



To shareholders,

Thanks for your trust and support towards the Company. I am pleased to report the business results of the Company for the year ended 31 December 2006. For the financial year 2006, revenue from principal operations as audited under PRC GAAP amounted to RMB25,435.06 million (2005: RMB13,340.69 million), representing an increase of RMB12,094.37 million or 90.66% from last year. Net profit amounted to RMB4,609.35 million (2005: RMB1,851.38 million), representing an increase of RMB2,757.97 million or 148.97% from last year. Earnings per share amounted to RMB1.59 (2005: RMB0.64), representing an increase of RMB0.95 or 148.44% from last year.



## Dividend Policy

The Company is committed to the dividend policy to return shareholders with steady cash dividends. The Board has recommended distributing to shareholders a final dividend of RMB4 for every 10 shares (inclusive of tax for A Shares) for the financial year ended 31 December 2006 (2005: RMB1.92 for every 10 shares (inclusive of tax for A Shares)).

## Business Review

### 1. Industry Development

In 2006, the development of China's copper industry was favoured by the continuously fast growing domestic economy, macro control and structural adjustment. During the reporting period, China produced 2,925,000 tonnes of refined copper, increased by 17.8% over last year. As for consumption, the domestic copper consumption is still active. China remained as the largest copper consumer in the world where the domestic copper consumption required a large amount of copper importation, despite a 3.9% decrease in apparent consumption from last year. According to data from China Customs Statistics, net import of refined copper amounted to approximately 595,000 tonnes in 2006. According to latest released data of International Copper Study Group (ICSG), global output of refined copper in 2006 amounted to 17,384,000 tonnes, of which mining output was approximately 14,959,000 tonnes. The global consumption of refined copper was approximately 17,022,000 tonnes, representing supply over demand.

## 2. Market Review

Copper traded at skyrocketing prices during the first half of 2006. This is due to its commodity attribute overridden by financial attribute, as large-scale commodity futures funds and consumers rushed to buy attracted by the expected economic growth, prolonged out-of-stock, decreased invisible stocks, large-scale investment plans for power generation and railway construction as well as rapid growth in infrastructure, manufacturing, automobile, real estate and other industries of the PRC. Copper prices surged to US\$8,790 per tonne within 5 months from US\$4,440 per tonne at the beginning of the year. In the second half of the year, copper prices started to fall and stayed at a high level as a result of the slower global economic growth and the concern on copper consumption restricted by extraordinarily high copper prices.

During the reporting period, the average three-month copper futures closing price and the average copper spot closing price on London Metal Exchange was US\$6,665 per tonne and US\$ 6,721 per tonne, representing an increase of 90.2% and 82.7% respectively as compared with last year. As to China, the domestic average three-month copper futures closing price (inclusive of tax) and the average current-month copper future closing price (inclusive of tax) during the reporting period was RMB60,748 per tonne and RMB60,794 per tonne, representing an increase of 84.9% and 77.9% respectively as compared with last year.

## 3. Business Expansion

### (1) Expansion of Smelting Business

During the reporting period, the 30,000-tonne-per-annum smelting and environmental protection project of Sichuan Kang Xi Copper Limited Liability Company, a subsidiary of the Company, was essentially completed. It will contribute to the Company additional 10,000 tonnes of blister copper raw materials per annum. In addition, the Company speeded up construction of Guixi Smelter Phase IV Expansion, a key project of the Company with a capacity of 300,000 tonnes of copper cathode per annum. Certain facilities and equipments of the project are expected to commence operation in advance by middle of 2007. While the whole project is expected to be completed by the end of 2007.

### (2) Expansion of Mine Business

During the reporting period, the Company expedited construction of Fujiawu Mine of Dexing Copper Mine, which is expected to be completed by the end of 2007. The project of expansion of the processing capacity of Wushan Copper Mine to 5,000 tonnes per day and the conversion of the open-pit to underground mining project of Yongping Copper Mine were in progress as planned.

### (3) Expansion of Consolidated Utilization of Resources and Energy-saving Environmental Protection Business

During the reporting period, Guixi Smelter's project of copper recovering from electric furnace slag was completed and commenced operation. With 4,700 tonnes of copper metals, 89 kilograms of gold and 3,000 kilograms of silver recovered in 2006, the project has fulfilled its production targets and recovered all the invested capital. A number of energy-saving and environmental protection projects of the Company, such as Guixi Smelter's project of waste heat recovery from the smelting process the expansion of copper recovering from slag and the arsenious acid expansion project are under construction. Upon completion of these environmental friendly projects, the Company will be able to save resources and cut down the smelting costs.

#### (4) Expansion of Copper Processing and Other Businesses

During the reporting period, the production of 220,000 tonnes copper rod and wire project per annum of Jiangxi Copper Alloy Company Limited, a subsidiary of the Company, was completed and put into production. In the year 2006, approximately 94,400 tonnes of copper rod and wire were produced. The production of 400,000 tonne sulphur project per annum of Jiangtong Wengfu Chemical Industry Company Limited, a subsidiary of the Company, was almost completed and put into trial production.

#### (5) Expansion of International Resources Business

During the reporting period, the Company obtained experience in internationalization of business from its attempt in acquiring the balas mines project from BCMETALS of Canada, which, though the parties had signed the conditional acquisition agreement, it has never come into effect. Such experience is believed to be a favorable factor for the Company's implementation of the international resources strategy.

#### (6) Expansion of the Company's Business Operation

In order to facilitate its business development plan and strengthen market exploration, the Company reformed its marketing and raw materials purchasing systems with sales networks established in Shenzhen, Shanghai and Beijing during the reporting period. For financial management, the Company continued to expand financing channels and methods, thus noticeably cutting down financing costs. As at the date of this report, a total of RMB2,000 million short-term debentures were issued, whereby the Company saved approximately RMB43 million in financing costs as compared with the bank loans in the period.

### 4. Corporate Value and Brand

With achievement of the strategic development goals, the Company saw a rapid rising momentum in its results with further improved strengths and risk resistance capacity. Thereby, the wealth of shareholders was constantly increased. In the year 2006, the Company's market value once hit RMB38,700 million. In September 2006, the Company was ranked as the 22nd place among the "2006 Top 50 Asian Listed Companies" by "Business Weekly" in terms of growing turnover and return on assets. According to Forbes, the Company was ranked the 9th place among "2006 China Top Enterprises" in terms of long-term operation and continuous profitability.

### Prospect and Strategy

Despite the continuous and steady growth of the PRC economy, the growth of output of refined copper is expected to slow down as affected by the macro-control and the stricter approval procedure for construction or expansion of copper smelting projects. According to the State Statistics Bureau, the aggregate output of refined copper for January and February 2007 decreased by 1.8% as compared with the same period last year.

China's copper consumption will be further boosted by the large-scale investment in power grid renovation, railway construction, new infrastructure construction in rural area and growth of other manufacturing industries. In addition, the low stock of global copper metals is not expected to be alleviated in a short period. Therefore, it is expected that the global copper price will range at a high level in 2007.

The global copper industry has shown a trend for utilisation of secondary copper resources primarily due to the surging copper treatment and refinery charges (TC/RC). According to the data released by ICSG, the global output of secondary copper metals increased by 7% in 2006, higher than the growth rate of output of primary copper. In addition, the data indicated that the utilisation level of secondary copper metals increased prominently. Statistics shows that 1,680,000 tonnes of secondary copper metals were produced in 2006. Hence, notwithstanding the decline in primary copper TC/RC, supply and demand of copper concentrate is expected to look up and the TC/RC may be going up again due to the increasing copper output of the global mines and the further utilization of secondary copper resources.

In light of this, the Company will be focusing on the following aspects:

### 1) To Enhance Resource Strategy to Guarantee Copper Resources

Upon completion of Guixi Smelter's 300,000-tonne copper smelting project, the Company's copper smelting capacity will reach 700,000 tonnes per annum, standing among the front line in the world, while copper products processing capacity has extended to 370,000 tonnes per annum. Strategically, the Company will shift its focus gradually to development and utilization of self-owned resources and acquisition of external resources to increase the self-supply ratio of raw materials.

Continuing the construction of self-owned mine projects such as the mining of Fujiawu Copper Mine, the conversion of open-pit to underground mining project of Yongping Copper Mine and the 5,000 t/d expansion project of Wushan Copper Mine, the Company will, at the same time, enhance development and exploration of mines internally and externally. In February 2007, the Company established a resource department to make an overall plan on development and exploration of domestic and overseas copper mines. To capture the opportunity to acquire external mines, the Board of Directors of the Company considered and approved the resolution for acquisition of Chengmenshan Copper Mine from JCC in March 2007. In addition to expansion of mines, the Company intends to strengthen construction of production bases of blister copper and scrap copper, another key raw material for production of refined copper. In January 2007, the Company established a joint venture JCC Changying (Qingyuan) Copper Company Limited with EPI (Holding) Limited and other parties. The joint venture is located in Qingyuan, Guangdong province, a key source of blister copper and scrap copper.

### 2) To Improve Management System for Efficiency and Effects while Expanding Business

With the rapid growth and continuous expansion, there arose a need to improve the existing management system. Hence, professional management institutions were engaged to align the operation and management systems and perfect the internal management system in line with the requirements of "reasonable structure and allocation, strict procedures and effective restriction" to strengthen risk control and inner execution ability. The Company aims to foster a management and operation system catering for its healthy development, so as to increase efficiency and effects.

### 3) To Take Initiatives in Assets Injection and Issue of New A Shares

The Company will assist JCC, the controlling shareholder, to implement its undertakings concerning injection or transfer of copper related assets made in respect of the share reform in 2006. On 16 March 2007, the proposed non-public issue of not more than 290,000,000 A shares to not more than 10 targeted subscribers including JCC was considered and approved at the sixth meeting of the fourth Board of Directors of the Company. JCC Group will use assets such as mines or copper processing or equity interests held by it as consideration for subscription of no less than 44.63% of the total shares to be issued. For details of the assets injection and the issue of new A shares, please refer to the announcements of the Company published in Shanghai Securities News, Hong Kong Economic Daily and The Standard on 20 March 2007.





## Gratitude

On behalf of the Board, I would like to thank our shareholders and the community for their care and support through the years, and I also wish to extend sincere gratitude to all directors, supervisors, senior management members for their contribution and to our diligent staff during the past year.

*Chairman*  
**Li Yihuang**

Jiangxi, China  
18 April 2007

