

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company recognises the value and importance to achieving high standards of corporate governance to enhance corporate performance and accountability.

The Company has applied the principles and has complied with the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

For the year ended 31 December 2006, the Company has complied with the CG Code with deviations from the code provision A.2.1, A.4.1 and E.1.2 of the CG Code as summarised below.

The code provision A.2.1 of the CG Code stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. Mr. Wong Chi Wing Joseph is the Chairman and Chief Executive Officer of the Company. The Company recognises the importance of segregating the duties of the Chairman and the Chief Executive Officer and when a high calibre executive is identified, he will be invited to take up either one role in the forthcoming year.

The code provision A.4.1 of the CG Code stipulates that non-executive Directors should be appointed for a specific term, subject to re-election. Currently the non-executive Directors were not appointed for a specific term. However, all non-executive Directors were subject to the retirement and rotation requirements in accordance with the Company's Bye-laws.

The code provision E.1.2 of the CG Code stipulates that the Chairman of the Board should attend the Annual General Meeting and arrange for the chairman of the audit, remuneration and nomination committees or in the absence of the chairman of such committees, another member of the committee or failing this his duly appointed delegate, to be available to answer questions at the annual general meeting. The Company did not hold any Annual General Meetings in the year 2003 to 2006 during the period under provisional liquidation. The Company will hold all the outstanding Annual General Meeting after the 2006 annual results announcement and the Chairman and the relevant committee chairman or member will attend the meeting to answer the questions of the shareholders.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct rules (the "Model Code") regarding securities transactions by Directors on terms no less exactly than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules, and that having made specific enquiry of all Directors, the Company confirms that all the Directors have complied with the Model Code throughout the year.

BOARD

a) Board Composition

Upon the completion of Restructuring Proposal on 20 September 2006, all the executive Directors including Mr. Wu Shaozhang, Mr. Wong Kwok Wing, Mr. Tse On Kin, Mr. Chen Weixiong and Mr. Yuen Chung Yan John resigned and were replaced by Mr. Wong Chi Wing Joseph, Mr. Cheng Hairong and Mr. Chu Kwok Chi Robert.

Mr. Lee Shue Shing, an independent non-executive Director, resigned on 4 October 2006 and replaced by Mr. Xu Mingshe. On the same date, Mr. Leung Hon Chuen was appointed as the non-executive Director of the Company.

Corporate Governance Report

The Board members as at 31 December 2006 and up to the date of the annual report are:

Chairman

Mr. Wong Chi Wing Joseph

Deputy Chairman

Mr. Cheng Hairong

Executive Directors

Mr. Wong Chi Wing Joseph

Mr. Cheng Hairong

Mr. Chu Kwok Chi Robert

Non-Executive Directors

Leung Hon Chuen

Independent Non-Executive Directors

Mr. Poon Kwok Shin Edmond

Mr. Wu Xiaoke

Mr. Xu Mingshe

Biographical details of Directors of the Company are set out on page 17 under the section titled "Directors and senior management profile".

The Chairman is responsible for developing strategic direction and development of the Group and the executive Directors are responsible for managing the Group's business affairs, including the implementation of strategies adopted by the Board and attending to the formulation and successful implementation of Group's policies and assuming full accountability to the Board for all Group's operations.

The non-executive Director and independent non-executive Directors contribute to the Company with diversified industry expertise, advise the management on strategy development and ensure that the Board maintains high standards of financial and other mandatory reporting as well as provide adequate checks and balances to safeguard the interests of shareholders and the Company as a whole.

The Board delegates specific tasks to the Group's management including the implementation of strategies and decisions approved by the Board and the preparation of accounts for approval by the Board before public reporting.

b) Board Functions

The Board is responsible for the promotion of the success of the Company by directing and guiding its affairs in an accountable and effective manner. Board members have a duty to act in good faith, with due diligence and care, and in the best interests of the Company and its shareholders.

The types of decisions which are to be taken by the Board include:

1. Setting the Company's mission and values;
2. Formulating strategic directions of the Company;
3. Reviewing and guiding corporate strategy; setting performance objectives and monitoring implementation and corporate performance;
4. Monitoring and managing potential conflicts of interest of management and Board members; and
5. Ensuring the integrity of the Company's accounting and financial reporting systems, including the independent audit, and that appropriate systems of control are in place, in particular, systems for monitoring risk, financial control, and compliance with the law.

The Board gives clear directions as to the powers delegated to the management for the management and administration functions of the Group, in particular, with respect to the circumstances where management should report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Group. The Board will review those arrangements on a

Corporate Governance Report

periodic basis to ensure that they remain appropriate to the needs of the Group.

For the year ended 31 December 2006, the Board:-

1. reviewed and approved the annual results of the Group for the year ended 31 December 2005 and the interim results of the Group for the period ended 30 June 2005 and 30 June 2006.
2. reviewed and approved the Restructuring Proposal which involves, among other things, (i) the capital reorganisation, (ii) the subscription, (iii) the creditors' schemes, (iv) the open offer, (v) the placings, and (vi) the group reorganisation.
3. reviewed and approved the general mandates to issue and repurchase shares of the Company.
4. reviewed and approved the issue of 605,000,000 new shares under a top-up subscription with Climax Associates Limited, the major shareholder.
5. reviewed and approved the shares repurchase by the Company.
6. reviewed the internal controls of the Group
7. reviewed the performance of the Group and formulated business strategy of the Group.
8. reviewed and approved the diversification of business into non-ferrous metals.
9. reviewed and approved the formation of Qingyuan JCCL EPI Copper Limited in PRC for the production of copper anode.
10. reviewed and approved price-sensitive transactions.

11. reviewed and approved the resignation of Mr. Lee She Shing as the independent non-executive Director of the Company in which Mr. Lee confirmed that there were no disagreement with the Board, no matter relating to his resignation that needed to be brought to the attention of the shareholders of the Company and no claim to the Company for his resignation.

Regular Board meetings are scheduled in advance to give all Directors an opportunity to attend. All Directors are kept informed on a timely basis of major changes that may affect the Group's businesses, including relevant rules and regulations. Directors shall have full access to information on the Group and are able to obtain independent professional advice whenever deemed necessary by the Directors. No request was made by any Director for such independent professional advice in 2006. The Company Secretary shall prepare minutes and keep records of matters discussed and decisions resolved at all Board meetings, which will be available for inspection by Directors upon request.

c) Meeting Records

There were fourteen Board meetings held for the year ended 31 December 2006, two of which was held prior to the completion of Restructuring Proposal on 20 September 2006. There is a change of majority Board members upon the completion of Restructuring Proposal on 20 September 2006.

Corporate Governance Report

The following was an attendance record of the Board Meetings held by the Board during the year:

Board Members	Attendance at meetings held from 1 January 2006 to before 20 September 2006	Attendance at meetings held from 20 September 2006 to 20 September 2006
Mr. Wu Shaozhang ²		2/2
Mr. Wong Kwok Wing ²		1/2
Mr. Tse On Kin ²		2/2
Mr. Yuen Chung Yan, John ²		0/2
Mr. Chen Weixiong ²		1/2
Mr. Lee Shue Shing		1/2
Mr. Wu Xioake		1/2
Mr. Poon Kwok Shin Edmond		2/2

Board Members	Attendance at meetings held from 20 September 2006 to after 20 September 2006	Attendance at meetings held from 20 September 2006 to 31 December 2006
Mr. Wong Chi Wing Joseph ¹		12/12
Mr. Cheng Hairong ¹		12/12
Mr. Chu Kwok Chi Robert ¹		12/12
Mr. Leung Hon Chuen ³		10/12
Mr. Poon Kwok Shin Edmond		12/12
Mr. Lee Shue Shing ⁴		0/12
Mr. Xu Mingshe ³		10/12
Mr. Wu Xioake		8/12

Note:

- 1 appointed on 20 September 2006
- 2 resigned on 20 September 2006
- 3 appointed on 4 October 4, 2006
- 4 resigned on 4 October 4, 2006

d) Independent Non-executive Directors

All independent non-executive Directors are financially independent from the Company and any of its subsidiaries.

Each of the independent non-executive Directors has given a written confirmation to the Company confirming that he has met the criteria set out in Rule 3.13 of the Listing Rules regarding the guidelines for the assessment of independence of directors.

e) Chairman and Chief Executive Officer

The chairman's responsibility is to provide leadership to the Board and formulate the Group's business strategies. The Chief Executive Officer is responsible for the day-to-day operation of the Company and implementation of the development strategy adopted by the Board. Mr. Wong Chi Wing Joseph is the chairman and Chief Executive Officer of the Company. The Company recognizes the importance of segregating the duties of the Chairman and the Chief Executive Officer and when a capable executive is identified, he will be invited to take up either one role in the forthcoming year.

f) Accountability and Audit

The Directors are responsible for preparing the accounts of each financial period, which give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. The Directors also ensure that the financial statements of the Group are prepared in accordance with the statutory requirements and applicable accounting policies.

Due to the fact that the Company was under provisional liquidation prior to 20 September 2006 and Company lost control of a number of principal subsidiaries, the results of the principal subsidiaries have not been consolidated into the Group accounts. Accordingly, the auditors' report has been substantially qualified in this respect. Upon the completion of the Restructuring Proposal on 20 September 2006, all the uncertain issues have been cleared up and the Group's state of affairs are back in the control of the Directors.

Corporate Governance Report

In preparing the financial statements, the Directors consider that the financial statements of the Group are prepared on a going concern basis and appropriate accounting policies have been consistently applied. The Directors have also made judgments and estimates that are prudent and reasonable in the preparation of the financial statements.

The statement of the auditors of the Company about their reporting responsibilities on the financial statements is set out in the independent auditor's report on page 33.

g) Internal Control and Risk Management

The Board is responsible for the Group's system of internal control so as to maintain sound and effective controls to safeguard the shareholders' investment and the assets of the Group.

The Board has established an on-going process for identifying, evaluating and managing the significant risks faced by the Group. This process includes continuous updating of the internal control system of the Group in response to the changing business environment and regulatory requirements. The Board is also conducting a review of the internal controls of the Group to ensure that the policies and procedures in place are adequate.

BOARD COMMITTEES

The Board has also established the following committees with defined terms of reference:-

1. Audit Committee
2. Remuneration Committee
3. Nomination Committee

Each Board Committee makes decision on matters within its term of reference and applicable limit of authority. The terms of reference as well as the structure and membership of each committee will be reviewed from time to time.

1) Audit Committee

- a) Composition of audit committee members

Mr. Poon Kwok Shin Edmond (*Chairman*)

Mr. Leung Hon Chuen

(appointed on 4 October 2006)

Mr. Xu Mingshe

(appointed on 4 October 2006)

Mr. Lee Shue Shing

(resigned on 4 October 2006)

Mr. Wu Xiaoke (resigned on 4 October 2006)

- b) Role and function

The audit committee is mainly responsible for:

- i. to review the financial statements and reports and consider any significant or unusual items raised by the qualified accountant or external auditors before submission to the Board.
- ii. to review the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendation to the Board on the appointment, re-appointment and removal of external auditors.
- iii. to review the adequacy and effectiveness of the Company's financial reporting system, internal control and risk management system and associated procedures.

Corporate Governance Report

c) Meeting records

Two meetings were held for the year ended 31 December 2006 and the attendance of each committee member is set out as follows:

Committee Members	Attendance at meetings held for the year ended 31 December 2006
Mr. Poon Kwok Shin Edmond	2/2
Mr. Lee Shue Shing ²	1/2
Mr. Wu Xiaoke ²	1/2
Mr. Leung Hon Chuen ¹	1/2
Mr. Xu Mingshe ¹	1/2

Note:

1 appointed on 4 October 4, 2006

2 resigned on 4 October 4, 2006

During the meeting, the audit committee discussed with the following matters:-

i. Financial Reporting

The audit committee reviewed with the Chief Executive Officer, the Company Secretary and the Financial Controller of the Company the interim results.

ii. External Auditors

The audit committee reviewed the audit fee for the year ended 31 December 2005 and recommended to the Board.

2) Remuneration Committee

The Company established the remuneration committee on 4 October 2006.

a) Composition of remuneration committee members

Mr. Leung Hon Chuen (*Chairman*)
Mr. Poon Kwok Shin Edmond
Mr. Xu Mingshe

b) Role and function

The remuneration committee is mainly responsible for:

- i. reviewing any significant changes in human resources policies and structure made in line with the prevailing trend and business development.
- ii. making recommendations to the Board on the Company's policy and structure of all remuneration of Directors and senior management and on the establishment of a formal and transparent procedures for developing policy on such remuneration;
- iii. reviewing and approve the compensation payable to executive Directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the Company; and
- iv. ensuring that no Director or any of his associates is involved in deciding his own remuneration.

Corporate Governance Report

c) Meeting Record

One meeting was held for the year ended 31 December 2006 and the attendance of each committee member is set out as follows:

Committee Members	Attendance at meetings held for the year ended	
	31 December 2006	
Mr. Leung Hon Chuen	1/1	
Mr. Poon Kwok Shin Edmond	1/1	
Mr. Xu Mingshe	1/1	

During the year under review, the remuneration committee reviewed the policies for the remuneration of Directors and senior management of the Group, staff costs and headcount of the Group.

3) Nomination Committee

The Company established the nomination committee on 4 October 2006.

a) Composition of nomination committee members

Mr. Wong Chi Wing Joseph (*Chairman*)
 Mr. Leung Hon Chuen
 Mr. Poon Kwok Shin Edmond
 Mr. Xu Mingshe
 Mr. Wu Xiaoke

b) Role and function

The nomination committee is mainly responsible for:

- i. review the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and make recommendations to the Board regarding any proposed changes;
- ii. identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of, individuals nominated for Directorships;
- iii. assess the independence of independent non-executive Directors; and
- iv. make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors in particular the chairman and the Chief Executive Officer.

Corporate Governance Report

c) Meeting Records

One meeting was held for the year ended 31 December 2006 and the attendance of each committee member is set out as follows:

Committee Members	Attendance at meetings held for the year ended	
	31 December 2006	
Mr. Wong Chi Wing Joseph (<i>Chairman</i>)	1/1	
Mr. Leung Hon Chuen	1/1	
Mr. Poon Kwok Shin Edmond	1/1	
Mr. Xu Mingshe	1/1	
Mr. Wu Xiaoke	1/1	

During the meeting, the nomination committee discussed for the need of segregating the duties of the Chairman and the Chief Executive Officer and unanimously agreed to identify a high caliber executive, who would be considered for an invitation in the next committee meeting, to take up either one role in the forthcoming year.

EXTERNAL AUDITORS

It is the auditors' responsibility to form an independent opinion, based on their audit, on those financial statements and to report their opinion solely to the Company, as a body, in accordance with section 141 of the Companies Ordinance, and for no other purpose. They do not assume responsibility towards or accept liability to any other person for the contents of the auditors' report.

During the year, the remuneration paid to the Company's auditors, Messrs Ting Ho Kwan & Chan was as follows:

Services rendered	Fee paid/payable HK\$'000
Audit services	250
Non-audit services	80
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COMMUNICATIONS WITH SHAREHOLDERS

In respect of each substantially separate issue at a general meeting, a separate resolution is proposed by the chairman of that meeting.

The Company did not hold any Annual General Meetings in the year 2003 to 2006 during the period under provisional liquidation. The Company will hold all the outstanding annual general meeting after the 2006 annual results announcement and the chairman and the relevant committee chairman or member will attend the meeting to answer the questions of the shareholders.

VOTING BY POLL

The Company informs the shareholders (in its circulars convening a general meeting) the procedures for voting by poll and the rights of shareholders to demand a poll to ensure compliance with the requirements on the poll voting procedures. In accordance with Bye-Law 70 of the Company, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands, unless a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded:-

- (i) by the chairman of the meeting; or
- (ii) by at least three members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy for the time being entitled to vote at the meeting, or
- (iii) by any member or members present in person (or, in case of a member being a corporation, by its duly authorised representative) or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or

Corporate Governance Report

- (iv) by any member or members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

The Company should count all proxy votes, and except where a poll is required, the chairman of a meeting should indicate to the meeting the level of proxies lodged on each resolution, and the balance for and against the resolution, after it has been dealt with on a show of hand. The Company should ensure that votes cast are properly counted and recorded.

The chairman of a meeting should at the commencement of the meeting ensure that an explanation is provided of:

- (i) the procedure for demanding a poll by shareholders before putting a resolution to the vote on a show of hands; and
- (ii) the detailed procedures for conducting a poll and then answer any questions from shareholders whenever voting by way of a poll is required.