

# Deloitte.

## 德勤

### TO THE SHAREHOLDERS OF JIANGXI COPPER COMPANY LIMITED

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

We have audited the consolidated financial statements of Jiangxi Copper Company Limited (the "Company") and its subsidiaries (the "Group") on pages 136 to 190 which have been prepared in accordance with International Financial Reporting Standards.

#### Respective responsibilities of directors and auditors

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

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

#### Basis of opinion

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

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

#### Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2005 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**Deloitte Touche Tohmatsu**  
Certified Public Accountants  
Hong Kong

19 April 2006

# Consolidated Income Statement

FOR THE YEAR ENDED 31 DECEMBER 2005  
(Prepared in accordance with IFRS)

	Notes	2005 RMB'000	2004 RMB'000
Revenue	6	<b>13,177,516</b>	10,627,274
Cost of sales and services	7	<b>(9,992,777)</b>	(8,688,160)
Gross profit		<b>3,184,739</b>	1,939,114
Other income	8	<b>58,877</b>	41,364
Distribution costs		<b>(95,765)</b>	(84,827)
Administrative expenses		<b>(353,713)</b>	(326,417)
Other expenses	9	<b>(404,888)</b>	(136,822)
Finance costs	10	<b>(190,556)</b>	(199,517)
Profit before taxation		<b>2,198,694</b>	1,232,895
Taxation	12	<b>(298,941)</b>	(116,962)
Profit for the year	13	<b>1,899,753</b>	1,115,933
Attributable to:			
Equity holders of the parent		<b>1,871,769</b>	1,108,139
Minority interests		<b>27,984</b>	7,794
		<b>1,899,753</b>	1,115,933
Dividends	15	<b>555,847</b>	319,685
Basic earnings per share	16	<b>RMB0.677</b>	RMB0.416

# Consolidated Balance Sheet

At 31 DECEMBER 2005  
(Prepared in accordance with IFRS)

	Notes	2005 RMB'000	2004 RMB'000
<b>Non-current assets</b>			
Property, plant and equipment	17	<b>7,273,215</b>	6,826,821
Prepaid lease payments	18	<b>36,523</b>	37,465
Intangible assets	19	<b>122,056</b>	128,041
Available-for-sale investments	21	<b>10,000</b>	10,000
		<b>7,441,794</b>	7,002,327
<b>Current assets</b>			
Inventories	22	<b>3,285,888</b>	2,925,771
Trade and other receivables	23	<b>1,165,013</b>	1,047,011
Held for trading investments	24	<b>350</b>	6,282
Bank balances and cash		<b>1,142,497</b>	287,436
		<b>5,593,748</b>	4,266,500
<b>Current liabilities</b>			
Trade and other payables	26	<b>984,125</b>	938,164
Taxation payable		<b>219,876</b>	63,291
Bank borrowings - amounts due within one year	28	<b>1,722,796</b>	1,961,491
Derivative financial instruments	29	<b>94,978</b>	23,251
		<b>3,021,775</b>	2,986,197
<b>Net current assets</b>		<b>2,571,973</b>	1,280,303
		<b>10,013,767</b>	8,282,630
<b>Capital and reserves</b>			
Share capital	30	<b>2,895,038</b>	2,664,038
Reserves		<b>5,436,297</b>	3,292,042
Equity attributable to equity holders of the parent		<b>8,331,335</b>	5,956,080
Minority interests		<b>367,291</b>	195,539
<b>Total equity</b>		<b>8,698,626</b>	6,151,619
<b>Non-current liabilities</b>			
Bank borrowings - amounts due after one year	28	<b>1,277,710</b>	2,091,710
Other payable - amount due after one year	32	<b>37,431</b>	39,301
		<b>1,315,141</b>	2,131,011
		<b>10,013,767</b>	8,282,630

The financial statements on pages 136 to 190 were approved and authorised for issue by the Board of Directors on 19 April 2006 and are signed on its behalf by:

**He changming**  
DIRECTOR

**Wang Chiwei**  
DIRECTOR

# Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2005  
(Prepared in accordance with IFRS)

	Attributable to equity holders of the parent												Total equity
	Share capital	Share premium	Capital reserve	Other reserve	Statutory			Retained profits	Translation reserve	Hedging reserve	Total	Minority interests	
					Statutory surplus reserve	public welfare fund	Discretionary surplus reserve						
RMB'000	RMB'000	RMB'000 (Note 31)	RMB'000 (Note 31)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
At 1 January 2004	2,664,038	1,281,696	70,546	(92,506)	149,749	117,836	280,082	696,185	—	—	5,167,626	148,423	5,316,049
Profit for the year and total recognised income for the year	—	—	—	—	—	—	—	1,108,139	—	—	1,108,139	7,794	1,115,933
Acquisition of a subsidiary	—	—	—	—	—	—	—	—	—	—	—	39,346	39,346
Contribution from a minority shareholder	—	—	—	—	—	—	—	—	—	—	—	60	60
Dividend paid to a minority shareholder	—	—	—	—	—	—	—	—	—	—	—	(84)	(84)
Dividends paid - 2003 final	—	—	—	—	—	—	—	(319,685)	—	—	(319,685)	—	(319,685)
Appropriations to reserves (note 14)	—	—	—	—	116,537	116,532	229,070	(462,139)	—	—	—	—	—
Transfer	—	—	—	—	—	(30,603)	30,603	—	—	—	—	—	—
At 31 December 2004 and 1 January 2005	2,664,038	1,281,696	70,546	(92,506)	266,286	203,765	539,755	1,022,500	—	—	5,956,080	195,539	6,151,619
Decrease in fair value of derivatives under cash flow hedges	—	—	—	—	—	—	—	—	—	(641,881)	(641,881)	—	(641,881)
Exchange differences arising on translation of operations in Hong Kong	—	—	—	—	—	—	—	—	(661)	—	(661)	(540)	(1,201)
Net expense recognised directly in equity	—	—	—	—	—	—	—	—	(661)	(641,881)	(642,542)	(540)	(643,082)
Profit for the year	—	—	—	—	—	—	—	1,871,769	—	—	1,871,769	27,984	1,899,753
Transfer to profit or loss on cash flow hedges	—	—	—	—	—	—	—	—	—	570,858	570,858	—	570,858
Total recognised income and expense for the year	—	—	—	—	—	—	—	1,871,769	(661)	(71,023)	1,800,085	27,444	1,827,529
New shares issued	231,000	686,885	—	—	—	—	—	—	—	—	917,885	—	917,885
Transaction costs attributable to issue of new shares	—	(23,030)	—	—	—	—	—	—	—	—	(23,030)	—	(23,030)
Contribution from minority shareholders	—	—	—	—	—	—	—	—	—	—	—	158,163	158,163
Acquisition of additional interests in a subsidiary	—	—	—	—	—	—	—	—	—	—	—	(3,174)	(3,174)
Dividends paid - 2004 final	—	—	—	—	—	—	—	(319,685)	—	—	(319,685)	(10,681)	(330,366)
Appropriations to reserves (note 14)	—	—	—	—	187,061	186,728	370,485	(744,274)	—	—	—	—	—
Transfer	—	—	—	—	—	(11,365)	11,365	—	—	—	—	—	—
At 31 December 2005	2,895,038	1,945,551	70,546	(92,506)	453,347	379,128	921,605	1,830,310	(661)	(71,023)	8,331,335	367,291	8,698,626

# Consolidated Cash Flow Statement

FOR THE YEAR ENDED 31 DECEMBER 2005  
(Prepared in accordance with IFRS)

	Notes	2005 RMB'000	2004 RMB'000
<b>Operating activities</b>			
Profit before taxation		2,198,694	1,232,895
Adjustments for:			
(Reversal of) allowance for bad and doubtful debts		(16,538)	12,578
Amortisation of goodwill		—	184
Amortisation of intangible assets		5,985	4,783
Amortisation of prepaid lease payments		339	339
Depreciation of property, plant and equipment		471,675	457,048
Discount on acquisition of additional interests in a subsidiary released to income		(3,174)	—
Gain on disposal of held for trading investments		(5)	(63)
Impairment loss recognised in respect of goodwill		—	4,943
Impairment loss recognised in respect of property, plant and equipment		20,425	—
Impairment loss recognised in respect of available-for-sale investments		—	5,610
Interest expense		190,556	199,517
Interest income		(21,561)	(3,790)
Loss on disposal of property, plant and equipment		169	97,152
Unrealised loss on held for trading investments		—	960
Operating cash flows before movements in working capital		2,846,565	2,012,156
Increase in inventories		(360,117)	(612,607)
Increase in trade and other receivables		(101,464)	(458,564)
Increase in trade and other payables		47,296	55,481
Increase in derivative financial instruments		704	—
Cash generated by operations		2,432,984	996,466
Income tax paid		(142,356)	(65,242)
Net cash from operating activities		2,290,628	931,224
<b>Investing activities</b>			
Interest received		21,561	3,790
Proceeds on disposal held for trading investments		5,937	10,143
Proceeds on disposal of property, plant and equipment		3,779	1,325
Purchase of property, plant and equipment		(942,010)	(550,547)
Repayment of other payable		(1,870)	(1,870)
Acquisition of a subsidiary	33	—	(25,330)
Purchase of held for trading investments		—	(10,090)
Net cash used in investing activities		(912,603)	(572,579)

# Consolidated Cash Flow Statement

FOR THE YEAR ENDED 31 DECEMBER 2005  
(Prepared in accordance with IFRS)

<i>Notes</i>	<b>2005</b> <b>RMB'000</b>	2004 <i>RMB'000</i>
Financing activities		
New borrowings raised	<b>1,558,011</b>	2,753,409
Proceeds from issue of shares	<b>917,885</b>	—
Transaction costs attributable to issue of new shares	<b>(23,030)</b>	—
Capital contributions by minority shareholders of subsidiaries	<b>154,163</b>	60
Repayment of bank borrowings	<b>(2,610,706)</b>	(2,608,569)
Dividend paid by the Company	<b>(319,685)</b>	(319,685)
Interest paid	<b>(191,720)</b>	(202,478)
Dividends paid by subsidiaries to minority shareholders	<b>(10,681)</b>	(84)
Net cash used in financing activities	<b>(528,763)</b>	(377,347)
Net increase (decrease) in cash and cash equivalents	<b>856,262</b>	(18,702)
Cash and cash equivalents at beginning of the year	<b>287,436</b>	306,138
Effect of foreign exchange rate changes	<b>(1,201)</b>	—
Cash and cash equivalents at end of the year, representing bank balances and cash	<b>1,142,497</b>	287,436

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2005  
(Prepared in accordance with IFRS)

## 1. GENERAL

The Company is a Sino-foreign joint venture joint stock limited company established in the People's Republic of China (the "PRC") on 24 January 1997. In the opinion of the directors, its parent and ultimate holding company is Jiangxi Copper Corporation ("JCC").

The Company's H Shares were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and London Stock Exchange Limited. The Company's A Shares were listed on the Shanghai Stock Exchange. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information to the annual report.

The financial statements are presented in Renminbi, which is the functional currency of the Company.

The Company is an integrated producer of copper in the PRC. Its operations consist of copper mining, milling, smelting and refining to produce copper cathode and other related products, including pyrite concentrates, sulphuric acid and electrolytic gold and silver. It also provides smelting and refining services pursuant to tolling arrangements for customers. Details of the principal activities of the Company's subsidiaries are set out in note 20 to the financial statements.

## 2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted, for the first time, a number of new and revised International Financial Reporting Standards (the "IFRS"), International Accounting Standards (the "IAS") and Interpretations issued by the International Accounting Standards Board (the "IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are relevant to its operations and effective for accounting periods beginning on or after 1 January 2005. In 2004, the Group has early adopted IFRS 3, IAS 36 and IAS 38. The application of new and revised standards and interpretations has resulted in a change in the presentation of the consolidated income statement, consolidated balance sheet and consolidated statement of changes in equity. In particular, the presentation of minority interests has been changed. The changes in presentation have been applied retrospectively. The adoption of these new and revised standards and interpretations has resulted in changes to the Group's accounting policies but have no material effect on how the results for the current or prior accounting period are prepared and presented.

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2005  
(Prepared in accordance with IFRS)

## 2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

The Group has not early applied the following new standards, amendments and interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards, amendments or interpretations will have no material impact on the financial statements of the Group.

IAS 1 (Amendment)	Capital disclosures <sup>1</sup>
IAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures <sup>2</sup>
IAS 21 (Amendment)	Net investment in a foreign operation <sup>2</sup>
IAS 39 (Amendment)	Cash flow hedges of forecast intragroup transactions <sup>2</sup>
IAS 39 (Amendment)	The fair value option <sup>2</sup>
IAS 39 and IFRS 4 (Amendments)	Financial guarantee contracts <sup>2</sup>
IFRS 6	Exploration for and evaluation of mineral resources <sup>2</sup>
IFRS 7	Financial instruments: Disclosures <sup>1</sup>
IFRIC 4	Determining whether an arrangement contains a lease <sup>2</sup>
IFRIC 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds <sup>2</sup>
IFRIC 6	Liabilities arising from participating in a specific market - waste electrical and electronic equipment <sup>3</sup>
IFRIC 7	Applying the restatement approach under IAS 29 Financial Reporting in Hyperinflationary Economies <sup>4</sup>
IFRIC 8	Scope of IFRS 2 <sup>5</sup>
IFRIC 9	Reassessment of embedded derivatives <sup>6</sup>

1 Effective for annual periods beginning on or after 1 January 2007.

2 Effective for annual periods beginning on or after 1 January 2006.

3 Effective for annual periods beginning on or after 1 December 2005.

4 Effective for annual periods beginning on or after 1 March 2006.

5 Effective for annual periods beginning on or after 1 May 2006.

6 Effective for annual periods beginning on or after 1 June 2006.



# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2005  
(Prepared in accordance with IFRS)

## 3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared under the historical cost convention, except for certain financial instruments, which are measured at fair value, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with IFRS issued by the IASB. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The principal accounting policies adopted are as follows:

### Basis of consolidation

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

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

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

Acquisition of additional interests of subsidiaries that do not result in a change in control do not fall within the definition of business combination under IFRS 3. The excess of the carrying value of the minority interest over the cost of acquisition ("Discount on acquisition") is recognised in income immediately.

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

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2005  
(Prepared in accordance with IFRS)

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Goodwill

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

### Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

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

Service income is recognised when services are provided.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

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

### Property, plant and equipment

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

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset is determined as the difference between the net disposal proceeds and the carrying amount of the item and is included in the income statement in the year in which the item is derecognised.

Construction in progress represents assets in the course of construction for production, rental or administrative purposes. They are carried at cost, less any recognised impairment loss where the recoverable amount of the asset is estimated to be lower than its carrying value. Cost includes all construction expenditure and other direct costs, including borrowing costs, attributable to such projects. Costs on completed construction works are transferred to other appropriate category of property, plant and equipment.

No depreciation is provided in respect of construction in progress until it is completed and is ready for its intended use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2005  
(Prepared in accordance with IFRS)

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Property, plant and equipment (Continued)

#### *Leasehold land and buildings under construction for future owner-occupied purpose*

When the leasehold land and buildings are in the course of construction for production, rental or for administrative purposes, the leasehold land component is classified as a prepaid lease payment and amortised over a straight-line basis over the lease term. During the construction period, the amortisation charge provided for the leasehold land is included as part of costs of construction in progress.

### Trademark

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

Gains or losses arising from derecognition of a trademark are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated income statement when the asset is derecognised.

### Mining rights

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

Gains or losses arising from derecognition of mining rights are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

### Inventories

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

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

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2005  
(Prepared in accordance with IFRS)

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Inventories (Continued)

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

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

### Impairment of tangible and intangible assets

At each balance sheet date, the Group reviews the carrying amount of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

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

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

### Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2005  
(Prepared in accordance with IFRS)

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

#### Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

The accounting policies adopted in respect of the Group's financial assets are set out as follows:

#### *Trade and other receivables*

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are measured at initial recognition at fair value, and subsequently measured at amortised cost using the effective interest method, less any appropriate allowances for estimated irrecoverable amounts. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The allowance is reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an occurring after the allowance was recognised, subject to a restriction that the carrying amount of the asset at the date the allowance is reversed does not exceed what the amortised cost would have been had the allowance not been recognised.

#### *Held for trading investments*

Held for trading investments are recognised on a trade-date basis and are initially measured at fair value. They are held for trading purpose and are measured at fair value at each balance sheet date subsequent to initial recognition with changes in fair value recognised directly in profit or loss in the period in which they arise.

#### *Available-for-sale investments*

Available-for-sale investments represent unquoted equity investment that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, and are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses will not reverse in profit or loss in subsequent periods.

#### *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand and demand deposits.

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2005  
(Prepared in accordance with IFRS)

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

#### Financial liabilities and equity

Financial liabilities and equity instruments issued by the Group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

#### *Bank borrowings*

Interest-bearing bank loans are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds received (net of direct transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs (see below).

#### *Trade and other payables*

Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method.

#### *Equity instruments*

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

#### Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments (primarily commodity forward contracts) to hedge its exposure against commodity price fluctuations relating to certain forecasted transactions. The Group's policy with respect to hedging the risk of forecasted transactions is to designate it as cash flow hedge.

The use of financial derivatives is governed by the Group's policies, which provide written principles on the use of financial derivatives consistent with the Group's risk management strategy. The Group does not use derivative financial instruments for speculative purposes.

Such derivatives are initially measured at fair value on the contract date and are re-measured to fair value at subsequent balance dates.

For cash flow hedges that qualify for hedge accounting, the effective portion of the gains or losses arising on the changes in fair value of hedging instruments is initially recognised in equity and "recycled" into the income statement when the hedged item affects profit or loss. The ineffective portion is recognised immediately in profit or loss.

Derivatives that do not qualify for hedge accounting are deemed as financial assets held for trading or financial liabilities held for trading. Changes in fair values of such derivatives are recognised directly in profit or loss as they arise.

Hedge accounting is discontinued when the hedging instruments expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, for forecast transactions, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to profit or loss for the period.

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2005  
(Prepared in accordance with IFRS)

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

#### Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

For financial liabilities, they are removed from the Group's balance sheet (i.e. when the obligation specified in the relevant contract is discharged, cancelled or expires). The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

#### Government grants

Government grants are recognised as income over the periods necessary to match them with the related costs. Grants related to depreciable assets are presented as a deduction from the carrying amount of the relevant asset and are released to income over the useful lives of the assets. Grants related to expense items are recognised in the same period as those expenses are charged in the income statement and are deducted in reporting the related expense.

#### Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

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

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

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2005  
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## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Taxation (Continued)

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

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

### Research and development expenditure

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

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

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

Internally-generated intangible asset is amortised on a straight-line basis over its useful life and carried at cost less subsequent accumulated amortisation and any accumulated impairment loss. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

### Restoration, rehabilitation and environmental expenditure

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

### Exploration and development expenditure

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



# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2005  
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## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Retirement benefits schemes

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

### Borrowing costs

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

All other borrowing costs are recognised in the income statement in the period in which they are incurred.

### Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases and rentals payable under operating leases are charged to income statement on a straight-line basis over the term of the relevant leases. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

### Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are re-translated at the rates prevailing on the balance sheet date.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company (i.e. Renminbi) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2005  
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## 4. CRITICAL KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

### Depreciation and amortisation

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account their estimated residual value. The Group assesses annually the residual value and the useful life of the property, plant and equipment and if the expectation differs from the original estimate, such difference will impact the depreciation in the year in which such estimate has been changed.

The Group's intangible assets comprises mining rights and trademark. The cost of mining rights is amortised on a straight-line basis over their estimated useful lives of 13 to 50 years. The cost of trademark is amortised on a straight-line basis over the term of the related mining rights of 30 years. The estimated useful lives that the Group adopted reflects the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of these assets.

### Impairment of property, plant and equipment

The Group assesses annually whether property, plant and equipment have any indication of impairment in accordance with the accounting policy. The recoverable amounts of property, plant and equipment have been determined based on value-in-use calculations. These calculations require the use of judgment and estimates.

### Allowances for bad and doubtful debts

The Group makes allowances for bad and doubtful debts based on an assessment of the recoverability of trade and other receivables. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgment and estimates. Where the expectation is different from the original estimate, such difference will impact carrying value of trade and other receivables and doubtful debts expenses in the year in which such estimate has been changed.

# Notes to the Financial Statements

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## 5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to a variety of financial risks. They are mainly commodity price risk, interest rate risk and credit risk. Details of the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

### Market risk

#### (i) Commodity price risk

The Group's commodity price risk is mainly the exposure against fluctuations of commodity price of copper cathode which is the major commodity produced and sold by the Group. To minimise this risk, the Group enters into commodity forward contracts to secure future selling price of copper cathode.

#### (ii) Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing financial assets and liabilities. Interest bearing financial assets are mainly balances with banks which are all short term in nature. The directors consider the Group's exposure of the short term bank deposits to interest rate risk is not significant as interest bearing bank balances are within short maturity periods.

In addition, the Group has exposure of fair value interest rate risk through the impact of the rate changes on its bank borrowings. The Group does not have interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arises.

### Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 December 2005 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual trade receivable to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management consider that the Group's credit risk is significantly reduced.

However, the credit risk on trade receivables is concentrated on a few of customers. Aggregate revenue attributable to the Group's five largest customers represented approximately 40% (2004: 40%) of the total revenue for the year.

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2005  
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## 5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(Continued)

In 2005, the largest to the fifth largest customers accounted for approximately 13%, 12%, 6%, 5% and 4% of the total revenue of the Group respectively. JCC has direct or indirect beneficial interests in the largest and the second largest customers and the aggregate balance of the related trade receivable amounted to approximately RMB102,824,000 at 31 December 2005. The third largest customer is an independent third party whereas the fourth largest customer is a broker controlled by JCC representing the Group for the sales of copper cathode through Shanghai Future Exchange. The fifth largest customer has equity interests in the largest and the second largest customers.

In 2004, the largest to the fifth largest customers accounted for approximately 11%, 11%, 7%, 6% and 5% of the total revenue respectively. The aggregate balance of related trade receivable amounted to approximately RMB104,559,000 at 31 December 2005. JCC had direct or indirect beneficial interests in the largest and the second largest customers. The third largest customer is a broker controlled by JCC representing the Group for the sales of copper cathode through Shanghai Future Exchange. The fourth largest customer has equity interests in the largest and the second largest customers. The fifth largest customer is a related party of the Group.

As the aforesaid related trade receivables were fully settled subsequent to the balance sheet date, the management consider there is no significant credit risk existed; however, there may not be assurance that those customers can settle the debts timely in the future and any such non-performance of settlement obligations can have a material impact on the financial position and results of the Group.

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

## 6. REVENUE AND SEGMENT INFORMATION

Revenue represents the net amounts received and receivable for goods sold and services rendered, less sales taxes and return, for the year. An analysis of the Group's revenue, by business segments, is as follows:

	2005 RMB'000	2004 RMB'000
<u>Business segments</u>		
Sales of goods		
- copper cathode	5,454,350	4,924,209
- copper rods and wires	4,448,658	3,416,820
- other joint products and by-products	2,987,822	2,084,268
Tolling services	286,686	201,977
	<b>13,177,516</b>	10,627,274

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2005  
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## 6. REVENUE AND SEGMENT INFORMATION (Continued)

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

Over 90% of the Group's revenue are derived from the PRC. All of the production facilities of the Group are located in the PRC. Therefore, no business and geographical segments are presented.

## 7. COST OF SALES AND SERVICES

The cost of sales and services disclosed on the consolidated income statement represented cost of inventories recognised as an expense during the year.

## 8. OTHER INCOME

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

	2005 RMB'000	2004 RMB'000
Interest income from banks	21,561	3,790
Reversal of allowance for bad and doubtful debts	16,538	—
Transportation service income	10,050	8,057
Net income on sales of auxiliary and other materials	8,336	24,476
Gain on disposal of held for trading investments	5	63
Net gain on derivative financial instruments	—	4,260
Others	2,387	718
	<b>58,877</b>	<b>41,364</b>

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2005  
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## 9. OTHER EXPENSES

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

	2005 RMB'000	2004 RMB'000
Net loss on derivative financial instruments (note)	361,490	—
Impairment loss recognised in respect of property, plant and equipment	20,425	—
General education	16,223	14,702
Donations	2,306	3,085
Loss on disposal of property, plant and equipment	169	97,152
Impairment loss recognised in respect of available- for-sales investments	—	5,610
Others	4,275	16,273
	<b>404,888</b>	136,822

Note:

The Group entered into forward contracts to reduce the risks for copper price decrease on certain of the Group's forecasted sales transactions in order to maintain a reasonable profit margin on its copper sales. In the first half of 2005, due to the continuous increase in the international copper price and without applying the hedge accounting, relevant loss on settlement of forward contracts were recorded accordingly.

## 10. FINANCE COSTS

	2005 RMB'000	2004 RMB'000
Interest on borrowings wholly repayable within five years	191,720	202,478
Less: Amount capitalised in the cost of qualifying assets	(1,164)	(2,961)
	<b>190,556</b>	199,517

The capitalisation rate for general borrowings during the year was 5.5% (2004: 5.3%).

# Notes to the Financial Statements

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## 11. DIRECTORS' AND SUPERVISORS' EMOLUMENTS

The emoluments paid or payable to each of 12 (2004: 11) directors and 5 (2004: 5) supervisors were as follows:

Name	Fees RMB'000	Other emoluments			2005 Total RMB'000
		Salaries and other benefits RMB'000	Performance related bonus RMB'000	Retirement benefits scheme contributions RMB'000	
Directors					
Executive Directors					
He Changming	—	659	70	21	750
Qi Huaiying	—	659	70	21	750
Li Yihuang	—	659	70	21	750
Wang Chiwei	—	659	70	21	750
Du Xinmin	—	—	—	—	—
Wu Jinxing	—	659	70	21	750
Gao Jianmin	—	154	30	21	205
Liang Qing	—	154	30	21	205
	—	3,603	410	147	4,160
Non-Executive Directors					
Kang Yi	20	—	—	—	20
Liu Xinxi	20	—	—	—	20
Shi Zhongliang	20	—	—	—	20
Yin Hongshan	20	—	—	—	20
	80	—	—	—	80
Total directors' emoluments for 2005					
	80	3,603	410	147	4,240
Supervisors					
Wang Maoxian	—	308	—	21	329
Li Baomin	—	308	—	21	329
Li Ping	—	308	—	21	329
Gan Chengjiu	—	308	—	21	329
Hu Faliang	—	308	—	21	329
Total supervisors' emoluments for 2005					
	—	1,540	—	105	1,645

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2005  
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## 11. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Continued)

Name	Fees RMB'000	Other emoluments			2004 Total RMB'000
		Salaries and other benefits RMB'000	Performance related bonus RMB'000	Retirement benefits scheme contributions RMB'000	
Directors					
Executive Directors					
He Changming	—	501	60	18	579
Qi Huaiying	—	501	60	18	579
Li Yihuang	—	501	60	18	579
Wang Chiwei	—	501	60	18	579
Du Xinmin	—	501	60	18	579
Gao Jianmin	—	112	30	18	160
Liang Qing	—	112	30	18	160
	—	2,729	360	126	3,215
Non-Executive Directors					
Kang Yi	20	—	—	—	20
Liu Xinxi	20	—	—	—	20
Shi Zhongliang	20	—	—	—	20
Yin Hongshan	20	—	—	—	20
	80	—	—	—	80
Total directors' emoluments for 2004	80	2,729	360	126	3,295
Supervisors					
Wang Maoxian	—	231	—	18	249
Li Baomin	—	231	—	18	249
Li Ping	—	231	—	18	249
Gan Chengjiu	—	231	—	18	249
Hu Faliang	—	231	—	18	249
Total supervisors' emoluments for 2004	—	1,155	—	90	1,245

Note: The performance related bonus is determined based on the record of growth of the Group's annual results.

The five highest paid individuals of the Group were all executive directors.



# Notes to the Financial Statements

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## 12. TAXATION

	2005 RMB'000	2004 RMB'000
Domestic income tax		
Current tax	297,835	115,656
(Over)underprovision in prior year	(51)	1,306
	<b>297,784</b>	116,962
Hong Kong Profits Tax		
Current tax	1,157	—
	<b>298,941</b>	116,962

Hong Kong Profits Tax on one of the Group's subsidiaries are calculated at 17.5% of the estimated assessable profit for the year.

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

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

Pursuant to a notice dated 14 January 2000 issued jointly by the Ministry of Finance and the State Tax Bureau, which was also subsequently confirmed by the Company with the Jiangxi Provincial Tax Bureau, the Company, being a Sino-foreign joint venture joint stock limited company, is entitled to a tax benefit ("Tax Benefit"), which is calculated as 40% of the current year's additions of PRC produced plant and equipment for production use. The Tax Benefit is, however, limited to the amount of increase in enterprise income tax for the current year in which the plant and equipment are acquired as compared with the tax amount of the preceding year. The portion of the Tax Benefit that is not utilised can be carried forward for future application for a period of not more than five years from the year in which the plant and equipment are acquired. There are no Tax Benefit not utilised as at 31 December 2005 and 31 December 2004.

# Notes to the Financial Statements

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## 12. TAXATION (Continued)

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

	2005 RMB'000	2004 RMB'000
Profit before taxation	<b>2,198,694</b>	1,232,895
Tax at the domestic rates of 33%	<b>725,569</b>	406,855
Reduction of income tax in respect of reduced income tax rate of 15% for the Company	<b>(392,818)</b>	(229,842)
Tax effect of income that is not taxable in determining current year taxable profit	<b>(3,281)</b>	(3,223)
Tax effect of expenses that are not deductible in determining current year taxable profit	<b>16,939</b>	15,886
Tax effect of the allowance for doubtful debts that is not deductible in determining current year taxable profit	—	574
Tax effect of the reversal of allowance for doubtful debts that is not recognised as deferred tax asset	<b>(2,254)</b>	—
Tax effect of the reversal of allowance to write down inventories to net realisable values that is not recognised as deferred tax asset	—	(130)
Tax effect of the write-down of property, plant and equipment that is not recognised as deferred tax asset	<b>3,064</b>	705
Reduction of income tax in respect of the Tax Benefit (Over)underprovision in prior year	<b>(47,204)</b>	(76,399)
Tax loss of a subsidiary not recognised	—	1,306
Effect of different tax rate of a subsidiary operating in other jurisdiction	<b>(1,247)</b>	—
Others	<b>224</b>	—
Taxation for the year	<b>298,941</b>	116,962

At 31 December 2005, the deductibility of the allowance for doubtful debts for taxation purpose has not been agreed with the local tax bureau. In the opinion of the directors, it is not reasonably certain that the whole or part of the amount of accumulated allowance for bad and doubtful debts of approximately RMB96 million (2004: RMB113 million) could be deducted in determining taxable profits in the future. Accordingly, the potential deferred tax asset of approximately RMB14 million (2004: RMB17 million) has not been recognised in the financial statements.

At 31 December 2005, the Group has RMB4 million (2004: RMB4 million) unused tax losses in respect of a subsidiary acquired during the year available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of the subsidiary's future profit streams.

# Notes to the Financial Statements

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## 13. PROFIT FOR THE YEAR

	2005 RMB'000	2004 RMB'000
Profit for the year has been arrived at after charging (crediting):		
Allowance for bad and doubtful debts	—	12,578
Amortisation of goodwill (note a)	—	184
Amortisation of prepaid lease payments	339	339
Amortisation of intangible assets (note a)	5,985	4,783
Auditors' remuneration	4,680	2,762
Depreciation of property, plant and equipment (note b)	471,675	457,048
Exploration and development expenses	6,473	6,213
Impairment loss recognised in respect of goodwill (note a)	—	4,943
Licence fee on railway transportation	—	7,170
Minimum lease payments under operating leases in respect of:		
- land use rights	15,806	15,806
- machinery and vehicles	1,518	3,120
- office premises	8,646	3,504
- staff quarters and use of common facilities (note c)	25,604	20,065
Discount on acquisition of additional interests in a subsidiary released to income (note a)	(3,174)	—
Restoration, rehabilitation and environmental expenses	64,010	63,405
Shipping and handling expenses (included in distribution costs)	62,791	47,273
Staff costs, including directors' and supervisors' remuneration	516,061	423,845
Unrealised loss on held for trading investments	—	960

Notes:

- (a) The amount has been included in administrative expenses.
- (b) Depreciation of approximately RMB465,614,000 (2004: RMB449,998,000) and approximately RMB6,061,000 (2004: RMB7,050,000) were included in cost of sales and services and administrative expenses respectively.
- (c) The amount was also included in staff costs disclosed above.

# Notes to the Financial Statements

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## 14. APPROPRIATIONS TO RESERVES (INCLUDED IN CONSOLIDATED STATEMENT OF CHANGES IN EQUITY)

	2005 RMB'000	2004 RMB'000
The amount represents transfer to:		
Statutory surplus reserve	187,061	116,537
Statutory public welfare fund	186,728	116,532
Discretionary surplus reserve	370,485	229,070
	<b>744,274</b>	462,139

The amounts transferred to statutory surplus reserve and statutory public welfare fund for the year by the Company and JCPC (see note 20) are each based on 10% (2004: 10%) of the profit for the year, prepared in accordance with the PRC accounting standards and regulations and the Articles of Association. The amount transferred to discretionary surplus reserve for the year by the Company is based on 20% (2004: 20%) of the Company's profit for the year, prepared in accordance with the PRC accounting standards and regulations.

The amounts transferred to statutory surplus reserve for the year by Kongtong (see note 20) are based on 12% (2004: nil) of Kongtong's profit for the year, prepared in accordance with the PRC accounting standards and regulations.

The amounts transferred to statutory surplus reserve and statutory public welfare fund for the year by Xiaoshan Tongda (see note 20) are based on 10% (2004: 10%) and 5% (2004: 5%) respectively of the Xiaoshan Tongda's profit for the year, prepared in accordance with the PRC accounting standards and regulations. No appropriation was made by the remaining subsidiaries during the year as they were having losses carried forward.

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

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## 15. DIVIDENDS

	2005 RMB'000	2004 RMB'000
Proposed final dividend of RMB0.192 (2004: RMB0.12) per share	<b>555,847</b>	319,685

On 9 June 2005, a dividend of RMB0.12 per share (tax inclusive for A Shares) on 2,664,038,200 shares, in aggregate approximately RMB319,685,000, was paid to the shareholders as the final dividend for year 2004.

The directors propose to distribute a final dividend of RMB0.192 per share (tax inclusive for A Shares) for the year ended 31 December 2005. Total estimated dividend to be paid is approximately RMB555,847,000 (based on the existing issued 2,895,038,200 shares).

Dividends for the existing 1,387,482,000 H Shares will be paid to the shareholders on the register of shareholders of H Shares of the Company on 22 May 2006.

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

This dividend is subject to approval by the shareholders at the annual general meeting to be convened on 15 June 2006.

## 16. BASIC EARNINGS PER SHARE

The calculation of basic earnings per share for the year is based on the profit for the year attributable to equity holders of the parent of RMB1,871,769,000 (2004: RMB1,108,139,000) and on weighted average number of shares of 2,764,665,597 (2004: number of shares of 2,664,038,200) outstanding during the year.

No diluted earnings per share have been presented as these were no dilutive ordinary shares in issue in either 2005 and 2004.

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## 17. PROPERTY, PLANT AND EQUIPMENT

	Buildings <i>RMB'000</i>	Plant, machinery and equipment <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
<b>THE GROUP</b>					
<b>COST</b>					
At 1 January 2004	3,999,320	6,474,622	979,111	464,726	11,917,779
Additions	216	734	1,300	551,861	554,111
Acquisition of a subsidiary	93,157	18,276	1,120	—	112,553
Effect of government subsidy (Note 27)	—	(1,400)	—	—	(1,400)
Reclassifications	218,193	153,101	155,157	(526,451)	—
Disposals/write off	(14,989)	(346,887)	(208,943)	—	(570,819)
At 31 December 2004	4,295,897	6,298,446	927,745	490,136	12,012,224
Additions	69	1,168	885	941,655	943,777
Effect of government subsidy (Note 27)	—	(1,335)	—	—	(1,335)
Reclassifications	124,155	250,416	(96,438)	(278,133)	—
Disposals/write off	(276)	(10,624)	(7,451)	—	(18,351)
At 31 December 2005	4,419,845	6,538,071	824,741	1,153,658	12,936,315
<b>DEPRECIATION AND IMPAIRMENT</b>					
At 1 January 2004	1,087,464	3,466,417	646,816	—	5,200,697
Provided for the year	164,234	242,036	50,778	—	457,048
Eliminated on disposals/write off	(5,613)	(284,047)	(182,682)	—	(472,342)
At 31 December 2004	1,246,085	3,424,406	514,912	—	5,185,403
Provided for the year	186,845	261,384	23,446	—	471,675
Impairment losses recognised in the income statement	9,884	7,593	2,948	—	20,425
Eliminated on disposals/write off	(94)	(9,442)	(4,867)	—	(14,403)
At 31 December 2005	1,442,720	3,683,941	536,439	—	5,663,100
<b>CARRYING VALUES</b>					
At 31 December 2005	2,977,125	2,854,130	288,302	1,153,658	7,273,215
At 31 December 2004	3,049,812	2,874,040	412,833	490,136	6,826,821

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2005  
(Prepared in accordance with IFRS)

## 17. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Buildings <i>RMB'000</i>	Plant, machinery and equipment <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
<b>THE COMPANY</b>					
<b>COST</b>					
At 1 January 2004	3,966,789	6,427,812	976,422	301,341	11,672,364
Additions	—	—	971	547,730	548,701
Effect of government subsidy (Note 27)	—	(1,400)	—	—	(1,400)
Reclassifications	198,057	142,288	21,044	(361,389)	—
Transfer to a subsidiary	—	—	—	(563)	(563)
Disposals/write off	(14,989)	(346,887)	(208,943)	—	(570,819)
At 31 December 2004	4,149,857	6,221,813	789,494	487,119	11,648,283
Additions	10	188	60	750,972	751,230
Effect of government subsidy (Note 27)	—	(1,335)	—	—	(1,335)
Reclassifications	123,683	112,320	37,092	(273,095)	—
Transfer to a subsidiary	—	—	—	(801)	(801)
Disposals/write off	—	(10,566)	(7,240)	—	(17,806)
At 31 December 2005	4,273,550	6,322,420	819,406	964,195	12,379,571
<b>DEPRECIATION AND IMPAIRMENT</b>					
At 1 January 2004	1,087,322	3,464,422	646,799	—	5,198,543
Provided for the year	159,816	232,518	43,559	—	435,893
Eliminated on disposals/write off	(5,613)	(284,047)	(182,682)	—	(472,342)
At 31 December 2004	1,241,525	3,412,893	507,676	—	5,162,094
Provided for the year	179,330	237,815	29,179	—	446,324
Impairment losses recognised in the income statement	9,884	7,593	2,948	—	20,425
Eliminated on disposals/write off	—	(9,406)	(4,753)	—	(14,159)
At 31 December 2005	1,430,739	3,648,895	535,050	—	5,614,684
<b>CARRYING VALUES</b>					
At 31 December 2005	2,842,811	2,673,525	284,356	964,195	6,764,887
At 31 December 2004	2,908,332	2,808,920	281,818	487,119	6,486,189

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FOR THE YEAR ENDED 31 DECEMBER 2005  
(Prepared in accordance with IFRS)

## 17. PROPERTY, PLANT AND EQUIPMENT (Continued)

Included in construction in progress of the Group and the Company is net interest capitalised of approximately RMB1,164,000 (2004: RMB3,954,000).

Included in construction in progress of the Group and the Company is amortisation of prepaid lease payments capitalised of approximately RMB1,809,000 (2004: RMB1,206,000).

Items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Buildings	12 to 40 years
Plant, machinery and equipment	10 to 25 years
Motor vehicles	10 to 12 years

During the year, the directors conducted a review of the Group's manufacturing assets and determined that a number of those assets were impaired, due to physical damage and technical obsolescence. Accordingly, impairment losses of approximately RMB9,884,000, RMB7,593,000 and RMB2,948,000 respectively have been recognised in respect of buildings, plant, machinery and equipment and motor vehicles. The recoverable amounts of the relevant assets have been determined on the basis of their fair value less costs to sell. The fair value of these assets are determined by reference to the current market price.

	THE GROUP		THE COMPANY	
	2005 RMB'000	2004 RMB'000	2005 RMB'000	2004 RMB'000
The buildings are situated on State-owned land in the PRC with rights to use the land obtained by:				
- the Group (note a)	<b>115,659</b>	122,103	—	—
- JCC (note b)	<b>2,614,148</b>	2,686,246	<b>2,614,148</b>	2,686,245
- other (note c)	<b>247,318</b>	241,463	<b>228,663</b>	222,087
	<b>2,977,125</b>	3,049,812	<b>2,842,811</b>	2,908,332

Notes:

- The lease terms of the land use rights ranged from 34 to 41 years as at 31 December 2005.
- Pursuant to a lease agreement dated 30 April 1997, the Company leases from JCC the rights to use the land for a fixed term of 30 years, subject to the right of the Company to renew for a further term of 5 years, at an annual rental of approximately RMB15,000,000.
- Pursuant to a lease agreement, the Company leases the rights to use the land for a term of 50 years commencing from 1 January 2002, at an annual rental of approximately RMB806,000.



# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2005  
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## 18. PREPAID LEASE PAYMENTS

The prepaid lease payments of the Group and the Company represent leasehold interest in State-owned land in the PRC with rights to use the land under medium-term leases ranging from 25 years to 44 years.

Analysed for reporting purposes as:

	THE GROUP		THE COMPANY	
	2005 RMB'000	2004 RMB'000	2005 RMB'000	2004 RMB'000
Current (included in trade and other receivables)	942	942	603	603
Non-current	36,523	37,465	27,719	28,322
	<b>37,465</b>	<b>38,407</b>	<b>28,322</b>	<b>28,925</b>

## 19. INTANGIBLE ASSETS

	Mining rights RMB'000	Trademark RMB'000	Total RMB'000
<b>THE GROUP</b>			
<b>COST</b>			
At 1 January 2004	76,453	51,684	128,137
Acquisition of a subsidiary	30,690	—	30,690
At 31 December 2004 and 31 December 2005	107,143	51,684	158,827
<b>AMORTISATION</b>			
At 1 January 2004	13,963	12,040	26,003
Provided for the year	3,063	1,720	4,783
At 31 December 2004	17,026	13,760	30,786
Provided for the year	4,265	1,720	5,985
At 31 December 2005	21,291	15,480	36,771
<b>CARRYING VALUES</b>			
At 31 December 2005	85,852	36,204	122,056
At 31 December 2004	90,117	37,924	128,041

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2005  
(Prepared in accordance with IFRS)

## 19. INTANGIBLE ASSETS (Continued)

	Mining rights RMB'000	Trademark RMB'000	Total RMB'000
<b>THE COMPANY</b>			
<b>COST</b>			
At 1 January 2004, 31 December 2004 and 31 December 2005	76,453	51,684	128,137
<b>AMORTISATION</b>			
At 1 January 2004	13,963	122,040	26,003
Provided for the year	2,277	1,720	3,997
At 31 December 2004	16,240	13,760	30,000
Provided for the year	2,277	1,720	3,997
At 31 December 2005	18,517	15,480	33,997
<b>CARRYING VALUES</b>			
At 31 December 2005	57,936	36,204	94,140
At 31 December 2004	60,213	37,924	98,137

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

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

In 2004, the Company acquired the mining right through acquisition of a subsidiary, Diaquan (see notes 20 and 33). According to the mining right certificate, Diaquan has the right to mine for a period of 3 years. In the opinion of the directors, the respective mining right certificate will be renewed continuously until the end of the mine's estimated useful life of approximately 20 years.

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

# Notes to the Financial Statements

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## 20. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2005 RMB'000	2004 RMB'000
Unlisted investments, at cost	526,500	210,600

Details of the Company's subsidiaries at 31 December 2005 are as follows:

Name of subsidiary	Paid up/ registered capital	Place of establishment and operation	Proportion of nominal value of issued ordinary share capital/registered capital held by the Company		Principal activities
			Directly	Indirectly	
蕭山銅達化工有限公司 ("Xiaoshan Tongda")	RMB1,000,000	PRC*	60%	—	Trading of sulphuric acid
Jiangxi Copper Products Company Limited ("JCPC")	RMB225,000,000	PRC*	60%	—	Manufacturing and processing of copper rods and wires
四川康西銅業有限責任公司 ("Kangtong")	RMB140,000,000	PRC*	57.143%	—	Refining copper concentrate to produce blister copper
山西省刁泉銀銅礦業有限公司 ("Diaoquan")	RMB76,157,900	PRC*	45.957%**	—	Sales of copper materials, precious metal materials and sulphuric concentrate powder
西昌安寧金屬回收有限公司 ("Anning")	RMB300,000	PRC*	—	80%	Reclaim and sales of scrap iron and copper
Jiangxi Copper Alloy Materials Company Limited ("JCAC")	RMB119,700,000	PRC*	60%	—	Inactive
Jiangxi Jiangtong-Wengfu Chemical Industry Company Limited ("Wengfu")	RMB181,500,000	PRC*	70%	—	Inactive
Sure Spread Limited	HKD50,000,000	Hong Kong	55%	—	Trading of silver ingots

\* Established as limited liability company in the PRC.

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

None of the subsidiaries had issued any debt securities at the end of the year.

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2005  
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## 21. AVAILABLE-FOR-SALE INVESTMENTS

	THE GROUP		THE COMPANY	
	2005 RMB'000	2004 RMB'000	2005 RMB'000	2004 RMB'000
<b>COST</b>				
Balance at 1 January and 31 December	<b>15,610</b>	15,610	<b>5,610</b>	5,610
<b>ACCUMULATED IMPAIRMENT LOSS</b>				
At 1 January	<b>5,610</b>	—	<b>5,610</b>	—
Impairment losses for the year	—	5,610	—	5,610
At 31 December	<b>5,610</b>	5,610	<b>5,610</b>	5,610
<b>CARRYING VALUES</b>				
At 31 December	<b>10,000</b>	10,000	—	—

The amount represents unquoted equity investments, the fair value of which cannot be reliably determined. They are stated at cost and subject to a test for impairment loss because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably. During the year ended 31 December 2004, the directors reviewed the carrying amount of available-for-sale investments and considered that the recoverable amount of an unquoted equity investment is minimal due to its continuing operating loss. Accordingly, an amount of RMB5,610,000 was recognised as impairment loss to write off the carrying value of the available-for-sale investments to income for the year ended 31 December 2004.

## 22. INVENTORIES

	THE GROUP		THE COMPANY	
	2005 RMB'000	2004 RMB'000	2005 RMB'000	2004 RMB'000
Auxiliary materials and consumable supplies	<b>124,835</b>	137,904	<b>30,018</b>	58,477
Spare parts	<b>274,470</b>	319,720	<b>273,771</b>	301,419
Work in progress	<b>2,797,519</b>	2,088,275	<b>2,797,341</b>	2,082,737
Finished goods	<b>89,064</b>	379,872	<b>26,550</b>	355,531
	<b>3,285,888</b>	2,925,771	<b>3,127,680</b>	2,798,164

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2005  
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## 23. TRADE AND OTHER RECEIVABLES

	THE GROUP		THE COMPANY	
	2005 RMB'000	2004 RMB'000	2005 RMB'000	2004 RMB'000
Trade receivables - third parties	<b>248,577</b>	268,848	<b>117,891</b>	135,228
Other receivables - third parties	<b>838,096</b>	727,352	<b>799,760</b>	646,046
Amounts due from JCC and its affiliates - trade (Note)	<b>78,340</b>	47,348	<b>39,254</b>	44,061
Amount due from minority shareholder of a subsidiary (Note)	—	3,463	—	—
Amounts due from subsidiaries (Note)	—	—	<b>39,071</b>	35,485
	<b>1,165,013</b>	1,047,011	<b>995,976</b>	860,820

Allowances have been made for estimated irrecoverable amounts of trade and other receivables in aggregate of approximately RMB96 million (2004: RMB113 million).

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

	THE GROUP		THE COMPANY	
	2005 RMB'000	2004 RMB'000	2005 RMB'000	2004 RMB'000
<u>Trade receivables</u>				
Within one year	<b>246,439</b>	262,714	<b>115,753</b>	129,103
Between one to two years	<b>1,029</b>	5,506	<b>1,029</b>	5,497
Between two to three years	<b>1,109</b>	628	<b>1,109</b>	628
	<b>248,577</b>	268,848	<b>117,891</b>	135,228
<u>Amounts due from JCC and its affiliates - trade</u>				
Within one year	<b>78,340</b>	47,330	<b>39,254</b>	44,043
Between one to two years	—	18	—	18
	<b>78,340</b>	47,348	<b>39,254</b>	44,061

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2005  
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## 23. TRADE AND OTHER RECEIVABLES (Continued)

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

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

Note: The amounts are unsecured, non-interest bearing and repayable within one year.

## 24. HELD FOR TRADING INVESTMENTS

	THE GROUP		THE COMPANY	
	2005 RMB'000	2004 RMB'000	2005 RMB'000	2004 RMB'000
Fair value at 31 December	350	6,282	—	5,862

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

## 25. OTHER FINANCIAL ASSETS

### Bank balances and cash

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

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## 26. TRADE AND OTHER PAYABLES

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

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

	THE GROUP		THE COMPANY	
	2005	2004	2005	2004
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables - third parties	<b>474,249</b>	301,987	<b>393,589</b>	271,627
Other payables - third parties	<b>340,118</b>	452,167	<b>297,115</b>	416,056
Amounts due to JCC and its affiliates				
- trade (Note)	<b>167,888</b>	182,140	<b>164,183</b>	179,856
Amount due to JCC - other (Note 32)	<b>1,870</b>	1,870	<b>1,870</b>	1,870
Amount due to a subsidiary (Note)	—	—	<b>54,238</b>	40,513
	<b>984,125</b>	938,164	<b>910,995</b>	909,922

The aged analysis of trade payables and amounts due to JCC and its affiliates (excluding the other payable as set out in note 32 are as follows:

	THE GROUP		THE COMPANY	
	2005	2004	2005	2004
	RMB'000	RMB'000	RMB'000	RMB'000
<u>Trade payables</u>				
Within one year	<b>465,771</b>	295,876	<b>386,146</b>	266,058
Between one to two years	<b>3,955</b>	3,103	<b>3,944</b>	3,094
Between two to three years	<b>1,515</b>	770	<b>1,024</b>	320
Over three years	<b>3,008</b>	2,238	<b>2,475</b>	2,155
	<b>474,249</b>	301,987	<b>393,589</b>	271,627

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2005  
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## 26. TRADE AND OTHER PAYABLES (Continued)

	THE GROUP		THE COMPANY	
	2005 RMB'000	2004 RMB'000	2005 RMB'000	2004 RMB'000
<u>Amounts due to JCC and its affiliates - trade</u>				
Within one year	<b>166,782</b>	181,691	<b>163,409</b>	179,407
Between one to two years	<b>788</b>	346	<b>456</b>	346
Between two to three years	<b>249</b>	—	<b>249</b>	—
Over three years	<b>69</b>	103	<b>69</b>	103
	<b>167,888</b>	182,140	<b>164,183</b>	179,856

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

## 27. GOVERNMENT SUBSIDY RECEIVED

	THE GROUP AND THE COMPANY	
	2005 RMB'000	2004 RMB'000
Balance at 1 January	—	—
Recognised during the year	<b>1,335</b>	1,400
Utilisation to reduce the carrying amount of the relevant project (Note 17)	<b>(1,335)</b>	(1,400)
Balance at 31 December	—	—

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



# Notes to the Financial Statements

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## 28. BANK BORROWINGS

	THE GROUP		THE COMPANY	
	2005 RMB'000	2004 RMB'000	2005 RMB'000	2004 RMB'000
Long term bank loans	<b>1,920,410</b>	2,708,110	<b>1,889,710</b>	2,675,110
Short term bank loans	<b>1,080,096</b>	1,345,091	<b>921,216</b>	1,077,591
	<b>3,000,506</b>	4,053,201	<b>2,810,926</b>	3,752,701
Less: Amount due within one year included under current liabilities	<b>(1,722,796)</b>	(1,961,491)	<b>(1,544,216)</b>	(1,682,991)
Amount due after one year	<b>1,277,710</b>	2,091,710	<b>1,266,710</b>	2,069,710
Analysed as:				
- secured	<b>86,700</b>	142,500	—	—
- unsecured	<b>2,913,806</b>	3,910,701	<b>2,810,926</b>	3,752,701
	<b>3,000,506</b>	4,053,201	<b>2,810,926</b>	3,752,701
Bank borrowings are repayable as follows:				
Within one year	<b>1,722,796</b>	1,961,491	<b>1,544,216</b>	1,682,991
Between one to two years	<b>346,000</b>	693,000	<b>335,000</b>	693,000
Between two to five years	<b>931,710</b>	1,376,710	<b>931,710</b>	1,376,710
Over five years	—	22,000	—	—
	<b>3,000,506</b>	4,053,201	<b>2,810,926</b>	3,752,701

The bank borrowings carry fixed interest rate ranging from 3.5% to 6.2% (2004: 3.5% to 7.5%) per annum. Majority of the bank borrowings are in Renminbi.

At 31 December 2005, bank borrowings amounting to approximately RMB359,710,000 (2004: RMB126,710,000) were supported by guarantees from JCC.

The directors estimate that the carrying amount of bank borrowings approximates their fair value by discounting their future cash flows at the prevailing market borrowing rates at the balance sheet date for similar borrowings.

# Notes to the Financial Statements

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## 29. DERIVATIVE FINANCIAL INSTRUMENTS

	THE GROUP		THE COMPANY	
	2005 RMB'000	2004 RMB'000	2005 RMB'000	2004 RMB'000
Commodity forward contracts				
- copper cathode	<b>71,023</b>	23,251	<b>71,023</b>	13,097
Commodity forward contracts				
- gold	—	—	—	—
Options				
- copper cathode	<b>23,955</b>	—	<b>23,955</b>	—
	<b>94,978</b>	23,251	<b>94,978</b>	13,097

The above are shown as current liabilities in the financial statements.

### (i) Commodity forward contracts - copper cathode

#### Under hedge accounting

The Group commenced application of hedge accounting since July 2005 and utilises commodity forward contracts to hedge forecasted sales of copper cathode. These arrangements are designed to address significant fluctuation in the price of copper cathode.

At 31 December 2005, the fair value of commodity forward contracts in relation to copper cathode designated as cash flow hedges of the Group and the Company amounting to RMB71,023,000 (2004: nil) were recognised as current liabilities in the balance sheet. These commodity forward contracts are designated as highly effective hedging instruments in order to manage the Group's exposure in relation to forecasted sale of copper cathode.

At 31 December 2005, fair value losses of RMB71,023,000 have been deferred in equity and are expected to be released to the income statement at various dates in the coming five months after the balance sheet date, the period in which sales of copper cathode are expected to occur.

# Notes to the Financial Statements

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## 29. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

### (i) Commodity forward contracts - copper cathode (Continued)

#### Under hedge accounting (Continued)

The terms of the commodity forward contracts in relation to copper cathode have been negotiated to match the terms of the forecasted sales of copper cathode. The major terms of these contracts, at the balance sheet date are as follows:

	<b>THE GROUP AND THE COMPANY 2005</b>
Quantities (in tonnes)	21,100
Average price per tonne (RMB)	37,554
Delivery period	From January 2006 to May 2006

#### Not under hedge accounting

At 31 December 2004, the fair value of commodity forward contracts of the Group and the Company which did not designate as hedging instruments amounting to RMB23,251,000 and RMB13,097,000 respectively were recognised as current liabilities in the balance sheet and the major terms of these contracts were as follows:

	<b>THE GROUP 2004</b>	<b>THE COMPANY 2004</b>
Quantities (in tonnes)	69,290	65,590
Average price per tonne (RMB)	26,904	26,881
Delivery period	From January 2005 to April 2005	From January 2005 to April 2005

# Notes to the Financial Statements

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## 29. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

### (ii) Commodity forward contracts - gold

At the balance sheet date, the major terms of commodity forward contracts in relation to gold are as follows:

	<b>THE GROUP AND THE COMPANY</b>	
	<b>2005</b>	<b>2004</b>
Quantities (in gram)	<b>Nil</b>	1,130,000
Average price per gram (RMB)	<b>Nil</b>	117

### (iii) Options - copper cathode

The Group enters into certain commodity derivative contracts, namely call options and put options for the purpose of fixing prices and price ranges for its forecasted sale of copper cathode. These instruments are classified as financial instruments held for trading.

At the balance sheet date, the major terms of the options are as follows:

	<b>THE GROUP AND THE COMPANY</b>	
	<b>2005</b>	
	<b>Call options</b>	<b>Put options</b>
Quantities (in tonnes)	16,000	20,000
Average exercise price per tonne (RMB)	30,145	28,251
Exercise period	From February 2006 to June 2006	From January 2006 to June 2006

The above derivatives are measured at fair value at each balance sheet date. Their fair values are determined based on the quoted market prices for equivalent instruments at the balance sheet date.

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## 30. SHARE CAPITAL

	Number of shares	Share capital RMB'000
Registered, issued and fully paid:		
Balances at 1 January 2004, 31 December 2004 and 1 January 2005		
- Domestic Shares of RMB1 each	1,277,556,200	1,277,556
- H Shares of RMB1 each	1,156,482,000	1,156,482
- A Shares of RMB1 each	230,000,000	230,000
	<b>2,664,038,200</b>	2,664,038
Increase during the year		
- H Shares (note)	231,000,000	231,000
Balances at 31 December 2005		
- Domestic Shares	1,277,556,200	1,277,556
- H Shares	1,387,482,000	1,387,482
- A Shares	230,000,000	230,000
	<b>2,895,038,200</b>	2,895,038

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

*Note:* On 25 July 2005, the Company entered into a placing agreement (the "Placing Agreement") with placing agent (the "Placing Agent") in relation to the placing, on a fully underwritten basis, of 231,000,000 H Shares of RMB1.00 each in the share capital of the Company (the "Placing Shares") to not less than six independent third parties (the "Placing"). The placing price was determined at HK\$3.813 per Placing Share and represented a discount of approximately 7% to the closing price of the Company's H Shares as quoted on the Stock Exchange at 12:30 p.m. on 25 July 2005. The Placing Shares rank pari passu in all respects with H Shares in issue on the date of allotment and issue of the Placing Shares including the right to any dividends or distributions.

The net proceeds of the Placing is estimated to be approximately RMB895 million and will be used for any of expansion of production capacity of copper cathode of the Company, technological renovation of mining technology and the development of the processed copper products, at such time when any of them first requires funding.

# Notes to the Financial Statements

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## 31. RESERVES

	Share premium	Capital reserve	Other reserve	Statutory surplus reserve	Statutory public welfare fund	Discretionary surplus reserve	Hedging reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>THE COMPANY</b>									
At 1 January 2004	1,281,696	70,546	(92,506)	149,698	117,810	279,983	—	693,814	2,501,041
Profit for the year	—	—	—	—	—	—	—	1,102,085	1,102,085
Dividends paid - 2003 final	—	—	—	—	—	—	—	(319,685)	(319,685)
Appropriations to reserves	—	—	—	114,535	114,535	229,070	—	(458,140)	—
Transfer	—	—	—	—	(30,603)	30,603	—	—	—
At 1 January 2005	1,281,696	70,546	(92,506)	264,233	201,742	539,656	—	1,018,074	3,283,441
Transfer to profit or loss on cash flow hedges	—	—	—	—	—	—	570,858	—	570,858
Decrease in fair value of derivatives under cash flow hedges and recognised directly in equity	—	—	—	—	—	—	(641,881)	—	(641,881)
Profit for the year	—	—	—	—	—	—	—	1,858,445	1,858,445
Total recognised in income and expense for the year	—	—	—	—	—	—	(71,023)	1,858,445	1,787,422
New shares issued	686,885	—	—	—	—	—	—	—	686,885
Transaction costs attributable to issue of new shares	(23,030)	—	—	—	—	—	—	—	(23,030)
Dividends paid - 2004 final	—	—	—	—	—	—	—	(319,685)	(319,685)
Appropriations to reserves	—	—	—	185,242	185,242	370,484	—	(740,968)	—
Transfer	—	—	—	—	(11,365)	11,365	—	—	—
At 31 December 2005	1,945,551	70,546	(92,506)	449,475	375,619	921,505	(71,023)	1,815,866	5,415,033

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

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

# Notes to the Financial Statements

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## 31. RESERVES (Continued)

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

Statutory public welfare fund represents the appropriation of profit after taxation according to the requirements of the Company's Articles of Association and the Companies Law in the PRC. According to the requirements, the Company each transfers 10% of profit after taxation calculated in accordance with PRC accounting standards and regulations which in aggregate amounted to approximately RMB185,242,000 for the year (2004: RMB114,535,000) to the statutory public welfare fund. The fund can only be utilised for capital expenditure on employees' collective welfare facilities and cannot be used in staff welfare expenses. Such employee welfare facilities are owned by the Company. The statutory public welfare fund is not distributable to shareholders other than in liquidation. In year 2005, approximately RMB11,365,000 (2004: RMB30,603,000) had been utilised by the Company for capital expenditure on employees' collective welfare facilities and the amount had been transferred to discretionary surplus reserve.

# Notes to the Financial Statements

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## 32. OTHER PAYABLE

	<b>THE GROUP AND THE COMPANY</b>	
	<b>2005</b>	2004
	<b>RMB'000</b>	RMB'000
Portion bearing interest at 5.3% (2004: 5.3%) per annum, due within one year included as amount due to JCC - other under current liabilities (note 26)	<b>1,870</b>	1,870
Non-interest bearing portion, due after one year	<b>37,431</b>	39,301
	<b>39,301</b>	41,171

The amount is repayable as follows:

Within one year	<b>1,870</b>	1,870
Between one to two years	<b>1,870</b>	1,870
Between two to five years	<b>5,610</b>	5,610
After five years	<b>29,951</b>	31,821
	<b>39,301</b>	41,171

The amount represents the balance due to JCC as the consideration for the transfer of the mining rights in respect of the Dexing Mine and the Yongping Mine from JCC to the Company. The amount is repayable in 30 annual instalments of RMB1,870,000 each and subject to payment of interest at a rate equal to the State lending rate for a one-year fixed term loan up to a maximum of 15% on each annual instalment starting from 1 January 1998. The interest paid during the year amounted to approximately RMB99,000 (2004: RMB99,000).

The directors estimate that the carrying amount of other payable approximates its fair value by discounting the future cash flows at the prevailing market long term bank loans borrowing rate at the balance sheet date.



# Notes to the Financial Statements

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## 33. ACQUISITION OF A SUBSIDIARY

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

The above transaction has been accounted for by the purchase method of accounting.

	<i>RMB'000</i> <i>(Note a)</i>
Net assets acquired:	
Property, plant and equipment	112,553
Intangible assets	30,690
Inventories	5,509
Trade and other receivables	1,215
Bank balances and cash	9,670
Trade and other payables	(34,753)
Taxation payable	(3,879)
Bank borrowings	(48,200)
Minority interests	(39,346)
	33,459
Goodwill (Note b)	1,541
	35,000
Satisfied by cash	35,000
Net cash outflow arising on acquisition:	
Cash consideration	35,000
Bank balances and cash acquired	(9,670)
	25,330

*Notes:*

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

# Notes to the Financial Statements

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## 34. RELATED PARTY TRANSACTIONS

Save as disclosed in the consolidated financial statements, the Group had the following significant transactions with (i) JCC and its affiliates, (ii) 江西鑫新實業股份有限公司 (“Jiangxi Xinxin”) and 湖北三鑫金銅股份有限公司 (“Hubei Sanxin”) both of which are promoters of the Company and (iii) other state-controlled entities in the PRC and comparsation of key management personnel:

	2005 RMB'000	2004 RMB'000
<b>(i) Transactions with JCC and its control affiliates:</b>		
Sale of copper cathode and sulphuric acid by the Group	485,842	650,536
Sale of raw copper sulphate by the Group	49,972	54,026
Tolling fee and sales fee charged by the Group (note)	150,531	123,945
Processing fee of blister (scrap) copper charged by the Group	—	4,451
Sale of waste, filter residue and black cement copper by the Group	75,576	7,086
Sale of auxiliary industrial products by the Group	112,450	109,156
Sale of low oxygen copper rods and wires and processing of copper cathode into low oxygen copper rods and wires by the Group	58,467	108,532
Purchase of copper concentrates by the Group	395,671	179,549
Purchase of blister copper by the Group	15,500	26,631
Purchase of scrap copper by the Group	607,040	1,012,751
Purchase of auxiliary industrial products by the Group	310,972	306,928
Purchase of gold and silver-bearing materials by the Group	26,737	45,241
Purchase of copper cathode by the Group	577,778	271,322
Brokerage agency services provided to the Group	6,241	7,953
Construction services provided to the Group	80,208	127,699
Environmental greenery services provided to the Group	7,112	6,279
Industrial water supplied to the Group	18,143	18,880
Licence fee on railway transportation charged to the Group	—	7,170
Railway transportation services provided to the Group	19,345	11,911
Rentals for office premises received by the Group	56	56
Rentals for housing for the employees and use of common facilities charged to the Group	21,323	13,988
Rental for land use rights charged to the Group	15,000	15,000
Rentals for office premises charged to the Group	8,367	3,521
Repair and maintenance services provided to the Group	127,033	122,798
Retirement benefits contributions paid by the Group	65,115	58,543
Sale of gases by the Group	4,042	3,038
Social welfare and support services provided to the Group		
- welfare and medical services	57,528	52,689
- primary and secondary education services	13,059	10,237
- technical education services	3,165	4,465
- internal telecommunications services	2,674	3,394
- use of representative offices	3,445	3,304
Supply of water and transmission of electricity by the Group	62,362	53,876
Electricity supply provided to the Group	10,557	7,647
Vehicle transportation services provided to the Group	162,420	76,582
Equipment maintenance and machinery processing services provided to the Group	—	738
Operation management services expenses borne by the Group	2,952	2,912
Other administrative expenses borne by the Group	8,212	—
Purchases of property, plant and equipment by the Group (at carrying amount)	11,668	—

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## 34. RELATED PARTY TRANSACTIONS (Continued)

### (i) Transactions with JCC and its control affiliates (Continued)

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

On 25 January 2005, the Company entered into a joint venture agreement ("JV Agreement") with JCC to establish a Sino-foreign equity joint venture, Jiangxi Copper Alloy Materials Company Limited 江西銅業銅合金材料有限公司 ("JCAC"), to engage in the manufacturing of copper and copper alloy rods and wires. The Company and JCC shall invest a sum of RMB119,700,000 and RMB79,800,000 respectively in cash as capital contribution to JCAC according to the JV Agreement. JCAC is owned as to 60% by the Company and 40% by JCC.

On 3 June 2005, the Company entered into an agreement with JCC, an associate of JCC ("Party A"), two subsidiaries of JCC ("Party B" and "Party C"), a subsidiary of the Company (a non-wholly owned subsidiary of the Company, the shareholding of which is owned as to 60% by the Company and 40% by JCC) ("Party D") and an independent third party ("Party E") to establish a joint venture company, Jiangxi Copper Corporation Financial Ltd. 江西銅業集團財務有限公司 ("JCCFC"), to engage in the provision of various financial services. The Company, JCC, Party A, Party B, Party C, Party D and Party E shall invest a sum of RMB100,000,000, RMB120,000,000, RMB6,000,000, RMB6,000,000, RMB3,000,000, RMB5,000,000 and RMB60,000,000 respectively in cash as capital contribution to JCCFC according to the agreement. JCCFC is owned as to 40% by JCC, 33.33% by the Company, 2% by Party A and Party B, 1% by Party C, 1.67% by Party D and 20% by Party E. As at the date of this report, JCCFC still not yet incorporated.

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

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## 34. RELATED PARTY TRANSACTIONS (Continued)

### (i) Transactions with JCC and its control affiliates (Continued)

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

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

	2005 RMB'000	2004 RMB'000
Sales of copper cathode to Jiangxi Xinxin	302,489	396,836
Sale of low oxygen copper rods and wires to Jiangxi Xinxin by the Group	3,583	6,809
Tolling fee received from Hubei Sanxin	24,589	11,607
Purchase of copper concentrates from Hubei Sanxin	42,881	27,477

In addition, the Group had made prepayment to Hubei Sanxin as at 31 December 2005 in respect of the purchase of copper concentrates amounting to RMB10,000,000 (2004: RMB10,000,000). Interest charged by the Group during the year in respect of the prepayment amounted to approximately RMB142,000 (2004: approximately RMB573,000). Interest was determined with reference to the terms of the relevant agreement (including amendments thereto).

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## 34. RELATED PARTY TRANSACTIONS (Continued)

### (iii) Transactions with other state-controlled entities in the PRC

The Group operates in an economic environment currently predominated by entities directly or indirectly owned or controlled by the PRC government ("state-controlled entities"). In addition, the Group itself is part of a larger group of companies under JCC which is controlled by the PRC government. Apart from the disclosure in note 32, note 34(i) and note 34(ii) above, the Group also conducts business with other state-controlled entities. The directors consider those state-controlled entities are independent third parties so far as the Group's business transactions with them are concerned.

The Group has entered into various transactions, including deposits placements, borrowings, interests on deposits or borrowings received or paid respectively and other general banking facilities, with certain banks which are state-controlled entities in its ordinary course of business. In view of the nature of those banking transactions, the directors are of the opinion that separate disclosure would not be meaningful.

In the opinion of the directors, in view of the environment the Group currently operates, it is impracticable to ascertain the identity of all the counterparties and accordingly whether the transactions are with other state-controlled entities.

### (iv) Compensation of key management personnel

The remuneration of key management during the year was as follows:

	2005 RMB'000	2004 RMB'000
Short-term benefits	5,223	3,964
Retirement benefits scheme contribution	252	216
Performance related bonus	410	360
	<b>5,885</b>	4,540

The remuneration of key management is determined by the remuneration committee having regard to the performance of individuals and market trends.

## 35. PLEDGE OF ASSETS

### THE GROUP

At 31 December 2005, property, plant and equipment and inventories of approximately RMB33,279,000 (2004: RMB56,637,000) and RMB30,987,000 (2004: RMB25,803,000) respectively and mining right of RMB27,917,000 (2004: RMB29,905,000) were pledged to secure certain of the Group's bank borrowings.

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## 36. OPERATING LEASE COMMITMENTS

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

	<b>THE GROUP AND THE COMPANY</b>	
	<b>2005</b>	2004
	<b>RMB'000</b>	RMB'000
Within one year	<b>15,806</b>	15,806
In the second to fifth year inclusive	<b>63,224</b>	63,224
After five years	<b>273,052</b>	288,858
	<b>352,082</b>	367,888

The above amounts mainly represent commitments under the non-cancellable operating leases in respect of land use rights as described in note 17 (b),(c).

## 37. CAPITAL COMMITMENTS

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

	<b>THE GROUP</b>		<b>THE COMPANY</b>	
	<b>2005</b>	2004	<b>2005</b>	2004
	<b>RMB'000</b>	RMB'000	<b>RMB'000</b>	RMB'000
Commitments for the acquisition of property, plant and equipment:				
- contracted for but not provided in the financial statements	<b>626,143</b>	192,296	<b>538,314</b>	192,296
- authorised but not contracted for	<b>3,448,854</b>	1,146,710	<b>3,019,066</b>	1,146,710
	<b>4,074,997</b>	1,339,006	<b>3,557,380</b>	1,339,006

An analysis of the capital commitments is as follows:

Expansion projects	<b>3,476,583</b>	1,306,805	<b>3,476,583</b>	1,306,805
Exploration projects	—	24,430	—	24,430
Other general projects	<b>598,413</b>	7,771	<b>80,797</b>	7,771
	<b>4,074,996</b>	1,339,006	<b>3,557,380</b>	1,339,006

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## 38. RETIREMENT BENEFITS SCHEMES

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

The total cost charged to the income statement of approximately RMB67,811,000 (2004: RMB60,415,000) represents contribution payable to the schemes by the Group at rates specified in the rules of the schemes.

## 39. EVENTS AFTER BALANCE SHEET DATE

- (i) On 1 March 2006, the Company completed the issuance of debenture to independent third parties located in PRC with a total principal amount of RMB500,000,000. The debenture has a unit face value of RMB100 each, bears a coupon rate of 2.28% and has a maturity period of 90 days from the date of issue.
- (ii) In accordance with the requirements under the relevant documents as stated in the Company's announcement dated 24 February 2006, JCC, the controlling shareholder holding non-tradable domestic shares of the Company, has proposed a share reform plan.

On 14 March 2006, pursuant to the authorisation and acting on behalf of the holders of non-tradable domestic shares, the Company announced the adjustments proposed by the holders of non-tradable domestic shares to the share reform plan. Details of the adjusted share reform plan is stated in the Company's announcement dated 14 March 2006. On 28 March 2006, the share reform plan has been approved by the state-owned Assets Supervision and Administration Commission under the Jiangxi Provincial People's Government. On 3 April 2006, the share reform plan was approved at the shareholders' meeting of the domestic shareholders.

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## 40. BALANCE SHEET OF THE COMPANY

	Notes	2005 RMB'000	2004 RMB'000
<b>Non-current assets</b>			
Property, plant and equipment	17	<b>6,764,887</b>	6,486,189
Prepaid lease payments	18	<b>27,719</b>	28,322
Intangible assets	19	<b>94,140</b>	98,137
Investments in subsidiaries	20	<b>526,500</b>	210,600
		<b>7,413,246</b>	6,823,248
<b>Current assets</b>			
Inventories	22	<b>3,127,680</b>	2,798,164
Trade and other receivables	23	<b>995,976</b>	860,820
Held for trading investment	24	—	5,862
Bank balances and cash		<b>833,894</b>	229,283
		<b>4,957,550</b>	3,894,129
<b>Current liabilities</b>			
Trade and other payables	26	<b>910,995</b>	909,922
Taxation payable		<b>206,395</b>	54,877
Bank and borrowings - amount due within one year	28	<b>1,544,216</b>	1,682,991
Derivative financial instruments	29	<b>94,978</b>	13,097
		<b>2,756,584</b>	2,660,887
<b>Net current assets</b>		<b>2,200,966</b>	1,233,242
		<b>9,614,212</b>	8,056,490
<b>Capital and reserves</b>			
Share capital	30	<b>2,895,038</b>	2,664,038
Reserves	31	<b>5,415,033</b>	3,283,441
		<b>8,310,071</b>	5,947,479
<b>Non-current liabilities</b>			
Bank borrowings - amount due after one year	28	<b>1,266,710</b>	2,069,710
Other payable - amount due after one year	32	<b>37,431</b>	39,301
		<b>1,304,141</b>	2,109,011
		<b>9,614,212</b>	8,056,490



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

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

	2005 <i>RMB'000</i>	2004 <i>RMB'000</i>
Net assets as per consolidated balance sheet prepared under IFRS	<b>8,698,626</b>	6,151,619
Different accounting treatment in respect of minority interests	<b>(367,291)</b>	(195,539)
Different accounting treatment in respect of government subsidy	<b>74,635</b>	79,400
Different accounting treatment in respect of derivative financial instruments	<b>94,978</b>	41,362
Different accounting treatment in respect of pre-operating expenses of certain subsidiaries	<b>3,124</b>	—
Net assets as per consolidated balance sheet prepared under PRC accounting standards and regulations	<b>8,504,072</b>	6,076,842
Profit for the year as per consolidated income statement prepared under IFRS	<b>1,899,753</b>	1,115,933
Different accounting treatment in respect of minority interests	<b>(27,984)</b>	(7,794)
Different accounting treatment in respect of depreciation relating to government subsidy	<b>(6,100)</b>	(6,000)
Different accounting treatment in respect of derivative financial instruments	<b>(17,408)</b>	41,362
Different accounting treatment in respect of pre-operating expenses of certain subsidiaries	<b>3,124</b>	—
Net profit as per consolidated income statement prepared under PRC accounts standards and regulations	<b>1,851,385</b>	1,143,501

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

# Financial Summary

	<b>Year ended 31 December</b>				
	<b>2005</b> <i>RMB'000</i>	2004 <i>RMB'000</i>	2003 <i>RMB'000</i>	2002 <i>RMB'000</i>	2001 <i>RMB'000</i>
<b>RESULTS</b>					
Revenue	<b>13,177,516</b>	10,627,274	5,420,891	3,327,073	2,995,793
Cost of sales and services	<b>(9,992,777)</b>	(8,688,160)	(4,342,161)	(2,710,844)	(2,342,509)
Gross profit	<b>3,184,739</b>	1,939,114	1,078,730	616,229	653,284
Other income	<b>58,877</b>	41,364	33,799	41,111	46,099
Distribution costs	<b>(95,765)</b>	(84,827)	(61,977)	(40,488)	(31,583)
Administrative expenses	<b>(353,713)</b>	(326,417)	(246,002)	(236,856)	(161,491)
Other expenses	<b>(404,888)</b>	(136,822)	(104,489)	(49,843)	(30,645)
Finance costs	<b>(190,556)</b>	(199,517)	(162,413)	(156,816)	(163,067)
Profit before taxation	<b>2,198,694</b>	1,232,895	537,648	173,337	312,597
Taxation	<b>(298,941)</b>	(116,962)	(29,101)	(3,752)	(102)
Profit for the year	<b>1,899,753</b>	1,115,933	508,547	169,585	312,495
Attributable to:					
Equity holders of the parent	<b>1,871,769</b>	1,108,139	505,243	169,504	312,373
Minority interests	<b>27,984</b>	7,794	3,304	81	122
	<b>1,899,753</b>	1,115,933	508,547	169,585	312,495
<b>At 31 December</b>					
	<b>2005</b> <i>RMB'000</i>	2004 <i>RMB'000</i>	2003 <i>RMB'000</i>	2002 <i>RMB'000</i>	2001 <i>RMB'000</i>
<b>ASSETS AND LIABILITIES</b>					
Total assets	<b>13,035,542</b>	11,268,827	10,097,654	8,824,764	8,470,761
Total liabilities	<b>(4,336,916)</b>	(5,117,208)	(4,781,605)	(4,021,756)	(3,764,065)
	<b>8,698,626</b>	6,151,619	5,316,049	4,803,008	4,706,696
<b>TOTAL EQUITY</b>					
Equity attributable to equity holders of the parent	<b>8,331,335</b>	5,956,080	5,167,626	4,742,304	4,706,002
Minority interests	<b>367,291</b>	195,539	148,423	60,704	694
Total equity	<b>8,698,626</b>	6,151,619	5,316,049	4,803,008	4,706,696