

1. Material litigations and arbitrations

The Company had no material litigations and arbitrations during the year.

2. Acquisition and disposal of assets and mergers

During the reporting period, the Company had no acquisition or disposal of assets or mergers.

3. Material connected transactions

1) Ongoing connected transactions relating to day-to-day operation

A. Details of the connected transactions relating to sales and providing of services by the Company to JCC during the reporting period are as follows:

Content of connected transactions	Pricing policy	Quantity of transactions (tonne)	Actual settlement price (RMB/tonne)	Amount of transactions (RMB'000)	As a percentage in similar transactions (%)	Settlement methods
Copper cathode	Market price	15,655	30,845	482,894	8.6	Payable upon acceptance
Sulphuric acid	Market price	6,509	368	2,395	0.7	Payable upon acceptance
Special copper processing	Market price	68,069	1,860	126,637	44.2	Payable upon acceptance
Customer-supplied material processing	Market price	20,438	927	23,894	8.0	Payable upon acceptance
Raw copper sulphate	Contract price	2,014	26,321	53,010	100.0	Payable upon acceptance
Smelting slag	Contract price	—	—	75,576	86.9	Payable upon acceptance
Materials	Market price	—	—	104,206	67.4	Payable upon acceptance
Spare parts	Market price	—	—	8,244	56.6	Payable upon acceptance
Gas	Contract price	—	—	4,042	35.7	Payable upon acceptance
Power supply	Cost + tax	—	—	60,449	45.3	Monthly settlement
Water supply	Cost + tax	—	—	1,473	24.0	Monthly settlement
Steam supply	Cost + tax	—	—	440	31.0	Monthly settlement
Telecommunication	shared on the cost basis according to telephone quantity	—	—	89	42.8	Monthly settlement
Office rental	Cost + tax	—	—	56	100	Monthly settlement
Share of management expenses	shared on the cost basis according to the percentage of staff member	—	—	1,971	100	Monthly settlement
Total				945,376	14.1	

Significant Events

3. Material connected transactions (Continued)

1) Ongoing connected transactions relating to day-to-day operation (Continued)

B. Details of the connected transactions relating to purchase and receiving of services by the Company from JCC during the reporting period are as follows:

Content of connected transactions	Pricing policy	Quantity of transactions	Actual settlement price (RMB'000)	Amount of transactions (RMB'000)	As a percentage in similar transactions (%)	Settlement methods
Contained copper in blister and scrap copper (tonne)	Purchase cost + purchase expenses	19,050	28,182	536,861	15.7	Payable upon acceptance
Contained gold in blister and scrap copper (kg)	Market price	330	104,055	34,379	10.6	Payable upon acceptance
Contained silver in blister and scrap copper (kg)	Market price	23,136	1,547	35,799	25.0	Payable upon acceptance
Contained copper in copper concentrate (tonne)	Market price	11,253	23,154	260,548	14.2	Payable upon acceptance
Contained gold in copper concentrate (kg)	Market price	858	105,969	90,890	13.1	Payable upon acceptance
Contained silver in copper concentrate (kg)	Market price	27,632	1,558	43,045	15.6	Payable upon acceptance
Contained sulphur in copper concentrate (tonne)	Market price	19,811	60	1,188	61.0	Payable upon acceptance
Contained gold in anode mud (kg)	Market price	258	48,246	12,444	31.2	Payable upon acceptance
Contained silver in anode mud (kg)	Market price	4,654	1,118	5,205	80.8	Payable upon acceptance
Gold compound (kg)	Market price	70	129,394	9,088	4.7	Payable upon acceptance
Materials	Market price			152,783	18.8	Payable upon acceptance
Spare parts	Market price			158,189	38.0	Payable upon acceptance
Equipment	Market price			11,668	8.6	Payable upon acceptance
Transportation in factories	Passenger and cargo rates of Jiangxi Province			154,114	39.3	Monthly settlement
Special railway transportation	Cost + profit			19,345	47.6	Monthly settlement
Water supply	Cost + tax			18,000	100.0	Monthly settlement
Motor repair	Motor vehicle repair fixed rates of Jiangxi Province			9,190	99.5	Monthly settlement
Electrical maintenance	Industry price			117,844	98.2	Monthly settlement
Construction	Construction fixed rates of Jiangxi Province			80,208	80.7	Monthly settlement
Office rental	Cost + tax			6,393	100.0	Monthly settlement

3. Material connected transactions (Continued)

1) Ongoing connected transactions relating to day-to-day operation (Continued)

B. Details of the connected transactions relating to purchase and receiving of services by the Company from JCC during the reporting period are as follows: (Continued)

Content of connected transactions	Pricing policy	Quantity of transactions (tonne)	Actual settlement price (RMB)	Amount of transactions (RMB'000)	As a percentage in similar transactions (%)	Settlement methods
Common facilities service	Shared on the cost basis according to the percentage of staff member			21,323	100.0	Monthly settlement
Staff welfare	Based on 18% of staff salaries			57,528	100.0	Monthly settlement
Contribution to retirement benefit fund	Based on 20% of staff salaries			65,078	100.0	Monthly settlement
Environmental and sanitary rental	Shared on the cost basis according to the percentage of staff member			2,237	100.0	Monthly settlement
Environmental greenery	Shared on the cost basis according to the percentage of staff member			4,875	100.0	Monthly settlement
Primary and secondary education	Shared on the cost basis according to the percentage of staff member			16,223	100.0	Monthly settlement
Telecommunication services	Shared on the cost basis according to the percentage of assets			2,674	100.0	Monthly settlement
Share of management expenses	Shared on the cost basis according to the percentage of staff member			8,212	100.0	Monthly settlement
Land use rental	Evaluation price			15,000	100.0	Payable at year-end
Mining right rental	Evaluation price			1,974	100.0	Payable at year-end
Futures agency fee	Market price			6,241	69.8	Payable upon acceptance
Expenses of representative offices	Shared on the cost basis according to the percentage of assets			3,445	100.0	Monthly settlement
Total				1,961,991	21.4	

Significant Events

3. Material connected transactions (Continued)

1) Ongoing connected transactions relating to day-to-day operation (Continued)

C. Details of the connected transactions between the Company's subsidiaries and JCC during the reporting period are as follows:

Content of connected transactions	Pricing policy	Quantity of transactions (tonne)	Actual settlement price (RMB/tonne)	Amount of transactions (RMB'000)	As a percentage in similar transactions (%)	Settlement methods
Sales and providing of services						
Copper cathode	Market price	19	29,671	553	0.0	Payment upon acceptance
Copper wire	Market price	764	29,927	22,853	0.5	Payment upon acceptance
Entrusted processing of copper rod and wire	Market price	10,874	694	7,545	79.9	Payment upon acceptance
Scrap disposal	Market price	674	29,027	19,574	50.1	Payment upon acceptance
Total				50,525	0.3	Payment upon acceptance
Purchase and receiving of services						
Copper cathode	Market price	19,637	34,425	577,778	78.4	Payment upon acceptance
Transportation in factories	RMB12/tonne	146,700	12	1,761	100.0	Monthly settlement
Highway transportation fee	Market price			6,545	58.6	Payable upon acceptance
Power charges (KWh)	Cost + tax	19,032,342	0.56	10,557	100.0	Monthly settlement
Water charges (tonne)	Cost + tax	355,922	0.40	142	100.0	Monthly settlement
Management expenses	Shared on the cost basis according to the percentage of staff member			4,926	100.0	Monthly settlement
Total				601,709	0.8	

D. During the reporting period, the Company conducted certain transactions with Jiangxi Xinxin Enterprise Company Limited ("Jiangxi Xinxin") and Hubei Sanxin Gold Copper Company Limited, both being promoters of the Company, details of which are set out in Note 34 (ii) to financial statements prepared in accordance with IFRS.

3. Material connected transactions (Continued)

1) Ongoing connected transactions relating to day-to-day operation (Continued)

- E. Pursuant to the Consolidated Supply Agreement entered into by the Company with Jiangxi Copper Products Company Limited, the Company will sell copper cathode, fuel, gas, materials and goods to Jiangxi Copper Products Company Limited, details of which are as follows:

	<i>Unit: RMB'000</i>
Copper cathode sold by the Company	4,347,864
Fuel and gas sold by the Company	27,515
Materials and goods sold by the Company	20,464

As approved by independent shareholders at the extraordinary general meetings of the Company on 20 January 2005, the Company and JCC entered into agreements including the Consolidated Supply Agreement, the Consolidated Industrial Services Agreement, the Consolidated Miscellaneous Services Agreement and the Processing Agreement on Copper Concentrate, Blister Copper and Scrap Copper, with a term of 3 years. As approved by independent shareholders at the extraordinary general meeting of the Company on 29 July, 2004, a subsidiary of the Company and JCC entered into agreements including the Consolidated Supply and Services Agreement, the Copper Cathode Supply Agreement, the Equipment Maintenance and Machinery Processing Agreement, and the Highway Cargo Transportation Agreement. The actual amount of the transactions incurred under the said agreements during 2005 did not exceed the amounts prescribed in the relevant agreements and cap limit related to waivers as approved by the independent shareholders.

Pursuant to Rule 14A.38 of the Listing Rules, the Board engaged the auditors of the Company to perform certain agreed upon procedures in respect of the continuing connected transactions of the Group. The auditors have reported their factual findings on these procedures to the Board. The independent non-executive Directors have reviewed the continuing connected transactions and the report of the auditors and have confirmed that the transactions have been entered into by the Company in the ordinary course of its business, on normal commercial terms, and in accordance with the terms of the agreement governing such transactions that are fair and reasonable and in the interest of the shareholders of the Company as a whole.

Significant Events

3. Material connected transactions (Continued)

1) Ongoing connected transactions relating to day-to-day operation (Continued)

The Company believes that by sharing production facilities and technologies of each other with JCC and taking advantages in proximity, it is necessary for the Company and JCC to provide or accept supply or sales of industrial goods from each other on an ongoing basis. The agreements governing connected transactions were entered into with a view to satisfy the Company's actual needs from its production and operation. The pricing policies for the connected transactions between the Company and JCC were determined based on the priority from State price, industry price, market price to cost plus tax. The Company's connected transactions were settled by cash in time after acceptance of goods or provision of services. The connected transactions of the Company are in strict compliance with the requirements for connected transactions.

2) Material connected transaction of joint investment

In February 2005, the Company established a joint venture Jiangxi Copper Alloy Company Limited with JCC in Guixi, Jiangxi. The registered capital of the joint venture amounted to RMB199,500,000, of which the Company contributed RMB119,700,000 in cash, accounting for 60% of the registered capital of the joint venture. The remaining RMB79,800,000, accounting for 40% of the registered capital of the joint venture, was contributed by JCC in cash. The principal operations of the joint venture copper and copper alloy rods and wires. The transaction was disclosed in China Securities Journal, Shanghai Securities News, Securities Times, Hong Kong Economic Times and The Standard on 25 January 2005.

4. Amounts due from and to connected parties

Unit: RMB'000

Connected party	Amount due from connected party		Amount due to connected party	
	Amounts in total	Balance as of 31 December 2005	Amounts in total	Balance as of 31 December 2005
JCC — Yezhi Copper Foil Company Limited	7,600	1,100	—	—

During the reporting period, JCC — Yezhi Copper Foil Company Limited, a subsidiary of JCC, had borrowed on provisional basis from the Company's Guixi Smelter in an accumulated amount of RMB7,600,000 to cater for the urgent financial need for construction. A total of RMB6,500,000 was repaid during the reporting period and the balance amounting to RMB1,100,000 was fully repaid on 13 March 2006 in cash.

5. Custody, contracts and leases

The Company did not have custody, contracts and leases during the year.

6. External guarantees and custody assets

The Company did not have any external guarantees or custody assets during the year.

7. Placement of H shares

On 25 July 2005, the Company placed 231,000,000 H shares in Hong Kong, details of which are referred to the Company's announcement dated 26 July 2005 and the section "Changes in share capital" in this annual report.

8. Short-term debentures

At the extraordinary general meeting of the Company on 1 November 2005, the Company was approved to issue short term debentures with accumulated maximum repayment amount of not more than RMB2,000,000,000 and the relevant authorisation were approved by way of special resolutions. Details are set out in the section headed "Directors' Implementation of Resolutions of General Meetings" in this annual report.

9. Share reform plan

As authorised by all holders of non-tradable shares, the Board started the Company's share reform plan on 6 March 2006. Pursuant to the requirement of CSRC, the share reform plan shall be conducted based on negotiation between holders of non-tradable A shares and holders of A shares. The holders of non-tradable shares, in exchange for the listing rights of their non-tradable A shares of the Company, proposed a consideration to holders of A shares that 2.2 non-tradable A shares for every 10 A shares be offered to holder of A shares. JCC also made the following special undertaking that:

- (1) JCC will not sell any share in the Company held by it within 36 months from the date of implementation of the share reform plan. During the year following the expiry of such 36-month trading moratorium, JCC can only sell shares in the Company held by it through the trading system of Shanghai Stock Exchange, with price not lower than RMB9.00 per share.
- (2) Should the Company's A share price fall below RMB5.80 per share during the two month immediately after the first business day from the date of implementation of the share reform plan, JCC shall increase its shareholding by purchasing A shares of the Company with a total amount of not more than RMB150,000,000 and not less than RMB100,000,000 and at a price not less than RMB5.80 per share; and JCC shall not sell any of such purchased shares within the 6 months thereafter.
- (3) During the year following completion of the share reform plan, JCC will propose to the Company's general meeting to inject or transfer to the Company its assets which are related to copper industry and in line with corporate strategic targets of the Company.
- (4) Following completion of the share reform plan, JCC will recommend to the Company a long-term incentive (including share incentive) plan in accordance with the PRC rules and regulations for directors (excluding independent directors), supervisors, senior management members, core technology (business) staff and other employees that deserve incentives in the opinion of the Company. The long-term incentive plan will be implemented subject to approvals by the relevant PRC authorities and the general meeting of the Company.
- (5) All expenses related to the share reform plan are borne by JCC.

On 3 April 2006, the shares reform plan was resolved and approved by the relevant shareholders' meeting.

10. Material contract on imported copper materials

The following table sets out the long-term copper materials supply contracts entered into between the Company and relevant suppliers as at the end of the reporting period:

Supplier	Date of contract	Maturity/validity term of contract	Subject quantity
BHP Billiton Marketing AG	2004/5/25	2004/7/1-2012/6/30	50,000 tonnes per annum for the first 4 years; 80,000 tonnes per annum for the 4 years thereafter
Glencore International AG	2001/12/20	2003/1/1-2007/12/31	150,000 tonnes (subject to 10% adjustment)
Glencore International AG	2004/11/12	2005/1/1-2009/12/31	150,000 tonnes (subject to 10% adjustment)

11. Performance of undertakings

On 22 May 1997, JCC undertook to the Company as follows:

So far as JCC holds 30% or over of the voting rights of the Company, JCC and its subsidiaries and associated companies (except for those controlled through the Company) shall not engage in any business or activities which may directly or indirectly compete with the Company's business. Furthermore, JCC will devote utmost efforts to ensure the independency of the Company's Board of Directors and will not impose any control thereto in accordance with the requirements of the Hong Kong Stock Exchange and the London Stock Exchange. The Company's Board of Directors believes that JCC has complied with the above undertakings.

12. Punishment on the Company and the Board and its Directors

During the reporting period, none of the Company and the Board and its directors was a subject of any investigation, administrative punishment or criticism by CSRC or any condemnation by any securities exchange.

13. Other significant events

Save as disclosed above and previously, the Company has no other discloseable significant events.