considering the indications that such a loss may have occurred.

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.

Intangible assets include mining right and trademarks. The cost of mining right is amortized evenly over its remaining period from the month in which the enterprise commences operation. The cost of a trademark is amortized evenly over its expected useful life from the month in which it is obtained. If the expected useful life exceeds the beneficial period prescribed in the relevant contract or the effective period stipulated by law, the amortization period is limited to the shorter of the beneficial period and the effective period. If the relevant contract does not prescribe the beneficial period and the law does not stipulate the effective period, the amortization period is 10 years.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2005

(Prepared in accordance with PRC GAAP and regulations)

2. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

Impairment loss on intangible assets

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

Long-term deferred expenses

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

Borrowing costs

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

Revenue recognition

Revenue from sales of goods

Revenue is recognized when the Company has transferred to the buyer the significant risks and rewards of ownership of the goods, it retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, the economic benefits associated with the transaction will flow to the Company, and the relevant amount of revenue and costs can be measured reliably.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2005
(Prepared in accordance with PRC GAAP and regulations)

2. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

Revenue recognition (Continued)

Revenue from rendering of services

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

Interest income

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

Leasing

A finance lease is a lease that transfers substantially all the risks and rewards incident to ownership of an asset. All other leases are classified as operating leases.

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

The Company entered into forward sales contracts for the purposes of reducing the Company's price risk on inventory. Deposits for forward sales contracts are booked and recorded in other receivables. Gains and losses arising from forward sales contracts are included in sales revenue when the forward sales are delivered. 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. 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. The unrealized gain or loss on the outstanding forward copper contracts will be disclosed in the notes other than recognized in the financial statement.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 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.

Basis of consolidation

(1) Scope of consolidation

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

(2) Accounting for consolidation

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

The date when the significant risk and reward ownership of acquiring/disposal the equity are transferred is recognized as the effective date of acquisition/disposal. 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. The equity and gain or loss of minority interest is presented separately in the consolidation financial statement.

Translation of foreign currency financial statements

Foreign currency financial statements are translated into RMB financial statements for consolidation as follows:

The assets and liabilities are translated at the exchange rate prevailing on the balance sheet date. Except for unappropriated profits, owners' equity items are reported at the market exchange rates at the dates of the transactions. Income statement items and profit appropriations in the year are translated at the average market exchange rates for the year. The unappropriated profits (or accumulated losses) brought forward is reported at the prior year's closing balance. The unappropriated profits (or accumulated losses) carried forward are calculated, based on the translated amounts of net income and other profit appropriation items. All exchange differences arising are recognized as "translation reserve" in the balance sheet.

Cash flows of a foreign subsidiary are translated at average exchange rates for the year. The effect of changes in exchange rate on cash and cash equivalents is presented separately as a reconciling item in the cash flow statement.

The opening balances and prior year's figures are presented according to the translated amounts of prior year.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2005
(Prepared in accordance with PRC GAAP and regulations)

3. TAXATION

Value added tax

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

Income tax

1. Company income tax

Pursuant to circulars of Guo Shui Fa [1999] No.172 and Gan Guo Shui Han [2004] No.349 issued by the State Tax Bureau, the Company was recognized as a foreign investment enterprise build in Midwest region of PRC. As such, the Company can enjoy 15% income tax rate for three years starting from year 2005. This year is the first year of tax relief period with effective tax rate of 15%.

Pursuant to a notice issued jointly by the Ministry of Finance and the State Tax Bureau regarding income tax exemption for foreign investment enterprises which purchase domestic machinery and equipment (Cai Shui Zi [2000] No.49), the Company is entitled to a tax benefit ("Tax Benefit"), which is calculated as 40% of the current year's purchase of PRC produced plant and equipment for production use. The Tax Benefit is, however, limited to the amount of increase in enterprise income tax for the current year in which the plant and equipment are acquired as compared with the tax amount of the proceeding year. The portion of the Tax Benefit that is not utilized in the current year can be carried forward for future application for a period of not more than five years.

2. Subsidiary Income Tax

The income tax rate for the Company's subsidiaries are 33%.

Business tax

Business tax is calculated and paid at 5% of operating income.

Resource tax

Resource tax is calculated and paid according to the quantity of extracted and consumed copper ore. The resource tax rate is respectively levied at RMB1.05 per ton in Wushan Copper Mine, RMB0.98 per ton in Yongping Copper Mine, RMB0.91 per ton in Dexing Copper Mine and Diaquan Silver and Copper respectively.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2005

(Prepared in accordance with PRC GAAP and regulations)

4. SCOPE OF CONSOLIDATION AND SUBSIDIARIES

Name of subsidiary	Place of registration	Equity directly held by the Company and/or subsidiary (%)	Principal Business	Type of enterprise	Legal representative	Consolidated or not
Xiaoshan Tongda Chemical Limited ("Xiaoshan Tongda")	Hangzhou, Zhejiang Province	60	Sales of sulphuric acid	Company Limited	Su Li	Yes
Jiangxi Copper Products Company Limited ("JCPC")	Guixi, Jiangxi Province	60	Produce and protracting of copper industrial materials	Company Limited	He Changming	Yes
Sichuan Kangxi Copper Company Limited ("Kangxi Copper")	Xichuang, Sichuan	57.143	Sales of copper materials, precious metal materials and sulphuric acid	Company Limited	He Changming	Yes
Shanxi Diaoquan Silver and Copper Mining Company Limited ("Diaoquan Silver and Copper")	Diaoquan, Shanxi powder	45.957	Sales of copper materials, precious metal materials and sulphuric concentrate	Company Limited	He Changming	Yes
Xichang Anning Metal Reclaiming Company Limited ("Anning Metal")	Xichuang, Sichuan	80	Reclaim and sales of scrap iron and copper	Company Limited	Ma Kejun	Yes
Sure Spread Limited ("Sure Spread")	Hong Kong	55	Import and export trading and related Limited technique services	Company	Not available	Yes
Jiangxi Copper Alloy Materials Company Limited ("JCAC")	Guixi, Jiangxi Province	60	Manufacture sales of copper and copper alloy rods and wires	Company Limited	He Changming	Yes
Jiangxi Jiangtong-Wengfu Chemical Industry Company Limited ("Wengfu Chemical")	Guixi, Jiangxi Province	70	Manufacture sales of sulphuric acid and sales and lay product	Company Limited	Li Yihuang	Yes

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 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. The interest of Kangxi Copper which the Company owned is less than 50%, but the Company made an agreement with another investor which owned 11.68% interest of Kangxi Copper, 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 October 2005, the Company bought another 17.143% interest (RMB40,000,000) in Kangxi Copper which made its paid-in capital increase to RMB140,000,000. The interest of Kangxi Copper also rose to 57.143%.

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, which owned 20.80% interest of Diaoquan Silver and Copper, 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"), in which the Company contributed HKD27,500,000, representing 55% of registered capital.

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. JCAC mainly engages in manufacturing and selling copper and copper alloy rods and wires, and related technique consulting services. By the end of 31 December 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"), 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 31 December 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 year.

Except for the disclosure Note 44, all the amounts are the consolidated amounts at group level.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2005

(Prepared in accordance with PRC GAAP and regulations)

5. BANK BALANCES AND CASH

	31 December 2005			31 December 2004		
	Foreign currency	Exchange Rate	RMB Equivalent	Foreign currency	Exchange Rate	RMB Equivalent
Cash on hand						
RMB	—	—	264,408	—	—	108,035
USD	—	—	—	1,432	8.2765	11,854
Cash in bank						
RMB	—	—	382,923,970	—	—	285,657,049
USD	672	8.0702	5,423	96,610	8.2765	799,595
HKD	729,163,278	1.0403	758,548,558	808,334	1.0637	859,825
Other currency						
RMB	—	—	754,989	—	—	—
			1,142,497,348			287,436,358

Other currency is cash deposited in the security company but still not invested in current investment market.

6. CURRENT INVESTMENT

	31 December 2005 RMB	31 December 2004 RMB
Equity investments:		
Share investments	—	6,241,595
Debt investments	—	1,000,000
Others	350,000	—
Total	350,000	7,241,595
Less: Provision for decline in value	—	959,574
Current investments – Net	350,000	6,282,021

Other investments are investments on money market fund with market value of RMB350,126 on 31 December 2005, which is calculated based on its year end market value.

The market value is calculated based on closing price of stock exchange on 31 December 2005.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2005
(Prepared in accordance with PRC GAAP and regulations)

7. NOTES RECEIVABLE

	31 December 2005 RMB	31 December 2004 RMB
Bank-accepted notes - unpledged	71,338,163	75,619,896

The Company discounted bank-accepted notes without recourse amounting to RMB557,920,165 with RMB7,028,039 of discount interests. Cash received from discounting bank-accepted notes without recourse in year 2005 amounts to RMB550,892,126. The postdated bank-accepted notes that have been discounted on 31 December 2005 amount to RMB177,880,891.

8. ACCOUNTS RECEIVABLE

The aging analysis of accounts receivable is as follows:

	31 December 2005				31 December 2004			
	Amount RMB	(%)	Bad debt Provision RMB	Net book value RMB	Amount RMB	(%)	Bad debt Provision RMB	Net book value RMB
Within 1 year	203,985,427	73.0	—	203,985,427	206,656,321	67.9	—	206,656,321
1 to 2 years	1,286,301	0.4	257,260	1,029,041	6,872,293	2.3	1,374,460	5,497,833
2 to 3 years	2,217,648	0.8	1,108,824	1,108,824	1,255,442	0.4	627,721	627,721
Over 3 years	72,129,613	25.8	72,129,613	—	89,633,965	29.4	89,633,965	—
	279,618,989	100.0	73,495,697	206,123,292	304,418,021	100.0	91,636,146	212,781,875

Five largest debtors are as follows:

Total amount of five largest debtors RMB	Percentage in total accounts receivable %
197,095,983	70.49

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

Shareholder	31 December 2005 RMB	31 December 2004 RMB
JCC	805,647	3,072,788

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2005
(Prepared in accordance with PRC GAAP and regulations)

9. OTHER RECEIVABLES

The aging analysis of other receivables is as follows:

	31 December 2005				31 December 2004			
	Amount RMB	(%)	Bad debt Provision RMB	Net book value RMB	Amount RMB	(%)	Bad debt Provision RMB	Net book value RMB
Within 1 year	215,835,424	87.1	—	215,835,424	300,302,614	91.8	—	300,302,614
1 to 2 years	9,438,845	3.8	1,887,769	7,551,076	8,371,152	2.6	1,674,230	6,696,922
2 to 3 years	6,945,727	2.8	4,328,094	2,617,633	540,002	0.2	270,001	270,001
Over 3 years	15,700,583	6.3	15,700,583	—	17,922,338	5.4	17,922,338	—
	247,920,579	100.0	21,916,446	226,004,133	327,136,106	100.0	19,866,569	307,269,537

The Group's balance of forward contracts deposits is RMB158,728,233 (31 December 2004: RMB198,724,812).

Five largest debtors are as follows:

Total amount of five largest debtors RMB	Percentage in total other receivables %
190,660,568	76.90

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

Shareholder	31 December 2005 RMB	31 December 2004 RMB
JCC	—	192,126

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2005
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10. PROVISION FOR BAD DEBTS

	At 1 January 2005 <i>RMB</i>	Addition <i>RMB</i>	Write-back <i>RMB</i>	Write-off <i>RMB</i>	At 31 December 2005 <i>RMB</i>
Bad debt provision:					
Accounts receivable	91,636,146	1,194,014	(19,334,463)	—	73,495,697
Other receivables	19,866,569	2,271,157	—	(221,280)	21,916,446
	111,502,715	3,465,171	(19,334,463)	(221,280)	95,412,143

A lawsuit about collection of RMB 16,843,691 from a debtor, which is due more than three years, has finished and the Company received the amount totally in current year. As such, a full of bad debt provision was reversed on the balance.

11. PREPAYMENTS

The aging analysis of prepayment is as follows:

	Group 31 December 2005		Group 31 December 2004	
	<i>RMB</i>	%	<i>RMB</i>	%
Within 1 year	637,409,534	97.7	458,564,627	95.0
1 to 2 years	15,083,012	2.3	24,072,348	5.0
	652,492,546	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	31 December 2005	31 December 2004
JCC	388,187	198,187

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

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12. INVENTORIES

	31 December 2005			31 December 2004		
	Cost RMB	Provision for impairment RMB	Net value RMB	Cost RMB	Provision for impairment RMB	Net value RMB
Raw material	667,136,041	751,102	666,384,939	458,375,225	751,102	457,624,123
Work in progress	2,460,932,217	—	2,460,932,217	2,088,275,188	—	2,088,275,188
Finished goods	158,570,694	—	158,570,694	379,871,638	—	379,871,638
	3,286,638,952	751,102	3,285,887,850	2,926,522,051	751,102	2,925,770,949
Including:						
Pledged inventories			30,986,755			25,803,560

The inventories as at 31 December 2005 included the finished goods amounting RMB30,986,755 pledged for short-term loan, refer to Note 18.

Movements of the provision for decline in value of inventories are as follows:

	31 December 2004 and 2005
	<i>RMB</i>
Provision for decline in value:	
Raw materials	751,102

13. LONG-TERM EQUITY INVESTMENTS

	31 December 2005	31 December 2004
	<i>RMB</i>	<i>RMB</i>
Stock investments	5,610,000	5,610,000
Other equity investments	10,000,000	10,000,000
Equity investment difference	1,768,732	4,942,676
Total	17,378,732	20,552,676
Less: Impairment loss on long-term equity investments	7,378,732	10,552,676
Long-term equity investments – net	10,000,000	10,000,000

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FOR THE YEAR ENDED 31 DECEMBER 2005
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13. LONG-TERM EQUITY INVESTMENTS (Continued)

Movement of the impairment loss on long-term equity investments is as follows:

	RMB
1 January 2005	10,552,676
Reversals	(3,173,944)
31 December 2005	7,378,732

Credit balance of equity investment difference was arose from additional investment to Kangxi Copper in current year. The debit balance of equity investment difference of previous year was deducted by the newly incurred credit balance, and the impairment loss provided previously was reversed accordingly.

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

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

Above stock held by the Company is unlisted.

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

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

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

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2005

(Prepared in accordance with PRC GAAP and regulations)

13. LONG-TERM EQUITY INVESTMENTS (Continued)

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

Name of investee	Initial cost of investment RMB	Amortization years of equity investment difference	Unamortized balance of equity investment difference			Impairment loss			Book value at	Cause
			1 January	31 December		1 January	31 December		31 December	
			2005	Deduction	2005	2005	Reversal	2005	2004	
			RMB	RMB	RMB	RMB	RMB	RMB	RMB	
Kangxi Copper	3,677,424	10years	3,401,618	(3,173,944)	227,674	(3,401,618)	3,173,944	(227,674)	—	Equity purchasing
Diaoquan Silver and copper	1,541,058	—	1,541,058	—	1,541,058	(1,541,058)	—	(1,541,058)	—	Equity purchasing
Total	5,218,482		4,942,676	(3,173,944)	1,768,732	(4,942,676)	3,173,944	(1,768,732)	—	

The unamortized debit difference of equity investment arising from acquisition of Kangxi Copper was RMB3,401,618 by the end of 31 December 2004 which was provided full impairment. In 2005, a credit balance of equity investment difference amounting to RMB3,173,944 was arose from additional investment to Kangxi Copper. After deducting the credit balance of equity investment difference, the unamortized debit difference of equity investment is RMB227,674, which is charged into income statement as impairment loss.

The debit balance of equity investment difference arising from acquisition of Diaoquan Silver and Copper in current year was RMB1,541,058, which was provided full impairment.

Notes to the Financial Statements

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(Prepared in accordance with PRC GAAP and regulations)

14. FIXED ASSETS AND ACCUMULATED DEPRECIATION

	Buildings <i>RMB</i>	Equipment and machinery <i>RMB</i>	Vehicles <i>RMB</i>	Total <i>RMB</i>
Cost				
1 January 2005	4,337,064,257	6,431,107,780	936,615,878	11,704,787,915
Reclassification	(15,596,546)	129,625,447	(114,028,901)	—
Additions during the year	69,389	1,167,930	889,081	2,126,400
Transfer from fixed assets under construction	139,751,771	120,790,410	17,591,055	278,133,236
Disposals	(275,611)	(10,628,267)	(7,450,900)	(18,354,778)
31 December 2005	4,461,013,260	6,672,063,300	833,616,213	11,966,692,773
Accumulated depreciation				
1 January 2005	1,277,769,299	3,472,967,321	523,783,375	5,274,519,995
Reclassification	37,260,079	(13,667,426)	(23,592,653)	—
Charge for the year	149,924,366	281,151,165	47,039,043	478,114,574
Eliminated on disposal	(94,234)	(9,441,342)	(4,866,941)	(14,402,517)
31 December 2005	1,464,859,510	3,731,009,718	542,362,824	5,738,232,052
Impairment loss				
1 January 2005	—	4,699,700	—	4,699,700
Additions	9,883,677	7,592,682	2,948,407	20,424,766
31 December 2005	9,883,677	12,292,382	2,948,407	25,124,466
Net value				
At 1 January 2005	3,059,294,958	2,953,440,759	412,832,503	6,425,568,220
At 31 December 2005	2,986,270,073	2,928,761,200	288,304,982	6,203,336,255
Including:				
Fixed assets pledged as collateral at 31 December 2005 – net	—	33,279,014	—	33,279,014

Note 1: Full impairment was provided for the fixed assets with carrying amount of RMB20,424,766 on 31 December 2005.

Note 2: Fixed assets as at 31 December 2005 amounting RMB16,622,277 was pledged for short-term loans, and fixed assets amounting RMB16,656,737 was pledged for long-term loans as at 31 December 2005, refer to Note 18 and 26.

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FOR THE YEAR ENDED 31 DECEMBER 2005

(Prepared in accordance with PRC GAAP and regulations)

15. FIXED ASSETS UNDER CONSTRUCTION

Construction name	Budget RMB	At 1 January	Additions RMB	Transfer to	At 31 December	% of completion RMB	Sources of funds
		2005 RMB		fixed assets RMB	2005 RMB		
Sundry Assets of							
Guixi Smelter Phase III Project of 150,000 Ton copper wire per year	51,663,700	9,769,023	13,284,565	—	23,053,588	45%	Loan and self - funding
Fujiawu Mine Development and Construction Project	161,509,700	2,874,812	—	(2,874,812)	—	100%	Loan and self - funding
Extension of Open - pitting Mining project	1,052,540,000	250,095,494	155,557,267	—	405,652,761	38%	Proceeds, loan and self - funding
Copper Re - cycling from Waste of Sparking Stove Mining Project	94,800,000	85,588,837	7,964,868	(93,553,705)	—	100%	Proceeds, loan and self - funding
Acquisition of land in Guixi Kangxi 30ton/a Copper Concentrate Project	239,240,000	31,320,253	189,563,188	—	220,883,441	92%	Proceeds, loan and self - funding
40000 AUD Sulphic Project	41,227,342	31,878,820	8,700,079	—	40,578,899	98%	Loan and self - funding
220,000 ton Copper Alloy Project	209,396,200	—	42,008,529	—	42,008,529	20%	Loan and self - funding
300K ton Copper Smelting Project	309,850,000	—	84,729,611	—	84,729,611	27%	Loan and self - funding
Nanchang Single Flat Project	393,100,000	—	85,893,568	—	85,893,568	22%	Loan and self - funding
5,000 ton Technical Improvement	3,428,190,000	—	123,501,066	—	123,501,066	4%	Loan and self - funding
Utilization of Remaining Heat from Anode Store	24,330,000	—	13,870,317	—	13,870,317	57%	Loan and self - funding
Others	257,313,300	—	64,967,558	—	64,967,558	25%	Loan and self - funding
	54,240,000	—	16,435,142	—	16,435,142	30%	Proceeds, loan and self - funding
		108,246,684	161,452,623	(181,704,791)	87,994,588		Loan and self - funding
Total		519,773,923	967,928,381	(278,133,236)	1,209,569,068		
Including:							
Capitalized borrowing cost		3,953,717	1,165,700	(3,953,717)	1,165,700		

The rate for calculating interest capitalized amount in this year is 5.85%.

Notes to the Financial Statements

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(Prepared in accordance with PRC GAAP and regulations)

16. INTANGIBLE ASSETS

	Trademarks <i>RMB</i>	Mining right <i>RMB</i>	Total <i>RMB</i>
Acquired method	Transfer	Transfer	
Cost			
1 January 2005 and 31 December, 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 year	1,720,000	4,265,144	5,985,144
31 December 2005	15,480,000	21,290,622	36,770,622
Carrying amount			
1 January 2005	37,923,900	90,117,461	128,041,361
31 December 2005	36,203,900	85,852,317	122,056,217
Including: Intangible assets pledged as collateral at 31 December 2005 – net	—	27,916,967	27,916,967
Remaining of period	21 years	13.6-46 years	

Mining right amounting to RMB27,916,967 has been pledged for long-term loan, refer to Note 26.

17. LONG-TERM DEFERRED EXPENSES

Nature	Initial cost <i>RMB</i>	Addition in 2005 and amount as at	Remaining of period
		31 December 2005 <i>RMB</i>	
Pre-operating expenses	4,769,675	4,769,675	Recognized as expenses in the month in which the enterprise commences operation

The pre-operating expense was arisen from two newly established subsidiaries, Wengfuhua and JCAC.

Notes to the Financial Statements

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18. SHORT-TERM LOANS

Category	31 December 2005 RMB	31 December 2004 RMB
Bank loans	1,080,096,321	1,345,090,866
Including:		
Secured loans	58,880,100	109,500,000
Guaranteed loans	250,000,000	—
Credit loans	771,216,221	1,235,590,866
	1,080,096,321	1,345,090,866

Annual interest rate ranges from 3.52% to 6.24%. The guaranteed loans were all guaranteed by JCC. Please refer to Note 45 (5) (c) for details. For the categories and amount of the assets pledged for the secured loans, refer to Note 12, 14 and 16.

19. NOTES PAYABLE

	31 December 2005 RMB	31 December 2004 RMB
Bank-accepted notes payable within one year	22,957,201	—

20. ACCOUNTS PAYABLE

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

Shareholder	31 December 2005 RMB	31 December 2004 RMB
JCC	6,907,845	12,000

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21. TAXES PAYABLE

	31 December 2005 RMB	31 December 2004 RMB
Income tax	219,876,331	63,292,534
Value added tax	52,228,449	75,261,472
Business tax	84,214	5,162
Resource tax	1,853,742	1,671,300
Others	6,492,765	7,261,241
	280,535,501	147,491,709

22. OTHER FEES PAYABLE

	31 December 2005 RMB	31 December 2004 RMB
Compensation fee for mineral resources	42,298,242	34,581,170
Others	46,189	158,120
	42,344,431	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

23. OTHER PAYABLES

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

Shareholder	31 December 2005 RMB	31 December 2004 RMB
JCC	94,366,006	149,253,266

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2005
(Prepared in accordance with PRC GAAP and regulations)

24. ACCRUED EXPENSES

	31 December 2005 RMB	31 December 2004 RMB	Reason for not settled
Professional service fee	4,000,000	2,000,000	Not paid as invoice not received

25. LONG-TERM LIABILITIES DUE WITHIN ONE YEAR

	31 December 2005 RMB	31 December 2004 RMB
Long-term loans due within one year (Note 26)	642,700,000	616,400,000
Long-term payables due within one year (Note 27)	1,870,000	1,870,000
	644,570,000	618,270,000

26. LONG-TERM LOANS

	31 December 2005 RMB	31 December 2004 RMB
Credit loans	1,780,000,000	2,548,400,000
Guaranteed loans	109,710,000	126,710,000
Secured loans	30,700,000	33,000,000
Total	1,920,410,000	2,708,110,000
Less: Amount due within one year		
Including: Credit loans	623,000,000	588,400,000
Secured loans	19,700,000	11,000,000
Guaranteed loans	—	17,000,000
	642,700,000	616,400,000
Amount due after one year	1,277,710,000	2,091,710,000

Annual interest rate ranges from 4.94% to 6.12%. The guaranteed loans were all guaranteed by JCC. Please refer to Note 45 (5) (c) for details. For the categories and amount of assets pledged for the secured loans, please refer to Notes 14 and 16 for detail.

Notes to the Financial Statements

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27. LONG-TERM PAYABLES

Items	Term	Initial cost RMB	Interest payable RMB	31 December 2005 RMB	31 December 2004 RMB
Long-term payables	30 years	54,261,000	104,346	39,301,000	41,171,000
Less: Long-term payable due within 1 year				1,870,000	1,870,000
Long-term payables due after 1 year				37,431,000	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.

28. PAID-IN CAPITAL

	31 December 2004 (share)	Issue shares (share)	31 December 2005 (share)
1. Unlisted shares			
Promoters shares			
- Domestic state-owned legal person shares	1,275,556,200	—	1,275,556,200
- Domestic other legal person shares	2,000,000	—	2,000,000
Total unlisted shares	1,277,556,200	—	1,277,556,200
2. Listed shares			
- H shares	1,156,482,000	231,000,000	1,387,482,000
- A shares	230,000,000	—	230,000,000
Total listed shares	1,386,482,000	231,000,000	1,617,482,000
Total share capital	2,664,038,200	231,000,000	2,895,038,200

The face value of the above shares is RMB1.00.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2005

(Prepared in accordance with PRC GAAP and regulations)

28. PAID-IN CAPITAL (Continued)

According to the approval of the Company's annual general meeting of 2004 and pursuant to the sanction document of ZhengJianGuoHeZi (2004)16 issued by the China Security and Regulatory Commission("CSRC"), the Company places an aggregate of 231,000,000 H shares of par value of RMB1.00 each. The newly injection of paid-in capital has been verified by Deloitte Touche Tohmatsu CPA Ltd on 19 August 2005.

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

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

The face value of the above shares is RMB1.00.

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29. CAPITAL RESERVES

The change of capital reserves from 1 January to 31 December 2005 is as follows:

	1 January 2005 <i>RMB</i>	Additions <i>RMB</i>	31 December 2005 <i>RMB</i>
Share premium (Note 1)	1,292,633,979	663,854,752	1,956,488,731
Revaluation reserve	113,063	—	113,063
Specific government grant transferred in (Note 2)	84,000,000	—	84,000,000
Other transfer (Note 3)	1,400,000	1,335,000	2,735,000
	1,378,147,042	665,189,752	2,043,336,794

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

	1 January 2004 <i>RMB</i>	Additions <i>RMB</i>	31 December 2004 <i>RMB</i>
Share premium (Note 1)	1,292,633,979	—	1,292,633,979
Revaluation reserve	113,063	—	113,063
Specific government grant transferred in (Note 2)	84,000,000	—	84,000,000
Other transfer (Note 3)	—	1,400,000	1,400,000
	1,376,747,042	1,400,000	1,378,147,042

Note 1: Amount represents share premium arising from issuing H share by the Company in July 2005.

Note 2: Amount represents government grant for Guixi phase III project.

Note 3: Amount represents government grant for specific environment protection projects.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2005

(Prepared in accordance with PRC GAAP and regulations)

30. SURPLUS RESERVES

The change of surplus reserves of the Company from 1 January to 31 December 2005 is as follows:

	Statutory surplus reserve <i>RMB</i>	Discretionary surplus reserve <i>RMB</i>	Statutory public welfare fund <i>RMB</i>	Total <i>RMB</i>
At 1 January 2005	266,287,688	539,754,156	203,765,455	1,009,807,299
Current year's appropriations	187,060,568	370,484,866	186,728,014	744,273,448
Current year's transfer in (out) (Note)	—	11,365,125	(11,365,125)	—
At 31 December 2005	453,348,256	921,604,147	379,128,344	1,754,080,747

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

	Statutory surplus reserve <i>RMB</i>	Discretionary surplus reserve <i>RMB</i>	Statutory public welfare fund <i>RMB</i>	Total <i>RMB</i>
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 transfer in (out) (Note)	—	30,602,662	(30,602,662)	—
At 31 December 2004	266,287,688	539,754,156	203,765,455	1,009,807,299

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.

Pursuant to a notice issued by the Ministry of Finance regarding the change of accounting treatment of profit appropriation of statutory public welfare fund after the implementation of PRC Company Law, no statutory public welfare fund will be accrued from year 2006. The remaining balance of statutory public welfare fund will be transferred to surplus reserve.

Note: The transfer out of statutory public welfare fund represents the capital expenditure on staff welfare facilities in 2004 and 2005.

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(Prepared in accordance with PRC GAAP and regulations)

31. UNAPPROPRIATED PROFITS

	Year ended 31 December 2005 RMB	Year ended 31 December 2004 RMB
Unappropriated profits at beginning of the year	1,024,850,054	663,171,886
Add: Net profit for the year	1,851,383,945	1,143,501,415
Profits available for appropriation	2,876,233,999	1,806,673,301
Less: Appropriations to statutory surplus reserve (Note 1)	187,060,568	116,537,069
Appropriations to statutory public welfare fund (Note 2)	186,728,014	116,531,426
Appropriations to discretionary surplus reserve (Note 3)	370,484,866	229,070,168
Profits available for appropriation to shareholders	2,131,960,551	1,344,534,638
Less: Dividend paid °V cash dividend approved by the general meeting of last year (Note 4)	319,684,584	319,684,584
Unappropriated profits at the end of the year	1,812,275,967	1,024,850,054
Including: Cash dividends proposed after the balance sheet date (Note 5)	555,847,334	319,684,584

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2005

(Prepared in accordance with PRC GAAP and regulations)

31. UNAPPROPRIATED PROFITS (Continued)

Note:

1. Appropriation of statutory surplus reserve

Pursuant to the Provision 177 of Company Law and the Company's Article of Association, except that no profit is appropriated as statutory surplus reserve in the consolidated subsidiary company of Sure Spread, 10% of net profit is appropriated as statutory surplus reserve. The appropriation is subject to be approved by next annual general meeting

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

2. Appropriation to statutory public welfare fund

Pursuant to the Provision 177 of Company Law and the Company's Article of Association, except that 5% of profit is appropriated as statutory public welfare fund in the consolidated subsidiary companies of Kangxi Copper and Xiaoshan Tongda, and none in Sure Spread, the board of directors proposed to appropriate 10% of the current year's net profit as statutory public welfare fund, which is subject to be approved by next annual general meeting.

3. Appropriation to discretionary surplus reserve

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

4. Dividend payable – Cash dividend approved by the general meeting of last year

Cash dividend distribution of RMB0.12 per share for the issued 2,664,038,200 shares was approved by the annual general meeting of 2004 in May 2005, and was all paid to shareholders in June 2005.

5. Cash dividends proposed after the balance sheet date

The board of directors proposed to issue cash dividend of RMB0.192 per share for the issued 2,895,038,200 shares, which is subject to be approved by next annual general meeting.

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(Prepared in accordance with PRC GAAP and regulations)

32. REVENUE

Revenue by products	Year ended 31 December 2005 RMB	Year ended 31 December 2004 RMB
Cathode copper	5,617,526,491	4,924,209,095
Gold	1,608,606,665	1,088,773,992
Copper rods and wires	4,448,658,416	3,416,820,275
Other (Silver, Sulphuric acid, etc.)	1,379,214,459	995,493,217
Tolling services	286,686,356	201,976,943
	13,340,692,387	10,627,273,522

Geographical Segments	Year ended 31 December 2005 RMB	Year ended 31 December 2004 RMB
PRC	12,496,540,789	9,851,880,136
Hong Kong	784,097,805	441,549,528
Taiwan	—	192,683,145
South Korea	—	123,668,365
Australia	16,392,304	—
Belgium	16,590,884	—
Holand	16,008,002	—
Others	11,062,603	17,492,348
	13,340,692,387	10,627,273,522

Total sales of the five largest customers RMB	Percentage in total sales %
5,253,609,000	39.38

Note: Detail of the five largest customers is as follows:

JCC has beneficial interests in the top two customers of the Group directly or indirectly, to which JCC cannot exercise control. During 2005, total sales to these two customers amounted to RMB3,387,323,000.

During 2005, total sales to the third largest customer of the Group amounted to RMB808,781,000.

The fourth largest customer of the Group is a future brokerage agency. All the transactions with this agency are made through future market. This agency is controlled by JCC and the brokerage agency service fee has been disclosed in related party transactions. During 2005, total sales to the fourth largest customer of the Group amounted to RMB645,277,000.

The Group's fifth largest customer has interest in the above-mentioned top two customers. During 2005, total sales to this customer amounted to RMB412,228,000.

Notes to the Financial Statements

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33. COST OF SALES

	Year ended 31 December 2005 RMB	Year ended 31 December 2004 RMB
Cost of domestic sales	9,329,684,763	8,068,902,648
Cost of export sales	630,227,872	587,490,522
	9,959,912,635	8,656,393,170

34. SALES TAXES

	Year ended 31 December 2005 RMB	Year ended 31 December 2004 RMB
Resource tax	35,955,303	35,609,015
City construction tax and education fee	3,009,293	2,157,603
	38,964,596	37,766,618

35. OTHER OPERATING PROFIT (LOSS)

	Year ended 31 December 2005 RMB	Year ended 31 December 2004 RMB
Sales of auxiliary materials and spare parts		
– Revenue	158,375,079	171,998,315
– Expenses	(156,234,340)	(167,232,477)
	2,140,739	4,765,838
Sales of water and electricity		
– Revenue	79,508,870	71,599,122
– Expenses	(70,667,442)	(60,352,237)
	8,841,448	11,246,885
Gain (loss) on forward contract	(546,129,406)	49,684,137
Others	589,895	15,910,306
	(534,557,324)	81,607,166

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36. FINANCIAL COSTS

	Year ended 31 December 2005 RMB	Year ended 31 December 2004 RMB
Interest expenses	190,556,338	199,517,593
Less: interest income	16,808,559	3,790,002
Exchange loss (gain)	(3,618,358)	337,865
Others	1,031,923	5,125,085
	171,161,344	201,190,541

37. INVESTMENT INCOME (LOSS)

	Year ended 31 December 2005 RMB	Year ended 31 December 2004 RMB
Short-term investment income:		
Gain (loss) on share investment	5,993	(896,973)
Long-term investment income:		
Profits declared by investee under cost method	—	241,392
Amortization of long-term equity investment difference	—	(183,871)
Impairment loss of long term investment	3,173,944	(10,552,676)
	3,179,937	(11,392,128)

38. NON-OPERATING EXPENSES

	Year ended 31 December 2005 RMB	Year ended 31 December 2004 RMB
Education expenditures	16,223,334	14,702,460
Donation	2,305,584	3,000,000
Loss on disposal of fixed assets	1,008,869	92,451,996
Provision for impairment on fixed assets	20,424,766	4,699,700
Others	1,214,811	9,589,256
	41,177,364	124,443,412

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(Prepared in accordance with PRC GAAP and regulations)

39. INCOME TAXS

	31 December 2005 RMB	31 December 2004 RMB
Income tax for the year	336,912,686	189,263,176
Additional tax paid in respect of the prior year (Note 1)	—	1,125,223
Income tax deductible (Note 2)	(44,586,400)	(76,398,774)
Income tax of subsidiaries	6,614,635	2,972,048
	298,940,921	116,961,673

Note 1: This represents additional income tax of RMB1,125,223 payment for the year 2003 according to tax verification report issued by the local tax bureau.

Note 2: Pursuant to a notice issued jointly by the Ministry of Finance and the State Tax Bureau (Cai Shui Zi [2000] No.49) and written approval from the state tax bureau of Jiangxi Province, the unutilized tax benefit in respect to the purchase of domestic machinery and equipment for the year 2005 is RMB44,586,400, which are deductible from income tax for the year 2005 and the subsequent years. For the year ended 31 December 2005, the income tax payable of the Company exceeds the amount of income tax for the year 2004, therefore all the approved amount of exemption from income tax for 2005 is allowed to be used for the exemption of the income tax of current year. By 31 December 2005, the tax benefit for the year 2005 is fully utilized.

40. NET PROFIT AFTER DEDUCTING EFFECT OF NON-REGULAR GAIN AND LOSS

	Year ended 31 December 2005 RMB	Year ended 31 December 2004 RMB
Net profit	1,851,383,945	1,143,501,415
Add/less: Items of non-regular gain and loss		
– Loss on fixed assets disposal	51,715	92,451,996
– Interest income received from non-financial institution	(142,188)	(573,000)
– Loss (gain) from short-term investment	(5,993)	62,373
– Other non-regular items in non-operating income	(3,824,776)	(741,877)
– Other non-regular items in non-operating expense	40,168,495	12,589,256
– Written-back assets impairments of prior year	(22,508,407)	(34,771,991)
Effect on income tax	(426,397)	(15,438,177)
Net profit after deducting effect of non-regular gain and loss	1,864,696,394	1,197,079,995

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41. CASH RECEIVED RELATING TO OTHER OPERATING ACTIVITIES

Items	Year ended 31 December 2005 RMB	Year ended 31 December 2004 RMB
Interest income	16,808,559	3,790,002
Non-operating income	4,781,930	741,877
Net gain on future transactions	—	49,684,137
Others	79,215,527	31,182,152
	100,806,016	85,397,168

42. CASH PAID RELATING TO OTHER OPERATING ACTIVITIES

Items	Year ended 31 December 2005 RMB	Year ended 31 December 2004 RMB
Amount paid in respect to operating expenses and general and administrative expenses	289,097,463	243,522,720
Non-operating expenses paid	19,744,029	27,291,716
Net loss on future transactions	546,129,406	—
Other expenses paid	50,599,441	134,595,181
	905,570,339	405,409,617

43. CASH PAYMENT RELATING TO OTHER FINANCING ACTIVITIES

Items	Year ended 31 December 2005 RMB	Year ended 31 December 2004 RMB
Long-term payment for mining right	1,870,000	1,870,000

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44. MAJOR ACCOUNTS INFORMATION OF THE COMPANY

(1) Accounts receivable

Analysis of aging of accounts receivables is as follow:

	31 December 2005				31 December 2004			
	Amount RMB	(%)	Bad debt Provision RMB	Net book value RMB	Amount RMB	(%)	Bad debt Provision RMB	Net book value RMB
Within 1 year	93,752,037	55.3	—	93,752,037	89,383,296	47.7	—	89,383,296
1 to 2 years	1,286,135	0.8	257,227	1,028,908	6,872,293	3.7	1,374,460	5,497,833
2 to 3 years	2,217,648	1.3	1,108,824	1,108,824	1,255,442	0.7	627,721	627,721
Over 3 years	72,129,613	42.6	72,129,613	—	89,633,965	47.9	89,633,965	—
	169,385,433	100.0	73,495,664	95,889,769	187,144,996	100.0	91,636,146	95,508,850

Five largest debtors are as follows:

Total amount of five largest debtors RMB	Percentage in total accounts receivable %
99,542,186	58.77

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

Shareholder	31 December 2005	31 December 2004
JCC	805,647	805,647

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FOR THE YEAR ENDED 31 DECEMBER 2005
(Prepared in accordance with PRC GAAP and regulations)

44. MAJOR ACCOUNTS INFORMATION OF THE COMPANY (Continued)

(2) Other receivables

Analysis of aging of other receivables is as follow:

	31 December 2005				31 December 2004			
	Amount RMB	(%)	Bad debt Provision RMB	Net book value RMB	Amount RMB	(%)	Bad debt Provision RMB	Net book value RMB
Within 1 year	193,722,097	90.6	—	193,722,097	254,895,791	91.5	—	254,895,791
1 to 2 years	518,922	0.2	103,784	415,138	8,326,202	3.0	1,665,240	6,660,962
2 to 3 years	6,945,727	3.2	4,328,094	2,617,633	184,642	0.1	92,321	92,321
Over 3 years	12,548,212	6.0	12,548,212	—	15,282,196	5.4	15,282,196	—
	213,734,958	100.0	16,980,090	196,754,868	278,688,831	100.0	17,039,757	261,649,074

The Company's balance of forward contracts deposits is RMB150,751,017 (31 December 2004: RMB175,374,844).

Five Largest debtors are as follows:

Total amount of five largest debtors RMB	Percentage in total accounts receivable %
181,887,371	85.10

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

Shareholder	31 December 2005	31 December 2004
JCC	—	192,126

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2005
(Prepared in accordance with PRC GAAP and regulations)

44. MAJOR ACCOUNTS INFORMATION OF THE COMPANY (Continued)

(3) Provision for bad debts

	At 1 January 2005 RMB	Addition RMB	Write-back RMB	Write-off RMB	At 31 December 2005 RMB
Bad debt provision					
Accounts receivable	91,636,146	1,193,981	(19,334,463)	—	73,495,664
Other receivables	17,039,757	161,613	—	(221,280)	16,980,090
	108,675,903	1,355,594	(19,334,463)	(221,280)	90,475,754

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 year. As such, a full of bad debt provision was reversed on the balance.

(4) Long-term equity investment

Items	31 December 2005 RMB	31 December 2004 RMB
Investments in subsidiaries	554,438,575	227,142,741
Stock investments	5,610,000	5,610,000
Equity investment difference	1,768,732	4,942,676
Total	568,817,307	237,695,417
Less: Impairment loss on long-term equity investments	7,378,732	10,552,676
Long-term equity investments - net	554,438,575	227,142,741

Movements of the impairment loss long-term equity investments are as follows:

	RMB
1 January 2005	10,552,676
Reversals	(3,173,944)
31 December 2005	7,378,732

Notes to the Financial Statements

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(Prepared in accordance with PRC GAAP and regulations)

44. MAJOR ACCOUNTS INFORMATION OF THE COMPANY (Continued)

(4) Long-term equity investment (Continued)

Credit balance of equity investment difference was arose from additional investment to Kangxi Copper in current year. The debit balance of equity investment difference of prior year was deducted by the newly incurred credit balance, and the impairment loss provided previously was reversed accordingly.

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

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

The above investment represented the unlisted shares held by the Company.

(b) Detail of investments in subsidiaries is as follows:

Name of Investee	Cost			Adjustment of investment gain or loss					Book value		
	31 December 2004 RMB	Addition during the year RMB	Deduction during the year RMB	31 December 2005 RMB	31 December 2004 RMB	Gain or loss during the year RMB	Dividends		31 December 2005 RMB	31 December 2004 RMB	31 December 2005 RMB
							received	Recovery of			
							during the year RMB	investments RMB			
JCPC	135,000,000	—	—	135,000,000	19,906,976	11,530,268	(15,925,581)	—	15,511,663	154,906,976	150,511,663
Xiaoshan Tonda	1,082,289	—	(3,959)	1,078,330	5,896	86,082	(95,937)	3,959	—	1,088,185	1,078,330
Kangxi Copper	36,322,576	43,173,944	—	79,496,520	3,800,328	5,080,845	—	—	8,881,173	40,122,904	88,377,693
Dianquan											
Silver and Copper	33,458,942	—	—	33,458,942	(2,434,266)	3,683,605	—	—	1,249,339	31,024,676	34,708,281
Sure Spread	—	29,227,000	—	29,227,000	—	3,785,608	—	—	3,785,608	—	33,012,608
JCAC	—	119,700,000	—	119,700,000	—	—	—	—	—	—	119,700,000
Wengfuhua	—	127,050,000	—	127,050,000	—	—	—	—	—	—	127,050,000
	205,863,807	319,150,944	(3,959)	525,010,792	21,278,934	24,166,408	(16,021,518)	3,959	29,427,783	227,142,741	554,438,575

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2005
(Prepared in accordance with PRC GAAP and regulations)

44. MAJOR ACCOUNTS INFORMATION OF THE COMPANY (Continued)

(4) Long-term equity investment (Continued)

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

Name of investee	Initial cost of investment RMB	Amortization years of equity investment difference RMB	Unamortized balance of equity investment difference			Impairment loss		Book value at 31 December		Cause
			1 January	31 December		1 January	31 December	2004		
			2005	Deduction	2005	2005	Reversal	2005	and 2005	
	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	
Kangxi Copper	3,677,424	10 years	3,401,618	(3,173,944)	227,674	(3,401,618)	3,173,944	(227,674)	—	Equity purchasing
Diaoquan Silver and copper	1,541,058	—	1,541,058	—	1,541,058	(1,541,058)	—	(1,541,058)	—	Equity purchasing
Total	5,218,482		4,942,676	(3,173,944)	1,768,732	(4,942,676)	3,173,944	(1,768,732)	—	

The unamortized debit difference of equity investment arising from acquisition of Kangxi Copper was RMB3,401,618 by the end of 31 December 2004 which was provided full impairment. In 2005, a credit balance of equity investment difference amounting to RMB3,173,944 was arose from additional investment to Kangxi Copper. After deducting the credit balance of equity investment difference, the unamortized debit difference of equity investment is RMB227,674, which is charged into income statement as impairment loss.

The debit balance of equity investment difference arising from acquisition of Diaoquan Silver and Copper in current year was RMB1,541,058, which was provided full impairment.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2005
(Prepared in accordance with PRC GAAP and regulations)

44. MAJOR ACCOUNTS INFORMATION OF THE COMPANY (Continued)

(5) Revenue and cost of sales

(a) Revenue

Revenue by products	Year ended 31 December 2005 RMB	Year ended 31 December 2004 RMB
Cathode copper	9,351,140,231	7,502,005,349
Gold	1,608,606,665	1,088,773,992
Other (sliver, sulphuric acid, etc)	1,344,297,065	978,483,320
Tolling services	277,239,548	199,063,836
	12,581,283,509	9,768,326,497

Geographical segments	Year ended 31 December 2005 RMB	Year ended 31 December 2004 RMB
PRC	11,750,502,712	8,992,933,111
Hongkong	770,727,003	441,549,528
Taiwan	—	192,683,145
South Korea	—	123,668,365
Australia	16,392,304	—
Belgium	16,590,884	—
Holland	16,008,002	—
Others	11,062,603	17,492,348
	12,581,283,508	9,768,326,497

Total amount of five largest debtors RMB	Percentage in total accounts receivable %
2,498,105,000	19.86

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2005

(Prepared in accordance with PRC GAAP and regulations)

44. MAJOR ACCOUNTS INFORMATION OF THE COMPANY (Continued)

(5) Revenue and cost of sales

(b) Cost of sales

	Year ended 31 December 2005 RMB	Year ended 31 December 2004 RMB
Cost of domestic sales	8,762,470,568	7,271,227,120
Cost of export sales	619,521,773	626,943,551
	9,381,992,341	7,898,170,671

(6) Investment income

	Year ended 31 December 2005 RMB	Year ended 31 December 2004 RMB
Short-term investment income:		
Gain (loss) on share investment	4,721	(897,200)
Long-term investment income:		
Share of investee's profit recognized under equity method	24,166,408	19,248,925
Amortization of long-term equity investment difference	—	(183,871)
Impairment loss of long term investment	3,173,944	(10,552,676)
	27,345,073	7,615,178

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2005
(Prepared in accordance with PRC GAAP and regulations)

45. SIGNIFICANT RELATED PARTY TRANSACTIONS

- (1) Except for the subsidiaries disclosed in Note 4, related parties who can exercise control over the Company

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

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

Name	31 December 2004 and 31 December 2005 RMB
JCC	3,896,060,000

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

Name	31 December 2004		31 December 2005	
	RMB	%	RMB	%
JCC	1,275,556,200	47.88	1,275,556,200	44.06

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2005

(Prepared in accordance with PRC GAAP and regulations)

45. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

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

Name	Relationship with the Company
Jiangxi Xinxin Company Ltd. ("Jiangxi Xinxin")	Promoter shareholder
Hubei Sanxin Gold & Copper Company Ltd. ("Hubei Sanxin")	Promoter shareholder
JCC and its affiliates	Common ultimate holding company

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

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

	Year ended 31 December 2005 RMB	Year ended 31 December 2004 RMB
Transactions with JCC and its affiliates:		
Sale of copper cathode and sulphuric acid by the Group (note(a))	485,842	650,536
Sales of auxiliary industrial products by the Group (note(a))	112,450	109,156
Sale of waste, filter residue and black cement copper by the Group (note(a))	75,576	7,086
Sales of raw copper sulphate by the Group (note (c))	49,972	54,026
Sales of low oxygen copper rods and wire and processing of copper cathode into copper rods and wires by the Group (note (a))	58,467	108,532

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2005
(Prepared in accordance with PRC GAAP and regulations)

45. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

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

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

	Year ended 31 December 2005 RMB	Year ended 31 December 2004 RMB
Purchase of copper concentrates by the Group (note(a))	395,671	179,549
Purchase of scrap copper by the Group (note(b))	607,040	1,012,751
Purchase of blister copper by the Group (note (a))	15,500	26,631
Purchase of gold and silver-bearing materials by the Group (note (c))	26,737	45,241
Purchase of copper cathode by the Group (note (c))	577,778	271,322
Purchase of auxiliary industrial products by the Group (note(a))	310,972	306,928
Net book value of property, plant and equipment purchased from JCC (note (c))	11,668	—
Tolling fee and sales fee charged by the Group (note (c))	150,531	123,945
Railway transportation services provided to the Group (note(a))	19,345	11,911
Sale of gases by the Group (note (a))	4,042	3,038
Equipment maintenance and machinery processing services provided to the Group (note(b))	—	738
Supply of water and transmission of electricity by the Group (note(b))	62,362	53,876
Processing fee of blister (scrap) copper charged by the Group (note (c))	—	4,451
Rental for land use rights charged to the Group (note(c))	15,000	15,000
Rentals for office premises charged to the Group (note(c))	8,367	3,521
Rentals for housing for the employees and use of common facilities charged to the Group (note(b))	21,323	13,988
Repair and maintenance service provided to the Group (note(a))	127,033	122,798
Construction service provided to the Group (note(a))	80,208	127,699
Vehicle transportation service provided to the Group (note(a))	162,420	76,582
Electricity supply provided to the Group (note (b))	10,557	7,647
Industrial water supplied to the Group (note(b))	18,143	18,880

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2005

(Prepared in accordance with PRC GAAP and regulations)

45. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

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

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

	Year ended 31 December 2005 RMB	Year ended 31 December 2004 RMB
Brokerage agency service provided to the Group (note(a))	6,241	7,953
Environmental greenery services provided to the Group (note(b))	7,112	6,279
Rentals for office premises provided by the Group (note (c))	56	56
Purchase of auxiliary industrial License fee on railway transportation charged to the Group (note(b))	—	7,170
Operation management services expenses borne by the Group (note (c))	2,952	2,912
Other management fee (note (c))	8,212	—
Social welfare and support services provided to the Group (note(b)):		
– Welfare and medical services	57,528	52,689
– Primary and secondary education service	13,059	10,237
– Technical education service	3,165	4,465
– Internal telecommunications services	2,674	3,394
– Use of representative offices	3,445	3,304
Transactions with other two promoter shareholders:		
Sales of copper cathode to Jiangxi Xinxin (note(a))	302,489	396,836
Sale of low oxygen copper rods and wires to Jiangxi Xinxin by the Group (note (a))	3,583	6,809
Tolling fee received from Hubei Sanxin (note(a))	24,589	11,607
Purchase of copper concentrates from Hubei Sanxin (note(a))	42,881	27,477
Interest income from Hubei Sanxin (note (a))	142	573

Notes:

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

Notes to the Financial Statements

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45. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

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

(b) Amount due from or to related parties

Account	Name of related parties	31 December 2005 RMB	31 December 2004 RMB
Accounts receivable	JCC and its affiliates	2,492,812	4,590,209
Other receivables	JCC and its affiliates	13,217,231	20,604,543
Note receivables	JCC and its affiliates	29,403,768	—
Prepayments	JCC and its affiliates	46,422,889	14,473,133
	Hubei Sanxin	—	8,683,367
		91,536,700	48,351,252
Accounts payable	JCC and its affiliates	51,910,246	24,249,585
Advance from customers	JCC and its affiliates	7,993,193	4,870,579
	Hubei Sanxin	1,803,404	—
Other payables	JCC and its affiliates	107,078,192	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	37,431,000	39,301,000
		208,086,035	223,299,817

Note: Details of long-term payables within one year and long term payables please refer to Note 27.

Unless otherwise specified, the payables mentioned above are interest-free and have no fixed repayment terms.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2005

(Prepared in accordance with PRC GAAP and regulations)

45. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

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

(c) Guarantee

Up to 31 December 2005, the Company has long-term bank loan of RMB359,710,000 guaranteed by JCC (2004: RMB126,710,000).

(d) Others

In accordance with an agreement signed between the Company and JCC, JCC manages a defined contribution pension scheme on behalf of the Company. The Company makes contribution to the scheme through JCC. The total cost charged to the income statement is approximately RMB65,115,026 (2004: RMB58,543,000).

(e) Emoluments of key management personnel

	Year ended 31 December 2005 RMB	Year ended 31 December 2004 RMB
Emoluments of key management personnel	5,885	4,540

46. CAPITAL COMMITMENTS

	2005 RMB	2004 RMB
Capital expenditure contracted for but not provided in the financial statements: – Commitment for acquisition of assets	588,900	192,296

Notes to the Financial Statements

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(Prepared in accordance with PRC GAAP and regulations)

47. 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:

	2005 RMB	2004 RMB
The minimum lease payments under non-cancelable operating leases:		
Within one year	21,327	15,806
In the second year	21,327	15,806
In the third year	15,806	15,806
Over three years	304,664	320,470
Total	363,124	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. The total annual installments for land use right are RMB15,806,136. The rest amount represents the balance payable for the rental of staff dormitory.

48. OTHER COMMITMENTS

At the balance sheet date, there is no other commitments that needs to be addressed.

49. CONTINGENT LIABILITIES

At the balance sheet date, there is no other material contingent liabilities that needs to be disclosed.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2005

(Prepared in accordance with PRC GAAP and regulations)

50. NON-ADJUSTING EVENTS AFTER BALANCE SHEET DATE

(1) Dividend appropriation for the year

Pursuant to proposal of board of directors, the Company will issue cash dividend to all the shareholders of RMB0.192 per share for the issued 2,895,038,200 shares (full value of RMB1.00 per share), which is subject to be approved by next annual general meeting.

(2) Issue of short-term debenture

Pursuant to the general meeting of the Company held on 1 November, 2005, shareholders of the Company approved the issue of the short-term debenture with accumulated maximum repayment amount of not more than RMB2,000,000,000. The Company have got a notification of filing of issue of the Debenture from the People's Bank of China on 14 February 2006. The Company issues the Debenture by various tranches. The issue of first tranch of the Debenture was completed on 1 March 2006. The total principal amount of the first tranch Debenture was RMB500,000,000 with a unit face value of RMB100 each as mentioned above, bearing a coupon rate of 2.28% and having a maturity period of 90 days from the date of issue.

The proceeds from the issue of the Debenture will be used as working capital of the Company and will be used to enhance the debt structure of the Company.

51. OTHER IMPORTANT ITEMS

(1) Forward contracts

At the balance sheet date, the unrealized loss on the outstanding forward copper contracts amounted to approximately RMB94,979,159 (2004: RMB105,396,000).

(2) Share reform plan

The board of the Company initiate share reform plan according to the written trust of Non-Tradable Shareholders on 6 March 2005. On the purpose of balancing the interest of both sides, the share reform plan is consulted and negotiated by both Holders of Non-Tradable A Shares and Tradable A Shares. For the purpose of implementing the Share Reform Plan, Holders of Non-Tradable Shares propose to offer as consideration to the Holders of A Shares whose names appeared on the register of members of A Shares. The consideration is as follows:

- (a) 2.2 shares are transferred to each Holder of A share for every ten A shares held.
- (b) JCC undertakes that the originally non-tradable shares held by JCC will be subject to the Moratorium Period of 36 months from the date of the completion of the Share Reform Plan. JCC further undertakes that if it sells the originally non-tradable shares through the Shanghai Stock Exchange within one year after the Moratorium Period, it will not sell such shares at less than RMB9.00 per share.

Notes to the Financial Statements

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51. OTHER IMPORTANT ITEMS (Continued)

(2) Share reform plan (Continued)

- (c) In the event that the trading price of A Shares on Shanghai Stock Exchange is less than RMB5.80 during the period within two months from the first trading day after completion of the Share Reform Plan, JCC will use not more than RMB 150,000,000 but not less than RMB 100,000,000 to purchase such A Shares at the price of not more than RMB5.80 per A Shares. In addition, JCC also undertakes that if it purchases A Shares as required under this paragraph, it will not sell such A Shares within six months from the date of completion of such purchases.

The above share reform plan has been approved by the general meeting of the Company held on 3 April, 2006.

52. THE APPROVAL OF FINANCIAL STATEMENTS

The financial statements of both company and group level have been approved by the board of directors of the company on 19 April, 2006.

Supplemental Information

FOR THE YEAR ENDED 31 DECEMBER 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 those prepared according to IFRS.

At balance sheet date, net profit and net assets were RMB1,851,384,000 and RMB8,504,071,000 respectively according to PRC GAAP. These figures can be reconciled to that under IFRS as follows:

	Net profit For the year ended 31 December 2005 <i>RMB'000</i>	Net assets at 31 December 2005 <i>RMB'000</i>
Per PRC GAAP	1,851,384	8,504,071
Adjustment according to IFRS:		
– Specific accounts payable transferred to capital reserves which cannot be booked under IFRS and the relevant effect on fixed assets depreciation	6,100	(74,635)
– Unrealized loss on forward copper contracts which should be booked in other operating profit under IFRS	17,408	(94,977)
– Minority interest booked in Equity under IFRS	27,984	367,291
– Pre-operating expenses recorded in income statement under IFRS	(3,124)	(3,124)
Per IFRS	1,899,752	8,698,626

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

Reporting profit	For the year 2005			
	Return on net assets (%)		Earning per share (RMB)	
	Fully diluted	Weighted average	Fully diluted	Weighted average
Profit from principal operations	39.61%	43.91%	1.15	1.22
Operating profits	26.19%	29.03%	0.76	0.81
Net profit	21.95%	24.33%	0.64	0.68
Net profit excluding non-recurring items	22.10%	24.50%	0.64	0.68

Supplemental Information

FOR THE YEAR ENDED 31 DECEMBER 2005
(Prepared in accordance with PRC GAAP and regulations)

3. Impairment loss on assets at 31 December 2005

Item	At 1 January 2005		Addition		Write-back		Write-off		At 31 December 2005	
	Group	Company	Group	Company	Group	Company	Group	Company	Group	Company
	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
1. Bad debt provision	111,502,715	108,675,903	3,465,171	1,355,594	(19,334,463)	(19,334,463)	(221,280)	(221,280)	95,412,143	90,475,754
Including: Accounts receivable	91,636,146	91,636,146	1,194,014	1,193,981	(19,334,463)	(19,334,463)	—	—	73,495,697	73,495,664
Other receivables	19,866,569	17,039,757	2,271,157	161,613	—	—	(221,280)	(221,280)	21,916,446	16,980,090
2. Impairment loss on short - term investments	959,574	959,574	—	—	(959,574)	(959,574)	—	—	—	—
Including: Stock investments	959,574	959,574	—	—	(959,574)	(959,574)	—	—	—	—
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	—	—	(3,173,944)	(3,173,944)	—	—	7,378,732	7,378,732
Including: Stock investment	5,610,000	5,610,000	—	—	—	—	—	—	5,610,000	5,610,000
Equity Investment difference	4,942,676	4,942,676	—	—	(3,173,944)	(3,173,944)	—	—	1,768,732	1,768,732
5. Impairment loss on fixed assets	4,699,700	4,699,700	20,424,616	20,424,616	—	—	—	—	25,124,316	25,124,316
Including: Equipment and machinery	4,699,700	4,699,700	20,424,616	20,424,616	—	—	—	—	25,124,316	25,124,316

Supplemental Information

FOR THE YEAR ENDED 31 DECEMBER 2005

(Prepared in accordance with PRC GAAP and regulations)

4. The explanations to the items in financial statements whose fluctuations range are 30% or over 30% or represent 5% or over 5% of the total assets as at balance sheet date or represent 10% or above 10% of the total profit for the year follows

Items in balance sheet

Bank deposit:

The balance of current year increased significantly compared with that of prior year, which was mainly due to the capital received on the placement of H share which has not been used up.

Prepayments:

The balance of current year increased significantly compared with that of prior year, which was mainly due to the great increase of purchase in the situation of demand exceeding supply.

Construction in progress

The balance of current year increased significantly compared with that of prior year, which was mainly due to the large investment in constructions in process and new projects.

Capital reserves:

The balance of current year increased significantly compared with that of last year, which was due to the share premium of H share the Company placed in 2005.

Surplus reserves:

The balance of current year increased significantly compared with that of last year, which was due to the great increase of net profit of the year 2005 and the surplus reserves increased accordingly.

Items in statement of income and profits appropriation

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

Cash paid relating to other operating activities: The amount of current year increased significantly compared with that of prior year, which was mainly due to the loss on forward contract, amounting to RMB546,000,000.