

# BALANCE SHEET

AT 30 JUNE 2006

(PREPARED IN ACCORDANCE WITH PRC GAAP AND REGULATION)

ASSETS	Notes	Group		Company	
		30 June 2006 (Unaudited) RMB	31 December 2005 (Audited) RMB	30 June 2006 (Unaudited) RMB	31 December 2005 (Audited) RMB
<b>CURRENT ASSETS:</b>					
Bank balances and cash	5	1,796,429,306	1,142,497,348	1,560,136,165	833,893,230
Current investments		40,000	350,000	—	—
Notes receivable	6	457,890,640	71,338,163	182,662,395	69,899,813
Dividend receivable		—	—	5,000,000	—
Accounts receivable	7,44	574,719,263	206,123,292	677,725,011	95,889,769
Other receivables	8,44	262,229,367	226,004,133	189,940,426	196,754,868
Prepayments	10	392,874,240	652,492,546	468,764,078	632,124,470
Inventories	11	4,742,691,105	3,285,887,850	4,341,268,292	3,127,680,254
<b>TOTAL CURRENT ASSETS</b>		<b>8,226,873,921</b>	5,584,693,332	<b>7,435,496,367</b>	4,956,242,404
<b>LONG-TERM INVESTMENTS:</b>					
Long-term equity investments	12,44	10,000,000	10,000,000	621,967,367	554,438,575
<b>FIXED ASSETS:</b>					
Fixed assets - cost	13	11,943,085,287	11,966,692,773	11,481,962,879	11,508,147,693
Less: Accumulated depreciation	13	5,944,551,067	5,738,232,052	5,801,123,855	5,607,695,114
Fixed assets - net		5,998,534,220	6,228,460,721	5,680,839,024	5,900,452,579
Less: Impairment	13	4,699,700	25,124,466	4,699,700	25,124,466
Fixed assets - net book value	13	5,993,834,520	6,203,336,255	5,676,139,324	5,875,328,113
Fixed assets under construction	14	1,849,457,474	1,209,569,068	1,450,899,439	993,716,442
<b>TOTAL FIXED ASSETS</b>		<b>7,843,291,994</b>	7,412,905,323	<b>7,127,038,763</b>	6,869,044,555
<b>INTANGIBLE ASSETS AND OTHER ASSETS:</b>					
Intangible assets	15	119,159,424	122,056,217	92,174,555	94,139,250
Long-term deferred expenses	16	5,190,305	4,769,675	—	—
<b>Total intangible assets and other assets</b>		<b>124,349,729</b>	126,825,892	<b>92,174,555</b>	94,139,250
<b>TOTAL ASSETS</b>		<b>16,204,515,644</b>	13,134,424,547	<b>15,276,677,052</b>	12,473,864,784

# BALANCE SHEET

AT 30 JUNE 2006

(PREPARED IN ACCORDANCE WITH PRC GAAP AND REGULATION)

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	Group		Company	
		30 June 2006 (Unaudited) RMB	31 December 2005 (Audited) RMB	30 June 2006 (Unaudited) RMB	31 December 2005 (Audited) RMB
<b>CURRENT LIABILITIES:</b>					
Short-term loans	17	1,155,674,053	1,080,096,321	652,131,300	921,216,221
Debenture payable	18	500,000,000	—	500,000,000	—
Notes payable	19	32,501,700	22,957,201	32,501,700	22,957,201
Accounts payable	20	706,619,920	470,284,658	628,822,970	388,555,869
Advances from customers		42,783,908	50,688,187	114,485,709	39,480,604
Salaries and wages payable		2,329,817	4,093,767	107,033	—
Employee benefits payable		1,827,101	1,517,466	604,226	723,842
Taxes payable	21	546,224,172	280,535,501	550,133,844	259,865,669
Dividend payable		558,279,334	—	555,847,334	—
Other fees payable	22	43,417,944	42,344,431	42,281,665	42,298,242
Other payables	23	617,332,695	345,187,816	581,707,699	358,134,615
Accrued expenses	24	2,000,000	4,000,000	2,000,000	4,000,000
Long-term liabilities due within one year	25	278,870,000	644,570,000	261,870,000	624,870,000
<b>Total current liabilities</b>		<b>4,487,860,644</b>	2,946,275,348	<b>3,922,493,480</b>	2,662,102,263
<b>LONG-TERM LIABILITIES:</b>					
Long-term loans	26	1,292,710,000	1,277,710,000	1,231,710,000	1,266,710,000
Long-term payables	27	36,496,000	37,431,000	36,496,000	37,431,000
<b>Total long-term liabilities</b>		<b>1,329,206,000</b>	1,315,141,000	<b>1,268,206,000</b>	1,304,141,000
<b>TOTAL LIABILITIES</b>		<b>5,817,066,644</b>	4,261,416,348	<b>5,190,699,480</b>	3,966,243,263
<b>MINORITY INTERESTS</b>		<b>379,631,643</b>	368,937,343	—	—
<b>SHAREHOLDERS' EQUITY:</b>					
Paid-in capital	28	2,895,038,200	2,895,038,200	2,895,038,200	2,895,038,200
Capital reserves	29	2,046,634,433	2,043,336,794	2,046,634,433	2,043,336,794
Surplus reserves	30	1,754,080,747	1,754,080,747	1,746,601,671	1,746,601,671
Including: Statutory public welfare fund	30	—	379,128,344	—	375,587,410
Unappropriated profits	31	3,313,057,656	1,812,275,967	3,397,703,268	1,822,644,856
Including: Cash dividend proposed after the balance sheet date		—	555,847,334	—	555,847,334
Translation reserve		(993,679)	(660,852)	—	—
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>10,007,817,357</b>	8,504,070,856	<b>10,085,977,572</b>	8,507,621,521
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>16,204,515,644</b>	13,134,424,547	<b>15,276,677,052</b>	12,473,864,784

The accompanying notes are part of the financial statements.

# STATEMENT OF INCOME AND PROFITS APPROPRIATION

FOR THE PERIOD ENDED 30 JUNE 2006  
(PREPARED IN ACCORDANCE WITH PRC GAAP AND REGULATION)

Item	Notes	Group		Company	
		Six month period ended 30 June 2006 (Unaudited) RMB	Six month period ended 30 June 2005 (Audited) RMB	Six month period ended 30 June 2006 (Unaudited) RMB	Six month period ended 30 June 2005 (Audited) RMB
Revenue	32,44	<b>10,404,650,526</b>	6,907,669,330	<b>10,496,798,492</b>	6,509,317,355
Less: Cost of Sales	33,44	<b>6,224,313,938</b>	5,167,050,162	<b>6,347,881,321</b>	4,837,638,338
Sales tax	34	<b>27,015,802</b>	19,706,091	<b>25,723,955</b>	18,306,620
Gross profit		<b>4,153,320,786</b>	1,720,913,077	<b>4,123,193,216</b>	1,653,372,397
Add: Other operating profit	35	<b>(1,341,562,371)</b>	(232,766,467)	<b>(1,338,497,238)</b>	(215,478,868)
Less: Operating expenses		<b>40,769,828</b>	41,066,751	<b>25,379,082</b>	23,997,909
General and administrative expenses		<b>169,795,918</b>	178,748,447	<b>150,581,143</b>	165,455,602
Financial costs	36	<b>83,318,873</b>	97,375,235	<b>75,518,388</b>	91,462,879
Profit from operation		<b>2,517,873,796</b>	1,170,956,177	<b>2,533,217,365</b>	1,156,977,139
Add: Investment (loss) income	37,44	<b>1,016,816</b>	(304,860)	<b>25,442,987</b>	8,675,593
Non-operating income		<b>446,998</b>	1,412,635	<b>206,516</b>	1,385,969
Less: Non-operating expenses	38	<b>6,420,151</b>	10,417,301	<b>5,238,476</b>	10,219,866
Profit before tax		<b>2,512,917,459</b>	1,161,646,651	<b>2,553,628,392</b>	1,156,818,835
Less: Income tax	39	<b>436,884,820</b>	171,441,534	<b>422,722,646</b>	170,587,649
Minority interests		<b>19,403,616</b>	7,638,328	—	—
Net profit for the period		<b>2,056,629,023</b>	982,566,789	<b>2,130,905,746</b>	986,231,186
Add: Unappropriated profits at the beginning of the period		<b>1,812,275,967</b>	705,165,470	<b>1,822,644,856</b>	711,190,260
Less: Cash dividends approved by the general meeting of shareholders during this period		<b>555,847,334</b>	—	<b>555,847,334</b>	—
Unappropriated profits at the end of the period		<b>3,313,057,656</b>	1,687,732,259	<b>3,397,703,268</b>	1,697,421,446

The accompanying notes are part of the financial statements.

# CASH FLOW STATEMENT

FOR THE PERIOD ENDED 30 JUNE 2006  
(PREPARED IN ACCORDANCE WITH PRC GAAP AND REGULATION)

ITEM	Notes	Group		Company	
		Six month period ended 30 June 2006 (Unaudited) RMB	Six month period ended 30 June 2005 (Audited) RMB	Six month period ended 30 June 2006 (Unaudited) RMB	Six month period ended 30 June 2005 (Audited) RMB
<b>1. Cash flows from operating activities:</b>					
Cash received from sales of goods and rendering of services		<b>12,810,898,878</b>	8,805,938,940	<b>12,572,083,662</b>	8,033,786,252
Other cash received relating to operating activities	41	<b>12,300,058</b>	59,531,986	<b>12,059,576</b>	27,524,300
<b>Sub-total of cash inflows</b>		<b>12,823,198,936</b>	8,865,470,926	<b>12,584,143,238</b>	8,061,310,552
Cash paid for goods and services		<b>9,220,012,674</b>	6,114,540,749	<b>8,709,448,168</b>	5,446,769,544
Cash paid to and on behalf of employees		<b>202,101,604</b>	175,058,453	<b>189,110,883</b>	167,247,167
Tax payments		<b>932,911,634</b>	458,983,226	<b>916,938,939</b>	455,876,248
Cash paid relating to other operating activities	42	<b>1,277,879,765</b>	356,747,202	<b>1,255,996,627</b>	304,723,913
<b>Sub-total of cash outflows</b>		<b>11,632,905,677</b>	7,105,329,630	<b>11,071,494,617</b>	6,374,616,872
<b>Net cash flows from operating activities</b>		<b>1,190,293,259</b>	1,760,141,296	<b>1,512,648,621</b>	1,686,693,680
<b>2. Cash flows from investing activities:</b>					
Cash received from disposal of investments		<b>350,000</b>	70,010	—	—
Cash received from return on investments		<b>1,016,816</b>	1,271	<b>2,914,195</b>	16,021,518
Net cash receipts from disposal of fixed assets, intangible assets and other long-term assets		<b>2,873,055</b>	4,468,698	<b>2,684,417</b>	4,468,698
<b>Sub-total of cash inflows</b>		<b>4,239,871</b>	4,539,979	<b>5,598,612</b>	20,490,216
Cash paid to acquire fixed assets, intangible assets and other long-term assets		<b>671,686,861</b>	304,715,907	<b>485,951,157</b>	247,886,221
Cash paid to acquire investments		<b>40,000</b>	605,819	<b>50,000,000</b>	216,732,819
Including: Cash paid for acquisition subsidiaries and other operating units		—	—	<b>50,000,000</b>	216,127,000
<b>Sub-total of cash outflows</b>		<b>671,726,861</b>	305,321,726	<b>535,951,157</b>	464,619,040
<b>Net cash flows from investing activities</b>		<b>(667,486,990)</b>	(300,781,747)	<b>(530,352,545)</b>	(444,128,824)

# CASH FLOW STATEMENT

FOR THE PERIOD ENDED 30 JUNE 2006  
(PREPARED IN ACCORDANCE WITH PRC GAAP AND REGULATION)

ITEM	Notes	Group		Company	
		Six month period ended 30 June 2006 (Unaudited) RMB	Six month period ended 30 June 2005 (Audited) RMB	Six month period ended 30 June 2006 (Unaudited) RMB	Six month period ended 30 June 2005 (Audited) RMB
<b>3. Cash flows from financing activities:</b>					
Cash received from investors		—	118,263,000	—	—
Including: Cash received from minority investors		—	118,263,000	—	—
Cash received from issuing short-term debenture		1,000,000,000	—	1,000,000,000	—
Cash received from borrowings		2,781,673,732	791,130,963	2,268,131,300	690,778,543
<b>Sub-total of cash inflows</b>		<b>3,781,673,732</b>	909,393,963	<b>3,268,131,300</b>	690,778,543
Repayments of debentures		502,850,000	—	502,850,000	—
Repayments of borrowings		3,056,796,000	1,227,443,286	2,935,216,221	1,074,590,866
Dividends paid, profit distributed or interests paid		89,361,949	431,117,612	75,183,220	413,747,013
Including: dividends paid to minority shareholders in subsidiaries		5,945,303	10,681,012	—	—
Cash payment relating to other financing activities	43	935,000	935,000	935,000	935,000
<b>Sub-total of cash outflows</b>		<b>3,649,942,949</b>	1,659,495,898	<b>3,514,184,441</b>	1,489,272,879
<b>Net cash flows from financing activities</b>		<b>131,730,783</b>	(750,101,935)	<b>(246,053,141)</b>	(798,494,336)
<b>4. Effect of foreign exchange rate changes on cash and cash equivalents</b>		<b>(605,094)</b>	—	—	—
<b>5. Net increase in cash and cash equivalents</b>		<b>653,931,958</b>	709,257,614	<b>736,242,935</b>	444,070,520

# CASH FLOW STATEMENT

FOR THE PERIOD ENDED 30 JUNE 2006  
(PREPARED IN ACCORDANCE WITH PRC GAAP AND REGULATION)

ITEM	Notes	Group		Company	
		Six month period ended 30 June 2006 (Unaudited) RMB	Six month period ended 30 June 2005 (Audited) RMB	Six month period ended 30 June 2006 (Unaudited) RMB	Six month period ended 30 June 2005 (Audited) RMB
<b>Supplemental information</b>					
1. Reconciliation of net profit to cash flows from operating activities:					
Net profit		<b>2,056,629,023</b>	982,566,789	<b>2,130,905,746</b>	986,231,186
Add: Minority interests		<b>19,403,616</b>	7,638,328	—	—
Impairment losses on assets		<b>(19,577,932)</b>	(19,265,611)	<b>(19,744,433)</b>	(16,438,799)
Depreciation of fixed assets		<b>238,056,882</b>	237,245,337	<b>224,889,967</b>	224,426,374
Amortization of intangible assets		<b>2,896,793</b>	2,796,379	<b>1,964,695</b>	1,998,635
Amortization of long-term deferred expenses		—	—	—	—
Increase (decrease) in accrued expenses		<b>(2,000,000)</b>	—	<b>(2,000,000)</b>	—
Gains (losses) on disposal of fixed assets, intangible assets and other long-term assets		<b>21,398,831</b>	(82,604)	<b>21,398,831</b>	(82,604)
Financial expenses		<b>82,392,205</b>	100,174,166	<b>74,591,720</b>	93,484,579
Losses (gains) arising from investments		<b>(1,016,816)</b>	(1,271)	<b>(25,442,987)</b>	(8,981,724)
Decrease (increase) in inventories		<b>(1,456,803,255)</b>	(22,444,397)	<b>(1,213,588,038)</b>	(15,451,050)
Decrease (increase) in receivables under operating activities		<b>(532,602,210)</b>	282,705,541	<b>(525,103,323)</b>	283,800,865
Increase (decrease) in payables under operating activities		<b>781,516,122</b>	188,808,639	<b>844,776,443</b>	137,706,218
Net cash flows from operating activities		<b>1,190,293,259</b>	1,760,141,296	<b>1,512,648,621</b>	1,686,693,680
Investing and financing activities that do not involve cash receipts and payments		<b>3,297,639</b>	200,000	<b>3,297,639</b>	200,000
2. Net increase in cash and cash equivalents					
Cash and cash equivalents at the end of the period		<b>1,796,429,306</b>	996,693,972	<b>1,570,136,165</b>	673,353,754
Less: cash and cash equivalents at the beginning of the period		<b>1,142,497,348</b>	287,436,358	<b>833,893,230</b>	229,283,234
3. Net increase in cash and cash equivalents		<b>653,931,958</b>	709,257,614	<b>736,242,935</b>	444,070,520

The accompanying notes are part of the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2006  
(PREPARED IN ACCORDANCE WITH PRC GAAP AND REGULATION)

## 1. GENERAL

Jiangxi Copper Company Limited (the "Company") was established in the People's Republic of China (the "PRC") as a joint stock limited company on 24 January 1997 by Jiangxi Copper Corporation ("JCC"), International Copper Industry (China) Investment Limited, Shenzhen Baoheng (Group) Company Limited, Jiangxi Xinxin Company Limited and Hubei Sanxin Gold & Copper Company Limited. The Company's H Shares were listed on the Stock Exchange of Hong Kong Limited ("SEHK") and London Stock Exchange ("LSE") in June 1997. The Company has allotted 230,000,000 ordinary A shares of par value of RMB1.00 each on 21 December 2001 and were listed on Shanghai Stock Exchange ("SSE") on 11 January 2002. The Company's share capital increased to RMB2,664,038,200 after the issue of A shares.

According to the approval of the Company's annual general meeting of 2004 and pursuant to the sanction document of ZhengJianGuoHeZi (2004)16 issued by the China Security and Regulatory Commission ("CSRC"), the Company places an aggregate of 231,000,000 H shares of par value of RMB1.00 each. After the placing, the share capital of the Company increases to RMB2,895,038,200, refer to Note 29.

The Company has been recognized as one of the twenty-second batch share reform companies by China Securities Regulatory Commission and its share reform plan was implemented on April 17, 2006 upon approval of the Gan State-owned Assets Ownership Letter [2006] No.76 issued by the State-owned Assets Supervision & Administration Commission (SASAC) of People's Government of Jiangxi Province and the Ministry of Commerce of the PRC, as well as approved by the Company's shareholder's meeting. After the implementation of the plan, the Company's total share capital and other financial indicators such as assets, liabilities, shareholder's equity, earnings per share, etc., remains unchanged.

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

## 2. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

### Accounting system and accounting standards adopted

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

### Basis of accounting and principle of measurement

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

### Accounting year

The Company has adopted the calendar year as its accounting year, i.e. from 1 January to 31 December. The period of this financial statements is from 1 January 2006 to 30 June 2006.

### Recording currency

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2006  
(PREPARED IN ACCORDANCE WITH PRC GAAP AND REGULATION)

## 2. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### Foreign currency translation

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

### Cash equivalents

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

### Accounting for bad debts

#### (1) Criteria for recognition of bad debts

Bad debts are recognized in the following circumstances:

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

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

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

#### (2) Accounting treatment for bad debt losses

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

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



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2006  
(PREPARED IN ACCORDANCE WITH PRC GAAP AND REGULATION)

## 2. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### Sales and discount of notes receivable and account receivable

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

### Inventories

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

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

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

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

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

### Provision for decline in value of inventories

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

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

### Current investments

A current investment is initially recorded at its cost of acquisition. The initial cost of an investment is the total price paid on acquisition, including incidental expenses such as tax payments and handling charges. However, cash dividends declared but unpaid or bonds interests due but unpaid that are included in the acquisition cost are accounted for separately as receivable items.

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2006  
(PREPARED IN ACCORDANCE WITH PRC GAAP AND REGULATION)

## 2. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### Recoverable amount

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

### Long-term investments

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

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

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2006  
(PREPARED IN ACCORDANCE WITH PRC GAAP AND REGULATION)

## 2. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### Long-term investments (continued)

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

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

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

(3) *Impairment of long-term investments:*

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2006  
(PREPARED IN ACCORDANCE WITH PRC GAAP AND REGULATION)

## 2. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### Fixed assets and depreciation

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

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

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

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

### Impairment of fixed assets

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

### Fixed assets under construction

Cost of fixed assets under construction is measured based on the actual construction expenditure. Cost includes all expenditures incurred for construction projects, capitalized borrowing costs incurred on a specific borrowing for the construction of fixed assets before it has reached the working condition for its intended use, and other related expenses. A fixed asset under construction is transferred to fixed assets when it has reached the working condition for its intended use.

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2006  
(PREPARED IN ACCORDANCE WITH PRC GAAP AND REGULATION)

## 2. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### Intangible assets

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

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

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

### Impairment loss on intangible assets

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

### Long-term deferred expenses

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

### Borrowing costs

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2006  
(PREPARED IN ACCORDANCE WITH PRC GAAP AND REGULATION)

## 2. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### Revenue recognition

#### *Revenue from sales of goods*

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

#### *Revenue from rendering of services*

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

#### *Interest income*

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

### Leasing

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

#### *The Company as lessee under operating leases*

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

#### *The Company as lessor under operating leases*

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2006  
(PREPARED IN ACCORDANCE WITH PRC GAAP AND REGULATION)

## 2. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### Forward contract transaction

The Company entered into forward sales contracts for the purposes of reducing the Company's price risk on inventory. Deposits for forward sales contracts are booked and recorded in other receivables. Gains and losses arising from forward sales contracts are included in sales revenue when the forward sales are delivered. Gains and losses arising from forward buy contracts for imported materials purchase cost for the Group's production are included as part of purchase cost when the forward purchase is delivered. Gains or losses arising from forward buy contracts settled before the maturity date are credited or charged to other operating revenue or other operating expense of the income statement respectively. Gains or losses arising from forward buy contracts settled before the maturity date are credited or charged to other operating revenue or other operating expense of the income statement respectively. The unrealized gain or loss on the outstanding forward copper contracts will be disclosed in the notes other than recognized in the financial statement.

### Income tax

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

### Basis of consolidation

#### (1) Scope of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 30 June each year. A subsidiary is an enterprise in which the Company, directly or indirectly, holds more than half of the equity, or whose operating activities are controlled by the Company through other mechanisms.

#### (2) Accounting for consolidation

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

The date when the significant risk and reward ownership of acquiring/disposal the equity are transferred is recognized as the effective date of acquisition/disposal. The operating results and cash flows of subsidiaries acquired during the year are included in the consolidated income statement and consolidated cash flow statement respectively from the effective dates of acquisition, as appropriate. All significant intercompany transactions and balances between group companies are eliminated on consolidation. The equity and gain or loss of minority interest is presented separately in the consolidation financial statement.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2006  
(PREPARED IN ACCORDANCE WITH PRC GAAP AND REGULATION)

## 2. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### Translation of foreign currency financial statements

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

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

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

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

## 3. TAXATION

### Value added tax

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

### Income tax

#### 1. Company income tax

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

Pursuant to No. 10 notice issued by Jiangxi Province government and Gan Wai Jing Mao Wai Zi Zi [2002] No.446 issued by the Foreign Economic and Trade Ministry. The Company was exempt from local income tax from 2001 to 2005 and can enjoy 1.5% local income tax rate from 2006 to 2010. This year is the first year of tax relief period with effective local tax rate of 1.5%. Therefore, the Company enjoys 16.5% income tax rate this year.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2006  
(PREPARED IN ACCORDANCE WITH PRC GAAP AND REGULATION)

## 3. TAXATION (CONTINUED)

### Income tax (continued)

#### 1. Company income tax (continued)

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

#### 2. Subsidiary Income Tax

The income tax rate for the company's subsidiaries, except for JCPC, Sure Spread, Shenzhen Trading, and Shanghai Trading, are 33%. Sure Spread pays profits tax at a rate of 17.5% in Hong Kong. The income tax rate for JCPC is 33%, but as a newly set-up productive foreign-funded enterprise and upon approval of Gui Guo Shui Fa [2006] No.20 issued by the State Tax Bureau of Guixi City, Jiangxi Province, JCPC shall be exempted from income tax in the first and second profit-making years and allowed a 50% reduction of income tax in the third, fourth and fifth years. Since this year is the first profit-making year, its effective income tax rate is 16.5%. The income tax rate for Shenzhen Trading and Shanghai Trading are both 15%.

### Business tax

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

### Resource tax

Resource tax is calculated and paid according to the quantity of extracted and consumed copper ore. The resource tax rate is respectively levied at RMB1.5 per ton in Wushan Copper Mine, RMB1.4 per ton in Yongping Copper Mine, RMB1.3 per ton in Dexing Copper Mine and Diaquan Silver and Copper respectively.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2006  
(PREPARED IN ACCORDANCE WITH PRC GAAP AND REGULATION)

## 4. SCOPE OF CONSOLIDATION AND SUBSIDIARIES

Name of subsidiary	Place of registration	Equity directly held by the Company and/or subsidiary %	Principal Business	Type of enterprise	Legal representative	Consolidated or not
Xiaoshan Tongda Chemical Limited ("Xiaoshan Tongda")	Hangzhou, Zhejiang Province	60	Sales of sulphuric acid	Company Limited	Su Li	Yes
Jiangxi Copper Products Company Limited ("JCPC")	Guixi, Jiangxi Province	60	Produce and protracting of copper industrial materials	Company Limited	He Changming	Yes
Sichuan Kangxi Copper Company Limited ("Kangxi Copper")	Xichuang, Sichuan	57.143	Sales of copper materials, precious metal materials and sulphuric acid	Company Limited	He Changming	Yes
Shanxi Diaquan Silver and Copper Mining Company Limited ("Diaquan Silver and Copper")	Diaquan, Shanxi	45.957	Sales of copper materials precious metal materials and sulphuric concentrate powder	Company Limited	He Changming	Yes
Xichang Anning Metal Reclaiming Company Limited ("Anning Metal")	Xichuang, Sichuan	80	Reclaim and sales of scrap iron and copper	Company Limited	Ma Kejun	No
Sure Spread Limited ("Sure Spread")	Hong Kong	55	Import and export trading and related Limited technique services	Company	Not available	Yes
Jiangxi Copper Alloy Materials Company Limited ("JCAC")	Guixi, Jiangxi Province	60	Manufacture sales of copper and copper alloy rods and wires	Company Limited	He Changming	Yes
Jiangxi Jiangtong-Wengfu Chemical Industry Company Limited ("Wengfu Chemical")	Guixi, Jiangxi Province	70	Manufacture sales of sulphuric acid and sales and lay product	Company Limited	Li Yihuang	Yes
Jiangxi Copper Shenzhen Trading Company Limited ("Shenzhen Trading")	Shenzhen Province	100	Sales of copper products	Company Limited	He changming	Yes
Jiangxi Copper Shanghai Trading Company Limited ("Shanghai Trading")	Shanghai	100	Sales of copper products	Company Limited	He changming	Yes

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2006  
(PREPARED IN ACCORDANCE WITH PRC GAAP AND REGULATION)

## 4. SCOPE OF CONSOLIDATION AND SUBSIDIARIES (CONTINUED)

In September 2003, the Company bought 40% interest (RMB40,000,000) in Sichuan Kangxi Copper Company Limited ("Kangxi Copper") from third parties. The interest of Kangxi Copper which the Company owned is less than 50%, but the Company made an agreement with another investor which owned 11.68% interest of Kangxi Copper, that the Company has the power to govern the financial and operating policies of Kangxi Copper. Thus, Kangxi Copper is included in the scope of consolidation. In October 2006, the Company bought another 17.143% interest (RMB40,000,000) in Kangxi Copper which made its paid-in capital increase to RMB140,000,000. The interest of Kangxi Copper also rose to 57.143%.

In June 2004, the Company bought 45.957% interest (RMB35,000,000) in Shanxi Diaoquan Silver and Copper Mining Company Limited ("Diaoquan Silver and Copper"). This interest of Diaoquan Silver and Copper which the Company owned is less than 50%, but the Company made an agreement with another investor, which owned 20.80% interest of Diaoquan Silver and Copper, that the Company has the power to govern the financial and operating policies of Diaoquan Silver and Copper. Thus, Diaoquan Silver and Copper is included in the scope of consolidation.

In January 2005, the Company invested jointly HKD50,000,000 to establish Sure Spread Limited ("Sure Spread"), in which the Company contributed HKD27,500,000, representing 55% of registered capital.

In February 2005, the Company invested jointly RMB199,500,000 to establish Jiangxi Copper Alloy Materials Company Limited ("JCAL") with JCC, in which the Company should contribute RMB119,700,000, representing 60% of registered capital. JCAL mainly engages in manufacturing and selling copper and copper alloy rods and wires, and related technique consulting services. By the end of 30 June 2006, JCAL was still in construction period.

In May 2005, the Company invested jointly RMB181,500,000 to established Jinagxi Jiangtong-Wengfu Chemical Industry Company Limited ("Wengfu Chemical"), in which the Company contributed RMB127,050,000, representing 70% of the registered capital. Wengfu Chemical mainly engaged in manufacturing and selling sulphuric acid and related by products. By the end of 30 June 2006, Wengfu Chemical was still in construction period.

In June 2006, the Company invested RMB30,000,000 and RMB20,000,000 to established Jinagxi Copper Shenzhen Trading Company Limited ("Shenzhen Trading") and Jinagxi Copper Shanghai Trading Company Limited ("Shanghai Trading"). Shenzhen Trading and Shanghai Trading are wholly owned subsidiaries of the Company.

On April 1st 2006 (deregister date), the Company closed one of its subsidiaries "Anning Metal", therefore, the subsidiary was not included in the balance sheet ended on 30 June 2006. The results of its operations and cash flows before its deregistration have been properly stated in the statements of income and cash flows of the Company.

Shenzhen Trading and Shanghai Trading are new subsidiaries established and included in the scope of consolidation this year.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2006  
(PREPARED IN ACCORDANCE WITH PRC GAAP AND REGULATION)

## 5. BANK BALANCES AND CASH

	30 June 2006			31 December 2005		
	Foreign currency	Exchange Rate	RMB Equivalent	Foreign currency	Exchange Rate	RMB Equivalent
Cash on hand						
RMB	—	—	85,231	—	—	264,408
USD	5,230	7.9956	41,817	—	—	—
JPY	10,606	0.069467	737	—	—	—
EUR	970	10.1313	9,827	—	—	—
GBP	341	14.6332	4,990	—	—	—
Cash in bank						
RMB	—	—	1,281,627,881	—	—	382,923,970
USD	6,233,854	7.9956	49,843,403	672	8.0702	5,423
HKD	431,949,153	1.0294	444,648,458	729,163,278	1.0403	758,548,558
EUR	999,664	10.1313	10,127,896	—	—	—
Other currency						
RMB	—	—	10,034,674	—	—	754,989
EUR	4,267	1.0294	4,392	—	—	—
			<b>1,796,429,306</b>			<b>1,142,497,348</b>

Other currency is restricted cash, among which RMB10,000,000 will be used to set up a new subsidiary after period ended 30 June 2006 and the rest is cash deposited in the security company but still not invested in current investment market.

## 6. NOTES RECEIVABLE

	30 June 2006 RMB	31 December 2005 RMB
Bank accepted notes - unpledged	192,347,887	71,338,163
Commercial-accepted notes - pledged	264,542,753	—
Commercial accepted notes - unpledged	1,000,000	—
	<b>457,890,640</b>	<b>71,338,163</b>

The Company discounted bank-accepted notes amounting to RMB952,300,663 with RMB9,258,789 of discount interests. Cash received from discounting bank-accepted notes without recourse in year 2006 amounts to RMB943,041,874. The postdated bank-accepted notes that have been discounted on 30 June 2006 amount to RMB629,352,633.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2006  
(PREPARED IN ACCORDANCE WITH PRC GAAP AND REGULATION)

## 7. ACCOUNTS RECEIVABLE

The aging analysis of accounts receivable is as follows:

	30 June 2006				31 December 2005			
	Amount RMB	(%)	Bad debt Provision RMB	Net book value RMB	Amount RMB	(%)	Bad debt Provision RMB	Net book value RMB
Within 1 year	572,939,486	88.6	—	572,939,486	203,985,427	73.0	—	203,985,427
1 to 2 years	1,850,226	0.3	370,045	1,480,181	1,286,301	0.4	257,260	1,029,041
2 to 3 years	599,193	0.1	299,597	299,596	2,217,648	0.8	1,108,824	1,108,824
Over 3 years	71,470,384	11.0	71,470,384	—	72,129,613	25.8	72,129,613	—
	<b>646,859,289</b>	<b>100.0</b>	<b>72,140,026</b>	<b>574,719,263</b>	<b>279,618,989</b>	<b>100.0</b>	<b>73,495,697</b>	<b>206,123,292</b>

Five largest debtors are as follows:

Total amount of five largest debtors RMB	Percentage in total accounts receivable %
390,021,582	60.29

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

Shareholder	30 June 2006 RMB	31 December 2005 RMB
JCC	555,647	805,647

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2006  
(PREPARED IN ACCORDANCE WITH PRC GAAP AND REGULATION)

## 8. OTHER RECEIVABLES

The aging analysis of other receivables is as follows:

	30 June 2006				31 December 2005			
	Amount RMB	(%)	Bad debt Provision RMB	Net book value RMB	Amount RMB	(%)	Bad debt Provision RMB	Net book value RMB
Within 1 year	246,035,656	86.4	—	246,035,656	215,835,424	87.1	—	215,835,424
1 to 2 years	18,782,812	6.6	3,756,562	15,026,250	9,438,845	3.8	1,887,769	7,551,076
2 to 3 years	2,334,921	0.8	1,167,460	1,167,461	6,945,727	2.8	4,328,094	2,617,633
Over 3 years	17,672,758	6.2	17,672,758	—	15,700,583	6.3	15,700,583	—
	<b>284,826,147</b>	<b>100.0</b>	<b>22,596,780</b>	<b>262,229,367</b>	<b>247,920,579</b>	<b>100.0</b>	<b>21,916,446</b>	<b>226,004,133</b>

The Group's balance of forward contracts deposits is RMB119,048,681 (31 December 2005: RMB158,728,233).

Five largest debtors are as follows:

Total amount of five largest debtors RMB	Percentage in total other receivables %
119,655,519	42.01

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

Shareholder	30 June 2006 RMB	31 December 2005 RMB
JCC	432,336	—

## 9. PROVISION FOR BAD DEBTS

	At 1 January 2006		At 30 June 2006	
	RMB	Addition RMB	Write-back RMB	RMB
Bad debt provision				
Accounts receivable	73,495,696	166,501	(1,522,171)	72,140,026
Other receivables	21,916,446	680,334	—	22,596,780
	<b>95,412,142</b>	<b>846,835</b>	<b>(1,522,171)</b>	<b>94,736,806</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2006  
(PREPARED IN ACCORDANCE WITH PRC GAAP AND REGULATION)

## 10. PREPAYMENTS

The aging analysis of prepayment is as follows:

	30 June 2006		31 December 2005	
	RMB	%	RMB	%
Within 1 year	368,736,203	93.85	637,409,534	97.69
1 to 2 years	24,138,037	6.15	15,083,012	2.31
	<b>392,874,240</b>	<b>100.00</b>	652,492,546	100.00

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

Shareholder	30 June 2006	31 December 2005
JCC	918,188	388,187

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

## 11. INVENTORIES

	30 June 2006			31 December 2005		
	Cost RMB	Provision for impairment RMB	Net value RMB	Cost RMB	Provision for impairment RMB	Net value RMB
Raw material	947,957,379	751,102	947,206,277	667,136,041	751,102	666,384,939
Work in progress	3,135,182,155	—	3,135,182,155	2,460,932,217	—	2,460,932,217
Finished goods	660,302,673	—	660,302,673	158,570,694	—	158,570,694
	<b>4,743,442,207</b>	<b>751,102</b>	<b>4,742,691,105</b>	3,286,638,952	751,102	3,285,887,850
Including: Pledged inventories			<b>181,799,968</b>			30,986,755

The inventories as at 30 June 2006 included the finished goods and raw materials amounting RMB21,895,062 and RMB159,904,906 respectively pledged for short-term loan, refer to Note 17.

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

	31 December 2006 and 31 December 2005 RMB
Provision for decline in valueU:	
Raw materials	751,102

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2006  
(PREPARED IN ACCORDANCE WITH PRC GAAP AND REGULATION)

## 12. LONG-TERM EQUITY INVESTMENTS

31 December 2006  
and 31 December 2005  
RMB

Stock investments	5,610,000
Other equity investments	10,000,000
Equity investment difference	1,768,732
Total	17,378,732
Less: Impairment loss on long-term equity investments	7,378,732
Long-term equity investments - net	10,000,000

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

1 January 2006 and 30 June 2006	7,378,732
---------------------------------	-----------

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

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

Above stock held by the Company is unlisted.

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

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

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



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2006  
(PREPARED IN ACCORDANCE WITH PRC GAAP AND REGULATION)

## 12. LONG-TERM EQUITY INVESTMENTS (CONTINUED)

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

Name of investee	Initial cost of investment RMB	Amortization period of equity investment difference	Unamortized balance of equity investment difference 1 January 2006 and 30 June 2006 RMB	Book value at Impairment loss 1 January 2006 and 30 June 2006 RMB	30 June 2006 and at 31 December 2006 RMB	Cause
Kangxi Copper	3,677,424	10 years	227,674	(227,674)	—	Equity purchasing
Diaoquan Silver and copper	1,541,058	—	1,541,058	(1,541,058)	—	Equity purchasing
Total	5,218,482		1,768,732	(1,768,732)	—	

The unamortized debit difference of equity investment arising from acquisition of Kangxi Copper was RMB3,401,618 by the end of 30 June 2004 which was provided full impairment. In 2005, a credit balance of equity investment difference amounting to RMB3,173,944 was arose from additional investment to Kangxi Copper. After deducting the credit balance of equity investment difference, the unamortized debit difference of equity investment is RMB227,674, which is charged into income statement as impairment loss.

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2006  
(PREPARED IN ACCORDANCE WITH PRC GAAP AND REGULATION)

## 13. FIXED ASSETS AND ACCUMULATED DEPRECIATION

	Buildings RMB	Equipment and machinery RMB	Vehicles RMB	Total RMB
<b>Cost</b>				
1 January 2006	4,461,013,260	6,672,063,300	833,616,213	11,966,692,773
Additions during the year	1,569,773	321,298	1,387,157	3,278,228
Transfer from fixed assets under construction	28,401,076	722,962	—	29,124,038
Disposals	(18,034,026)	(23,382,393)	(14,593,333)	(56,009,752)
30 June 2006	4,472,950,083	6,649,725,167	820,410,037	11,943,085,287
<b>Accumulated depreciation</b>				
1 January 2006	1,464,859,471	3,731,009,757	542,362,823	5,738,232,052
Charge for the year	81,689,343	136,661,440	19,706,099	238,056,882
Eliminated on disposal	(8,483,729)	(16,768,259)	(6,485,878)	(31,737,866)
30 June 2006	1,538,065,085	3,850,902,938	555,583,044	5,944,551,067
<b>Impairment loss</b>				
1 January 2006	9,883,677	12,292,382	2,948,407	25,124,466
Additions	(9,883,677)	(7,592,682)	(2,948,407)	(20,424,766)
30 June 2006	—	4,699,700	—	4,699,700
<b>Net value</b>				
At 1 January 2006	2,986,270,112	2,928,761,161	288,304,983	6,203,336,256
At 30 June 2006	2,934,884,998	2,794,122,529	264,826,993	5,993,834,520
Including:				
Fixed assets pledged as collateral at 30 June 2006 - net	—	29,763,640	—	29,763,640

Note: Fixed assets as at 30 June 2006 was pledged for short-term loans, refer to Note 17.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2006  
(PREPARED IN ACCORDANCE WITH PRC GAAP AND REGULATION)

## 14. FIXED ASSETS UNDER CONSTRUCTION

Construction name	Budget RMB	At 1 January 2006 RMB	Additions RMB	Transfer to fixed assets RMB	At 30 June 2006 RMB	% of completion	Sources of funds
Sundry Assets of Guixi Smelter Phase III	51,663,700	23,053,588	5,444,416	—	28,498,004	55%	Loan and self-funding
Fujiawu Mine Development and Construction Project	1,052,540,000	405,652,761	143,710,965	—	549,363,726	52%	Proceeds, loan and self-funding
Copper Re-cycling from Waste of Sparking Stove Mining Project	239,240,000	220,883,441	17,668,779	—	238,552,220	99%	Proceeds, loan and self-funding
Acquisition of land in Guixi	41,227,342	40,578,899	34,000	—	40,612,899	99%	Loan and self-funding
Kangxi 30ton/a Copper Concentrate Project	209,396,200	42,008,529	24,696,484	—	66,705,013	32%	Loan and self-funding
40000 AUD Sulphic Project	309,850,000	84,729,611	119,305,708	—	204,035,319	66%	Loan and self-funding
220,000 ton Copper Alloy Project	393,100,000	85,893,568	37,823,017	—	123,716,585	31%	Loan and self-funding
300K ton Copper Smelting Project	3,428,190,000	123,501,066	163,457,430	—	286,958,496	8%	Loan and self-funding
Nanchang Single Flat Project	24,330,000	13,870,317	7,670,699	—	21,541,016	89%	Loan and self-funding
5,000 ton Technical Improvement	257,313,300	64,967,558	19,126,114	—	84,093,672	33%	Loan and self-funding
Utilization of Remaining Heat from Anode Store	54,240,000	16,435,142	8,313,411	—	24,748,553	46%	Proceeds, loan and self-funding
Heat Re-cycling Project from Smoke Sulphicacid Series 1, II	17,500,000	—	14,231,818	—	14,231,818	81%	Loan and self-funding
Improvement Project of Water Pipe and Tele-communication System in Guixi Smelter	36,510,000	—	26,126,000	—	26,126,000	72%	Loan and self-funding
Others		87,994,588	81,403,603	(29,124,038)	140,274,153		Loan and self-funding
<b>Total</b>		<b>1,209,569,068</b>	<b>669,012,444</b>	<b>(29,124,038)</b>	<b>1,849,457,474</b>		
Including:							
Capitalized borrowing cost		1,165,700	1,024,441	—	2,190,141		

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2006  
(PREPARED IN ACCORDANCE WITH PRC GAAP AND REGULATION)

## 15. INTANGIBLE ASSETS

	Trademarks <i>RMB</i>	Mining right <i>RMB</i>	Total <i>RMB</i>
<b>Acquired method</b>	Transfer	Transfer	
Cost:			
1 January 2006 and 30 June 2006	51,683,900	107,142,939	158,826,839
Accumulated amortization:			
1 January 2006	15,480,000	21,290,622	36,770,622
Charge for the year	860,000	2,036,793	2,896,793
30 June 2006	16,340,000	23,327,415	39,667,415
Carrying amount:			
1 January 2006	36,203,900	85,852,317	122,056,217
30 June 2006	35,343,900	83,815,524	119,159,424
Including:			
Intangible assets pledged as collateral at 30 June 2006 - net	—	26,984,869	26,984,869
Remaining of period	20.5 years	13.1-45.5 years	

Mining right amounting to RMB26,984,869 has been pledged for long-term loan, refer to Note 26.

## 16. LONG-TERM DEFERRED EXPENSES

Nature	Initial cost <i>RMB</i>	Addition in 2006 <i>RMB</i>	Amount as at 30 June 2006 <i>RMB</i>	Remaining of period
Pre-operating expenses	4,769,675	420,630	5,190,305	Recognized as expenses in the month in which the enterprise commences operation

The pre-operating expense was arisen from two newly established subsidiaries, Wengfuhua and JCAL founded in 2005.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2006  
(PREPARED IN ACCORDANCE WITH PRC GAAP AND REGULATION)

## 17. SHORT-TERM LOANS

Category	30 June 2006 RMB	31 December 2005 RMB
Bank loans	891,131,621	1,080,096,321
Unmatured discounted notes	264,542,432	—
	<b>1,155,674,053</b>	1,080,096,321
Including: Secured loans	129,000,000	58,880,100
Guaranteed loans	—	250,000,000
Credit loans	1,026,674,053	771,216,221
	<b>1,155,674,053</b>	1,080,096,321

Annual interest rate ranges from 3.52% to 8.10%. For the categories and amount of the assets pledged for the secured loans, refer to Note 11 and 13.

## 18. DEBENTURE PAYABLE

	30 June 2006 RMB	31 December 2005 RMB
Short-term debenture	500,000,000	—

With the approval of the general meeting of the Company held on 1 November, 2005, the company issued the short-term debenture in installments with accumulated maximum repayment amount of not more than RMB2,000,000,000 after getting the notification of record from the People's Bank of China on 14 February 2006. The first issue of debentures was completed on 1 March 2006, which has raised RMB500 million with par value RMB500 and coupon rate of 2.28% and a maturity period of 90 days from the date of issue. And the second issue of debentures was completed on 25 May 2006, which has raised RMB500 million with par value RMB100 and coupon rate of 3.23% and a maturity period of 365 days from the date of issue. All the raised funds will be used as working capital of the Company and also can optimize the debt structure of the Company.

## 19. NOTES PAYABLE

	30 June 2006 RMB	31 December 2005 RMB
Bank-accepted notes payable within one year	32,501,700	22,957,201

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2006  
(PREPARED IN ACCORDANCE WITH PRC GAAP AND REGULATION)

## 20. ACCOUNTS PAYABLE

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

Shareholder	30 June 2006 RMB	31 December 2005 RMB
JCC	1,780,893	6,907,845

## 21. TAXES PAYABLE

	30 June 2006 RMB	31 December 2005 RMB
Income tax	392,167,808	219,876,331
Value added tax	149,558,353	52,228,449
Business tax	895	84,214
Resource tax	1,484,089	1,853,742
Others	3,013,027	6,492,765
	546,224,172	280,535,501

## 22. OTHER FEES PAYABLE

	30 June 2006 RMB	31 December 2005 RMB
Compensation fee for mineral resources	43,032,794	42,298,242
Others	385,150	46,189
	43,417,944	42,344,431

Compensation fee for mineral resources is collected in accordance with Order No.150 issued by the State Council and Order No.35 issued by government of Jiangxi Province.

Compensation fee = sales of mineral products x compensation rate x extracting coefficient rate.

Extracting coefficient rate = approved extracting rate/actual extracting rate

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2006  
(PREPARED IN ACCORDANCE WITH PRC GAAP AND REGULATION)

## 23. OTHER PAYABLES

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

Shareholder	30 June 2006 RMB	31 December 2005 RMB
JCC	899,633	94,366,006

## 24. ACCRUED EXPENSES

	30 June 2006 RMB	31 December 2005 RMB	Reason for not settled
Professional service fee	2,000,000	4,000,000	Not paid as invoice not received

## 25. LONG-TERM LIABILITIES DUE WITHIN ONE YEAR

	30 June 2006 RMB	31 December 2005 RMB
Long-term loans due within one year (Note 26)	277,000,000	642,700,000
Long-term payables due within one year (Note 27)	1,870,000	1,870,000
	278,870,000	644,570,000

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2006  
(PREPARED IN ACCORDANCE WITH PRC GAAP AND REGULATION)

## 26. LONG-TERM LOANS

	30 June 2006 RMB	31 December 2005 RMB
Credit loans	1,182,000,000	1,780,000,000
Guaranteed loans	359,710,000	109,710,000
Secured loans	28,000,000	30,700,000
<b>Total</b>	<b>1,569,710,000</b>	<b>1,920,410,000</b>
Less: Amount due within one year		
Including: Credit loans	260,000,000	623,000,000
Secured loans	17,000,000	19,700,000
Guaranteed loans	—	—
	<b>277,000,000</b>	<b>642,700,000</b>
<b>Amount due after one year</b>	<b>1,292,710,000</b>	<b>1,277,710,000</b>

Annual interest rate ranges from 4.05% to 6.12%. The guaranteed loans were all guaranteed by JCC. Please refer to Note 45 (5) (c) for details. For the categories and amount of assets pledged for the secured loans, please refer to Note 15 for detail.

## 27. LONG-TERM PAYABLES

Items	Term	Initial cost RMB	Interest payable RMB	30 June 2006 RMB	31 December 2005 RMB
Long-term payables	30 years	54,261,000	104,346	38,366,000	39,301,000
Less: Long-term payable due within 1 year				1,870,000	1,870,000
<b>Long-term payables due after 1 year</b>				<b>36,496,000</b>	<b>37,431,000</b>

The amount represents the balance due to JCC as the consideration for the transfer of the mining rights. The amount is repayable in 30 annual installments of RMB1,870,000 each year and subject to payment of interest at a rate equal to the state-lending rate for a one-year fixed term loan up to a maximum of 15% on annual installment starting from 1 January 1998.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2006  
(PREPARED IN ACCORDANCE WITH PRC GAAP AND REGULATION)

## 28. PAID-IN CAPITAL

	30 June 2005 (share)	Issue shares	31 December 2006 (share)
1. Unlisted shares			
(1) Promoters shares			
— Domestic state-owned legal person shares	1,275,556,200	(1,275,556,200)	—
— Domestic other legal person shares	2,000,000	(2,000,000)	—
Total unlisted shares	1,277,556,200	(1,277,556,200)	—
2. Listed shares with restricted trading condition			
(1) Listed shares	—	1,226,956,200	1,226,956,200
Total listed shares with restricted trading condition	—	1,226,956,200	1,226,956,200
3. Listed shares			
— H shares	1,387,482,000	—	1,387,482,000
— A shares	230,000,000	50,600,000	280,600,000
Total listed shares	1,617,482,000	50,600,000	1,668,082,000
4. Total share capital	2,895,038,200	—	2,895,038,200

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

The board of the Company initiated share reform plan according to the written trust of Non-Tradable Shareholders on 6 March 2006. On the purpose of balancing the interest of both sides, the share reform plan is consulted and negotiated by both Holders of Non-Tradable A Shares and Tradable A Shares. For the purpose of implementing the Share Reform Plan, Holders of Non-Tradable Shares propose to offer as consideration to the Holders of A Shares whose names appeared on the register of members of A Shares. The consideration is as follows:

- (A) 2.2 shares are transferred to each Holder of A share for every ten (10) A shares held.
- (B) JCC undertakes that the originally non-tradable shares held by JCC will be subject to the Moratorium Period of 36 months from the date of the completion of the Share Reform Plan. JCC further undertakes that if it sells the originally non-tradable shares through the Shanghai Stock Exchange within one year after the Moratorium Period, it will not sell such shares at less than RMB9.00 per share.
- (C) In the event that the trading price of A Shares on Shanghai Stock Exchange is less than RMB5.80 during the period within two months from the first trading day after completion of the Share Reform Plan, JCC will use not more than RMB150,000,000 but not less than RMB100,000,000 to purchase such A Shares at the price of not more than RMB5.80 per A Shares. In addition, JCC also undertakes that if it purchases A Shares as required under this paragraph, it will not sell such A Shares within six months from the date of completion of such purchases.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2006  
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## 28. PAID-IN CAPITAL

The above share reform plan was approved by the general meeting of the Company held on 3 April 2006 and completed on 17 April 2006.

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

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

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

According to the approval of the Company's annual general meeting of 2004 and pursuant to the sanction document of ZhengJianGuoHeZi (2004)16 issued by the China Security and Regulatory Commission("CSRC"), the Company places an aggregate of 231,000,000 H shares of par value of RMB1.00 each on July 25, 2005. The newly injection of paid-in capital has been verified by Deloitte Touche Tohmatsu CPA Ltd on 19 August 2005.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2006  
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## 29. CAPITAL RESERVES

The change of capital reserves from 1 January to 30 June 2006 is as follows:

	1 January 2006 RMB	Additions RMB	30 June 2006 RMB
Share premium (Note 1)	1,956,488,731	—	1,956,488,731
Revaluation reserve	113,063	—	113,063
Specific government grant transferred in (Note 2)	84,000,000	—	84,000,000
Other transfer (Note 3)	2,735,000	3,297,639	6,032,639
	2,043,336,794	3,297,639	2,046,634,433

The change of capital reserves in 2005 is as follows:

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2006  
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## 30. SURPLUS RESERVES

The change of surplus reserves of the Company from 1 January to 30 June 2006 is as follows:

	<b>Statutory surplus reserve</b> <i>RMB</i>	<b>Discretionary surplus reserve</b> <i>RMB</i>	<b>Statutory public welfare fund</b> <i>RMB</i>	<b>Total</b> <i>RMB</i>
At 1 January 2006	453,348,256	921,604,147	379,128,344	1,754,080,747
Current year's transfer in (out) (Note)	379,128,344	—	(379,128,344)	—
At 30 June 2006	832,476,600	921,604,147	—	1,754,080,747

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

	<b>Statutory surplus reserve</b> <i>RMB</i>	<b>Discretionary surplus reserve</b> <i>RMB</i>	<b>Statutory public welfare fund</b> <i>RMB</i>	<b>Total</b> <i>RMB</i>
At 1 January 2006	266,287,688	539,754,156	203,765,455	1,009,807,299
Current year's appropriations	187,060,568	370,484,866	186,728,014	744,273,448
Current year's transfer in (out)	—	11,365,125	(11,365,125)	—
At 31 December 2006	453,348,256	921,604,147	379,128,344	1,754,080,747

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2006  
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## 31. RETAINED EARNINGS

	Period ended 30 June 2006 RMB	Year ended 31 December 2005 RMB
Unappropriations profits at beginning of the year	1,812,275,967	1,024,850,054
Add: Net profit for the period/year	2,056,629,023	1,851,383,945
Profits available for appropriation	3,868,904,990	2,876,233,999
Less: Appropriations to statutory surplus reserve	—	187,060,568
Appropriations to statutory public welfare fund	—	186,728,014
Appropriations to discretionary surplus reserve	—	370,484,866
Profits available for appropriation to shareholders	3,868,904,990	2,131,960,551
Less: Dividend paid - cash dividend approved by the general meeting of last year	555,847,334	319,684,584
Unappropriated profits at the end of the period/year	3,313,057,656	1,812,275,967
Including: Cash dividends proposed after the balance sheet date	—	555,847,334

## 32. REVENUE

Revenue by products	Six months period ended 30 June	
	2006 RMB	2005 RMB
Cathode copper	6,030,639,350	2,914,085,570
Gold	887,784,142	874,126,485
Copper rods and wires	2,758,540,501	2,199,924,728
Other (Silver, Sulphuric acid, etc.)	600,679,350	783,002,623
Subcontracting services	127,007,183	136,529,924
	10,404,650,526	6,907,669,330

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2006  
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## 32. REVENUE (CONTINUED)

Geographical Segments	Six months period ended 30 June	
	2006 RMB	2005 RMB
PRC mainland	9,612,719,058	6,491,827,452
Hong Kong	355,626,631	364,256,386
USA	125,836,124	—
South Korea	219,410,081	—
Australia	—	16,080,352
Belgium	—	16,590,884
Singapore	266,480	—
Holland	88,778,984	16,319,954
New Zealand	1,892,516	2,101,449
Others	120,652	492,853
	<b>10,040,650,526</b>	6,907,669,330

Total sales of the five largest customers RMB	Percentage in total sales %
3,149,118,847	30.27

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

JCC has beneficial interests in the largest customers of the Group directly or indirectly, to which JCC cannot exercise control. During 2006, total sales to the customer amounted to RMB1,044,380,137.

During the first half year of 2006, total sales to the second largest customer of the Group amounted to RMB836,362,035.

JCC exercises control to the third largest customer. During the first half year of 2006, total sale to the customer amounted to RMB473,942,863, which has been included in Note 45(5)(A).

During the first half year of 2006, total sales to the fourth largest customer amounted to RMB419,926,580.

JCC has beneficial interest in the fifth largest customers of the Group directly or indirectly, to which JCC cannot exercise control. During the first half year of 2006, total sales to the customers amounted to RMB374,507,233.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2006  
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## 33. COST OF SALES

	Six months period ended 30 June	
	2006 RMB	2005 RMB
Cost of domestic sales	5,659,813,513	4,892,625,269
Cost of export sales	564,500,425	274,424,893
	<b>5,224,313,938</b>	5,167,050,162

## 34. SALES TAXES

	Six months period ended 30 June	
	2006 RMB	2005 RMB
Resource tax	25,723,956	18,269,422
City construction tax and education fee	1,291,846	1,436,669
	<b>27,015,802</b>	19,706,091

## 35. OTHER OPERATING PROFIT (LOSS)

	Six months period ended 30 June	
	2006 RMB	2005 RMB
Sales of auxiliary materials and spare parts		
— Revenue	67,746,797	59,532,565
— Expenses	(66,984,052)	(59,451,549)
	<b>762,745</b>	81,016
Sales of water and electricity		
— Revenue	35,321,427	27,956,249
— Expenses	(35,934,095)	(29,078,360)
	<b>(612,668)</b>	(1,122,111)
(Loss) gain on forward contract	(1,347,529,905)	(248,276,970)
Others	5,817,457	16,551,598
	<b>(1,341,562,371)</b>	(232,766,467)

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2006  
(PREPARED IN ACCORDANCE WITH PRC GAAP AND REGULATION)

## 36. FINANCIAL COSTS

	Six months period ended 30 June	
	2006 RMB	2005 RMB
Interest expenses	82,392,205	100,174,166
Less: interest income	11,853,060	4,445,575
Exchange loss	9,002,391	177,937
Others	3,777,337	1,468,707
	<b>83,318,873</b>	97,375,235

## 37. INVESTMENT INCOME (LOSS)

	Six months period ended 30 June	
	2006 RMB	2005 RMB
Short-term investment income:		
— Loss on share investment	17,860	(304,860)
Other investment income	998,956	—
	<b>1,016,816</b>	(304,860)

## 38. NON-OPERATING EXPENSES

	Six months period ended 30 June	
	2006 RMB	2005 RMB
Education fee	4,187,937	7,853,002
Donation	350,000	1,681,458
Loss on disposal of fixed assets	974,215	643,415
Others	907,999	239,426
	<b>6,420,151</b>	10,417,301



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2006  
(PREPARED IN ACCORDANCE WITH PRC GAAP AND REGULATION)

## 39. INCOME TAX

	Six months period ended 30 June	
	2006 RMB	2005 RMB
Income tax for the Company	422,722,646	170,587,649
Income tax of subsidiaries	14,162,174	853,885
	<b>436,884,820</b>	171,441,534

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

	Six months period ended 30 June	
	2006 RMB	2005 RMB
Net profit	2,056,629,023	982,566,789
Add/less: Items of non-regular gain and loss		
— Loss on fixed assets disposal	838,715	82,604
— Loss (gain) from short-term investment	(1,016,816)	(304,860)
— Other non-regular items in non-operating income	(311,498)	(686,616)
— Other non-regular items in non-operating expense	5,445,936	9,773,886
— Written-back assets impairments of prior year	—	19,832,432
Effect on income tax	817,795	1,329,752
Net profit after deducting effect of non-regular gain and loss	<b>2,062,403,155</b>	1,012,593,987

## 41. CASH RECEIVED RELATING TO OTHER OPERATING ACTIVITIES

Items	Six months period ended 30 June	
	2006 RMB	2005 RMB
Interest income	11,853,060	4,445,575
Non-operating income	446,998	1,412,635
Others	—	53,673,776
	<b>12,300,058</b>	59,531,986

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2006  
(PREPARED IN ACCORDANCE WITH PRC GAAP AND REGULATION)

## 42. CASH PAID RELATING TO OTHER OPERATING ACTIVITIES

Items	Six months period ended 30 June	
	2006	2005
	RMB	RMB
Amount paid in respect of operating expenses and general and administrative expenses	163,255,448	177,016,862
Non-operating expenses paid	5,446,086	9,773,886
Loss on future transaction	1,108,846,947	248,276,970
Other expenses paid	331,284	—
	1,277,879,765	356,747,202

## 43. CASH PAYMENT RELATING TO OTHER FINANCING ACTIVITIES

Items	Six months period ended 30 June	
	2006	2005
	RMB	RMB
Long-term payment for mining right	935,000	935,000

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2006  
(PREPARED IN ACCORDANCE WITH PRC GAAP AND REGULATION)

## 44. MAJOR ACCOUNTS INFORMATION OF THE COMPANY

### (1) Account receivable

	30 June 2006				31 December 2005			
	Amount RMB	(%)	Bad debt Provision RMB	Net book value RMB	Amount RMB	(%)	Bad debt Provision RMB	Net book value RMB
Within 1 year	676,580,232	90.2	—	676,580,232	93,752,037	55.3	—	93,752,037
1 to 2 years	1,069,451	0.1	213,890	855,561	1,286,135	0.8	257,227	1,028,908
2 to 3 years	578,437	0.1	289,219	289,218	2,217,648	1.3	1,108,824	1,108,824
Over 3 years	71,470,384	9.6	71,470,384	—	72,129,613	42.6	72,129,613	—
	749,698,504	100.0	71,973,493	677,725,011	169,385,433	100.0	73,495,664	95,889,769

Five largest debtors are as follows:

Total amount of five largest debtors RMB	Percentage in total accounts receivable %
286,970,334	38.27

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

Shareholder	30 June 2006 RMB	31 December 2005 RMB
JCC	555,647	805,647

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2006  
(PREPARED IN ACCORDANCE WITH PRC GAAP AND REGULATION)

## 44. MAJOR ACCOUNTS INFORMATION OF THE COMPANY (CONTINUED)

### (2) Other receivable

	30 June 2006				31 December 2005			
	Amount RMB	(%)	Bad debt Provision RMB	Net book value RMB	Amount RMB	(%)	Bad debt Provision RMB	Net book value RMB
Within 1 year	188,200,230	90.6	—	188,200,230	193,722,097	90.6	—	193,722,097
1 to 2 years	1,792,348	0.9	358,470	1,433,878	518,922	0.2	103,784	415,138
2 to 3 years	612,633	0.3	306,315	306,318	6,945,727	3.2	4,328,094	2,617,633
Over 3 years	16,995,638	8.2	16,995,638	—	12,548,212	6.0	12,548,212	—
	207,600,849	100.0	17,660,423	189,940,426	213,734,958	100.0	16,980,090	196,754,868

The Company's balance of forward contracts deposits is RMB118,510,031 (30 June 2005: RMB150,751,017).

Five Largest debtors are as follows:

Total amount of five largest debtors RMB	Percentage in total accounts receivable %
113,286,730	54.57

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

Shareholder	30 June 2006	31 December 2005
JCC	432,336	—

### (3) Provision for bad debts

	At 1 January 2006 RMB	Addition RMB	Write-back RMB	At 30 June 2006 RMB
Bad debt provision:				
Accounts receivable	73,495,664	—	(1,522,171)	71,973,493
Other receivables	16,980,090	680,333	—	17,660,423
	90,475,754	680,333	(1,522,171)	89,633,916

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2006  
(PREPARED IN ACCORDANCE WITH PRC GAAP AND REGULATION)

## 44. MAJOR ACCOUNTS INFORMATION OF THE COMPANY (CONTINUED)

### (4) Long-term equity investment

	30 June 2006 RMB	31 December 2005 RMB
Investments in subsidiaries	621,967,367	554,438,575
Stock investments	5,610,000	5,610,000
Equity investment difference	1,768,732	1,768,732
Total	629,346,099	561,817,307
Less: Impairment loss on long-term equity investments	7,378,732	7,378,732
Long-term equity investments - net	621,967,367	554,438,575

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

	30 June 2006 and 31 December 2005 RMB
Impairment loss on long-term equity investments	7,378,732

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2006  
(PREPARED IN ACCORDANCE WITH PRC GAAP AND REGULATION)

## 44. MAJOR ACCOUNTS INFORMATION OF THE COMPANY (CONTINUED)

### (4) Long-term equity investment (continued)

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

Name of Investee	Cost			Adjustment of investment gain or loss					Book value		
	31 December 2005 RMB	Addition during the year RMB	Deduction during the year RMB	30 June 2006 RMB	31 December 2005 RMB	Gain or loss during the year RMB	Dividends		30 June 2006 RMB	31 December 2005 RMB	30 June 2006 RMB
							during the year RMB	received Recovery of investments RMB			
JCPC	135,000,000	—	—	135,000,000	15,511,663	9,016,052	—	—	24,527,715	150,511,663	139,527,715
Xiaoshan Tonda	1,078,330	—	—	1,078,330	—	50,968	(73,169)	—	(22,201)	1,078,330	1,056,129
Kangxi Copper Dianquan	79,496,520	—	—	79,496,520	8,881,173	11,409,281	(5,000,000)	—	15,290,454	88,377,693	94,786,973
Silver and Copper	33,458,942	—	—	33,458,942	1,249,339	3,038,044	—	—	4,287,383	34,708,281	37,746,325
Sure Spread	29,227,000	—	—	29,227,000	3,785,608	1,502,659	(2,841,026)	—	2,447,241	33,012,608	31,674,242
JCAC	119,700,000	—	—	119,700,000	—	—	—	—	—	119,700,000	119,700,000
Wengfuhua	127,050,000	—	—	127,050,000	—	—	—	—	—	127,050,000	127,050,000
Shenzhen Trading	—	30,000,000	—	30,000,000	—	425,983	—	—	425,983	—	30,425,983
Shanghai Trading	—	20,000,000	—	20,000,000	—	—	—	—	—	—	20,000,000
	525,010,792	50,000,000	—	575,010,792	29,427,783	25,442,987	(7,914,195)	—	44,356,850	554,438,575	621,967,367

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

Name of investee	Initial cost of investment RMB	Amortization years of equity investment difference	Unamortized balance of equity investment difference		Impairment loss		Book value at 30 June 2006 and 31 December			Cause
			1 January 2006 RMB	Deduction RMB	30 June 2006 RMB	1 January 2006 RMB	Reversal RMB	30 June 2006 RMB	December 2006 RMB	
Kangxi Copper	3,677,424	10 years	227,674	—	227,674	(227,674)	—	(227,674)	—	Equity purchasing
Diaoquan Silver and copper	1,541,058	—	1,541,058	—	1,541,058	(1,541,058)	—	(1,541,058)	—	Equity purchasing
Total	5,218,482		1,768,732	—	1,768,732	(1,768,732)	—	(1,768,732)		

The unamortized debit difference of equity investment arising from acquisition of Kangxi Copper was RMB3,401,618 by the end of 30 June 2005 which was provided full impairment. In 2006, a credit balance of equity investment difference amounting to RMB3,173,944 was arose from additional investment to Kangxi Copper. After deducting the credit balance of equity investment difference, the unamortized debit difference of equity investment is RMB227,674, which is charged into income statement as impairment loss.

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2006  
(PREPARED IN ACCORDANCE WITH PRC GAAP AND REGULATION)

## 44. MAJOR ACCOUNTS INFORMATION OF THE COMPANY (CONTINUED)

### (5) Revenue and cost of sales

(A) Revenue

Revenue by products	Six months period ended 30 June	
	2006 RMB	2005 RMB
Cathode copper	8,292,785,955	4,732,816,621
Copper rods and wires	636,939,481	—
Gold	887,784,142	874,126,485
Other (sliver, sulphuric acid, etc)	579,435,567	768,418,742
Subcontracting services	99,853,347	133,955,507
	<b>10,496,798,492</b>	<b>6,509,317,355</b>

Geographical segments	Six months period ended 30 June	
	2006 RMB	2005 RMB
PRC	9,704,867,025	6,093,475,477
Hongkong	355,626,631	364,256,386
USA	125,836,124	—
South Korea	219,410,081	—
Australia	—	16,080,352
Belgium	—	16,590,884
Singapore	266,480	—
Holland	88,778,984	16,319,954
New Zealand	1,892,516	—
Others	120,651	492,853
	<b>10,496,798,492</b>	<b>6,509,317,355</b>

Total amount of five largest debtors RMB	Percentage in total accounts receivable %
2,251,432,152	21.45

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2006  
(PREPARED IN ACCORDANCE WITH PRC GAAP AND REGULATION)

## 44. MAJOR ACCOUNTS INFORMATION OF THE COMPANY (CONTINUED)

### (5) Revenue and cost of sales (continued)

(B) Cost of sales

	Six months period ended 30 June	
	2006 RMB	2005 RMB
Cost of domestic sales	5,783,380,896	4,563,213,445
Cost of export sales	564,500,425	274,424,893
	<b>6,347,881,321</b>	4,837,638,338

### (6) Investment income

	Six months period ended 30 June	
	2006 RMB	2005 RMB
Short-term investment income:		
— Gain (loss) on share investment	—	(306,131)
Long-term investment income:		
— Share of investee's profit recognized under equity method	25,442,987	8,981,724
	<b>25,442,987</b>	8,675,593

## 45. SIGNIFICANT RELATED PARTY TRANSACTIONS

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

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



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2006  
(PREPARED IN ACCORDANCE WITH PRC GAAP AND REGULATION)

## 45. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

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

Name	30 June 2005 and 31 December 2006 RMB
JCC	3,896,060,000

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

Name	31 December 2006		30 June 2006	
	RMB	%	RMB	%
JCC	1,275,556,200	44.06	1,225,035,414	42.31

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2006  
(PREPARED IN ACCORDANCE WITH PRC GAAP AND REGULATION)

## 45. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

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

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

	Six months period ended 30 June	
	2006 RMB	2005 RMB
Transactions with JCC and its affiliates:		
Sale of copper cathode and sulphuric acid by the Group (note(a))	732,650	170,936
Sales of auxiliary industrial products by the Group (note(a))	57,386	42,496
Sale of waste, filter residue and black cement copper by the Group (note(a))	16,502	49,880
Sales of raw copper sulphate by the Group (note (c))	—	5,590
Sales of low oxygen copper rods and wire and processing of copper cathode into copper rods and wires by the Group (note (a))	51,827	12,651
Purchase of copper concentrates by the Group (note(a))	222,605	200,974
Purchase of scrap copper by the Group (note(b))	773,635	328,803
Purchase of blister copper by the Group (note (a))	—	—
Purchase of gold and silver-bearing materials by the Group (note (c))	1,089	13,667
Purchase of copper cathode by the Group (note (c))	—	—
Purchase of auxiliary industrial products by the Group (note(a))	203,497	127,692
Tolling fee and sales fee charged by the Group (note (c))	—	4,956
Railway transportation services provided to the Group (note(a))	—	8,137
Supply of water and transmission of electricity by the Group (note(b))	32,963	25,889
Processing fee of blister (scrap) copper charged by the Group (note (c))	24,210	81,115
Rental for land use rights charged to the Group (note(c))	6,250	7,500
Rentals for office premises charged to the Group(note(c))	1,208	1,155
Rentals for housing for the employees and use of common facilities charged to the Group (note(b))	7,462	6,549

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2006  
(PREPARED IN ACCORDANCE WITH PRC GAAP AND REGULATION)

## 45. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

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

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

	Six months period ended 30 June	
	2006 RMB	2005 RMB
Repair and maintenance service: provided to the Group (note(a))	27,616	39,008
Construction service provided to the Group (note(a))	21,390	23,483
Vehicle transportation service provided to the Group (note(a))	116,927	54,857
Electricity supply provided to the Group (note (b))	5,222	3,912
Industrial water supplied to the Group (note(b))	8,865	8,843
Brokerage agency service provided to the Group (note(a))	4,883	3,563
Environmental greenery services provided to the Group (note(b))	3,643	3,604
Rentals for office premises provided by the Group (note (c))	28	28
Purchase of auxiliary industrial License fee on railway transportation charged to the Group (note(b))	665	208
Operation management services expenses borne by the Group (note (c))	1,174	807
Other management fee (note (c))	4,412	4,200
Communication fee (note (c))	11	44
Social welfare and support services provided to the Group (note(b)):		
— Welfare and medical services	17,131	18,476
— Primary and secondary education service	1,295	6,022
— Internal telecommunications services	1,497	654

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2006  
(PREPARED IN ACCORDANCE WITH PRC GAAP AND REGULATION)

## 45. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

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

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

	Six months period ended 30 June	
	2006 RMB	2005 RMB
Transactions with other two promoter shareholders		
Sales of copper cathode to Jiangxi Xinxin (note(a))	37,281	174,484
Sale of low oxygen copper rods and wires to Jiangxi Xinxin by the Group (note (a))	56,257	915
Tolling fee received from Hubei Sanxin (note(a))	16,350	5,776
Purchase of copper concentrates from Hubei Sanxin (note(a))	28,575	13,626
Interest income from Hubei Sanxin (note (a))	—	332

Notes:

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2006  
(PREPARED IN ACCORDANCE WITH PRC GAAP AND REGULATION)

## 45. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

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

(B) Amount due from or to related parties

Account	Name of related parties	30 June 2006 RMB	31 December 2005 RMB
Accounts receivable	JCC and its affiliates	28,897,732	2,492,812
Other receivables	JCC and its affiliates Hubei Sanxin	107,780,133 40,494	13,217,231 —
Note receivables	JCC and its affiliates	43,734,354	29,403,768
Prepayments	JCC and its affiliates Hubei Sanxin	87,444,193 —	46,422,889 —
		<b>267,896,906</b>	91,536,700
Accounts payable	JCC and its affiliates Hubei Sanxin	31,510,411 7,974,824	51,910,246 —
Advance from customers	JCC and its affiliates Hubei Sanxin Jiangxi Xinxin	990,330 — 615,851	7,993,193 1,803,404 —
Other payables	JCC and its affiliates	29,068,377	107,078,192
Long-term payables within one year (Note)	JCC and its affiliates	1,870,000	1,870,000
Long-term payables (Note)	JCC and its affiliates	36,496,000	37,431,000
		<b>108,525,793</b>	208,086,035

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2006  
(PREPARED IN ACCORDANCE WITH PRC GAAP AND REGULATION)

## 45. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

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

#### (C) Guarantee

Up to 30 June 2006, the Company has long-term bank loan of RMB359,710,000 guaranteed by JCC (2005: RMB359,710,000).

#### (D) Others

In accordance with an agreement signed between the Company and JCC, JCC manages a defined contribution pension scheme on behalf of the Company. The Company makes contribution to the scheme through JCC. From January to June 2006, the total cost charged to the income statement is approximately RMB23,504,000 (January to June 2005: RMB20,546,000).

## 46. CAPITAL COMMITMENTS

	30 June 2006 RMB	31 December 2005 RMB
Capital expenditure contracted for but not provided in the financial statements: — Commitment for acquisition of assets	4,823,094	588,900

## 47. LEASE COMMITMENTS

At the balance sheet date, the Company had outstanding commitments under non-cancelable operating leases with a term of more than one year which fall due as follows:

	30 June 2006 RMB	31 December 2005 RMB
The minimum lease payments under non-cancelable operating leases:		
Within one year	21,327	21,327
In the second year	18,566	21,327
In the third year	15,806	15,806
Over three years	296,761	304,664
Total	352,460	363,124

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2006  
(PREPARED IN ACCORDANCE WITH PRC GAAP AND REGULATION)

## 47. LEASE COMMITMENTS (CONTINUED)

The amount represents the balance due to JCC and Land & Resources Bureau of Jiangxi Province as the consideration for the rental of land use rights. The amount includes rental of land use right of Wushan Mine repayable in 50 annual installments of RMB806,136 each starting from year 2002 to year 2052. The other portion is repayable in 30 annual installments of RMB15,000,000 each starting from year 1997 to year 2027. The total annual installments for land use right are RMB15,806,136. The rest amount represents the balance payable for the rental of staff dormitory.

## 48. OTHER COMMITMENTS

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

## 49. CONTINGENT LIABILITIES

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

## 50. NONADJUSTABLE EVENT AFTER BALANCE SHEET DATE

At the balance sheet date, there is no non adjustable event.

## 51. OTHER IMPORTANT ITEMS

### FORWARD CONTRACTS

At the balance sheet date, the unrealized loss on the outstanding forward copper contracts amounted to approximately RMB21,119,714 (31 December 2005: RMB94,979,159).

## 52. THE APPROVAL OF FINANCIAL STATEMENTS

The financial statements of both company and group level have been approved by the board of directors of the company on August 22, 2006.

# SUPPLEMENTAL INFORMATION

FOR THE PERIOD ENDED 30 JUNE 2006  
(PREPARED IN ACCORDANCE WITH PRC GAAP AND REGULATION)

## 1. DIFFERENCE BETWEEN INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") AND PRC GAAP

These financial statements are prepared according to PRC GAAP, which are different from those prepared according to IFRS.

At balance sheet date, net profit and net assets were RMB2,056.629 million and RMB10,007.817 million respectively according to PRC GAAP. These figures can be reconciled to that under IFRS as follows:

	Net profit For the period ended 30 June 2006 <i>RMB'000</i>	Net assets at 30 June 2006 <i>RMB'000</i>
Per PRC GAAP	<b>2,056,629</b>	10,007,817
Adjustment according to IFRS:		
— Specific accounts payable transferred to capital reserves which cannot be booked under IFRS and the relevant effect on fixed assets depreciation	<b>3,097</b>	(74,835)
— Unrealized loss on forward copper contracts which should be booked in other operating profit under IFRS	<b>31,059</b>	21,120
— Minority interest booked in Equity under IFRS	<b>19,404</b>	377,986
— Land amortization under IFRS	<b>(12)</b>	(12)
— Pre-operating expenses recorded in income statement under IFRS	<b>(419)</b>	(3,544)
Per IFRS	<b>2,109,758</b>	10,328,532

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

Reporting profit	From 1 January 2006 to 30 June 2006			
	Return on net assets		Earning per share <i>RMB</i>	
	Fully diluted	Weighted average	Fully diluted	Weighted average
Profit from principal operations	41.50%	42.33%	1.43	1.43
Operating profits	25.16%	25.66%	0.87	0.87
Net profit	20.55%	20.96%	0.71	0.71
Net profit excluding non-recurring items	20.61%	21.02%	0.71	0.71



# SUPPLEMENTAL INFORMATION

FOR THE PERIOD ENDED 30 JUNE 2006  
(PREPARED IN ACCORDANCE WITH PRC GAAP AND REGULATION)

## 3. IMPAIRMENT LOSS ON ASSETS AT 30 JUNE 2006

Item	At 1 January 2006		Addition		Write-back		Write-off		At 30 June 2006	
	Group RMB	Company RMB	Group RMB	Company RMB	Group RMB	Company RMB	Group RMB	Company RMB	Group RMB	Company RMB
1. Bad debt provision	95,412,143	90,475,754	846,834	680,333	(1,522,171)	(1,522,171)	—	—	94,736,806	89,633,916
Including: Accounts receivable	73,495,697	73,495,664	166,501	—	(1,522,171)	(1,522,171)	—	—	72,140,027	71,973,493
Other receivables	21,916,446	16,980,090	680,333	680,333	—	—	—	—	22,596,779	17,660,423
2. Impairment loss on inventory	751,102	751,102	—	—	—	—	—	—	751,102	751,102
Including: Raw material	751,102	751,102	—	—	—	—	—	—	751,102	751,102
3. Impairment loss on long-term investment	7,378,732	7,378,732	—	—	—	—	—	—	7,378,732	7,378,732
Including: Stock investment	5,610,000	5,610,000	—	—	—	—	—	—	5,610,000	5,610,000
Equity Investment difference	1,768,732	1,768,732	—	—	—	—	—	—	1,768,732	1,768,732
4. Impairment loss on fixed assets	25,124,466	25,124,466	—	—	—	—	(20,424,766)	(20,424,766)	4,699,700	4,699,700
Including: Buildings	9,883,677	9,883,677	—	—	—	—	(9,883,677)	(9,883,677)	—	—
Equipment and machinery	12,292,382	12,292,382	—	—	—	—	(7,592,682)	(7,592,682)	4,699,700	4,699,700
Vehicles	2,948,407	2,948,407	—	—	—	—	(2,948,407)	(2,948,407)	—	—

# SUPPLEMENTAL INFORMATION

FOR THE PERIOD ENDED 30 JUNE 2006  
(PREPARED IN ACCORDANCE WITH PRC GAAP AND REGULATION)

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

Items in balance sheet:

Bank deposit:

The balance of current period increased significantly compared with that of prior year, which was mainly due to the capital received on the operating activities.

Inventories:

The balance of current year increased significantly compared with that of prior year, which was mainly due to the great increase in the cost of imported copper concentrate in the situation of soaring copper price.

CIP:

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

Items in statement of income and profits appropriation:

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

Other operating profit:

The amount of current period decreased significantly compared with that of prior year, which was mainly due to the great loss on forward contract. The Company bought future contracts on the purpose of hedging. As copper price increased significantly during the period, the company have a future loss of 1,348 million.

Income tax:

The amount of current period increased significantly compared with that of prior year, which was caused by both the increasing profit and the income tax rate.

The amount of current period increased significantly compared with that of prior year, which was mainly due to the loss on forward contract, amounting to RMB1,109 million.