

## 1. Corporate Governance Practice

During the reporting period, the Company further regulated, improved its corporate governance, revised the Articles of Association and completed the share reform in strict compliance with the Company Law of the People's Republic of China, the Securities Law as well as domestic and overseas regulations and provisions including Certain Rules regarding Strengthening Protection of the Interests of the Public Shareholders, Opinion on Improvement of Listed Companies' Quality, Governing Principles of Listing Companies, the Guiding Opinion of the State-owned Assets Supervision and Administration Commission of the State Council in respect of the Share Reform of State-Controlled Listed Companies, Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Listing Rules, the Modal Code for Securities Transactions by Directors of Listed Issuers (the "Modal Code") as set out in Appendix 10 to the Listing Rules. The Company believes that sound corporate governance principles, increased transparency and independency of corporate operation, and an effective shareholder communication mechanism will promote the healthy growth of the Company and increase the shareholder value.

Save as disclosed below, the Company complied with the Code set out in Appendix 14 to the Listing Rules in 2006. The following text sets out the corporate governance practices adopted by the Company.

### (1) Shareholders and General Meeting

The Company is committed to ensuring that all shareholders, especially minority shareholders, are ranked *pari passu* with each other and their rights and obligations are fully performed. Meanwhile it ensures shareholders' rights to know and participate in the Company's significant events as defined in relevant laws, regulations and the Articles of Association.

The convening, holding, consideration and voting procedures of the Company's shareholders' meetings were in strict compliance with relevant regulatory provisions of the place where the Company's shares are listed as well as the requirements in the Articles of Association of the Company. All shareholders' meetings were witnessed by the PRC lawyers with the representative from auditors as the scrutineer.

During the reporting period, the respective former chairman of the Board and chairman of the independent Audit Committee failed to attend the Annual General Meeting in person due to urgent official business, but other Directors of the Board attended the meeting. The Company believed that the members of the Board and the Supervisory Committee attending the General Meeting were capable of responding to problems raised at the meeting.

Details of the general meeting during the reporting period are set out in the section "General Meetings" in this annual report.

### (2) Relationship Between the Controlling Shareholder and the Company

JCC, being the controlling shareholder of the Company, performs its rights and obligations under the laws. The business between the Company and its controlling shareholder is carried out in a market and commercial principle and follows the approval procedures for connected transactions. The controlling shareholder does not override the power of the shareholders' meeting to interfere directly or indirectly in the operating activities of the Company. The Company is independent of its controlling shareholder in terms of assets, organisation, finance and staff. The Board, the Supervisory Committee and the internal functions of the Company operate independently. Details of the transitions between the controlling shareholder and the Company are set out in Note 47 to the Financial Report prepared under the PRC accounting standards.

### (3) Directors and the Board

The Board of the Company is mainly responsible for devising the Company's overall strategies including the development strategies, management structure, investment and financing, budget, financial control and human resources, as well as monitoring the operation of the Company. It also takes the responsibility for regulating the Company's operations and information disclosure under the listing rules of the place where its shares are listed or other stipulations and regulations, and evaluating the Company's financial results. The Chairman and the General Manager of the Company are two different positions. During the reporting period, Mr. He Changming serves as Chairman while Mr. Li Yihuang assumes the position as General Manager. The Chairman leads and supervises the operation of the Board and effectively plans Board meetings to ensure that the Board acts in the best interests of the Company. Led by the Chairman, the Board has adopted sound corporate governance and procedures and taken adequate measures for efficient communication with shareholders. Under the support and cooperation of the Board and other senior management members, the General Manager is responsible for the day-to-day operation and management of the Company, implementation of the Board's decisions and making daily management decisions. Mr. Li Yihuang has been appointed the Chairman on 24 January 2007. The power and duties of the Board, Chairman and General Manager of the Company are set out in the Articles of Association.

The Board of the Company comprises 11 directors, including 2 external executive directors, 4 independent non-executive directors and 5 executive directors appointed by the de facto controller. Members of the Board have different industrial background and professional knowledge in financial management, accounting, law, mining and metallurgy. For details of the composition of the Board and name list and profile of the members of the Board, please refer to "Directors, Supervisors and Senior Management" of the annual report.

During the reporting period, the third Board of the Company expired and the current Board is the fourth session of the Board of the Company. The Directors' term of office commenced from 15 June 2006 and will expire upon the convening of the 2008 annual general meeting.

Currently, the Company has 4 independent non-executive directors. Among them, Ms. Zhang Rui is the chief professor, a tutor of PhD Programme and the Director of School of Accounting of Jiangxi Financial University. The Board considers that, Ms. Zhang, with his educational background and experience, is in compliance with the requirement set out in Rule 3.10(2) of the Listing Rules that at least one of the independent non-executive directors shall have appropriate expertise in accounting or relating financial management.

Pursuant to relevant provision in the Articles of Association of the Company, the term of office of the Chairman and other directors (including non-executive directors) is three years commencing from the date of their appointment or re-election and they are eligible for re-election and re-appointment.

The Company has established the following special committees under the Board:

#### (a) Audit Committee

The Company established an independent Audit Committee in August 1998. The independent Audit Committee comprises 4 independent Directors of the Company and is chaired by Ms. Zhang Rui. The amended term of reference of the independent Audit Committee of the Company principally covers review and monitoring of the performance and procedures of financial reporting, review of healthiness and effectiveness of internal control system of the Company, consideration of engagement of independent auditors and related coordination, and review of efficiency and performance of related works.

During the reporting period, the main activities of the independent Audit Committee of the Company include: 1) review and monitor the annual, interim and quarterly results reports and financial statements of the Company; 2) communicate with the Company's management in response to management advice of auditors; 3) review of the Company's financial and accounting policies and practice; 4) assist the Board in making independent assessment on the effectiveness of the Company's financial reporting procedures and internal control system; 5) give opinion on significant event or remind the management of the related risks; and 6) give independent opinions on connected transactions of the Company. The Audit Committee of the Company reviewed the result announcement and annual report for the year ended 31 December 2006.

During the reporting period, the independent Audit Committee convened two meetings, each of which was attended by its members.

**(b) Remuneration Committee**

The Remuneration Committee of the Company was set up in September 2005. During the reporting period, the first meeting of the fourth Board of the Company elected the new remuneration committee which comprised 4 independent non-executive directors (including Yin Hongshan, Mr. Kang Yi, Mr. Tu Shutian and Ms. Zhang Rui) and 1 executive director (Mr. He Changming). Mr. Yin Hongshan serves as the Chairman of the Remuneration Committee. The Secretary to the Board is also the secretary for the Remuneration Committee. Responsibilities of the Remuneration Committee were set based on the recommendations set out in the Code, which mainly include: to recommend the Board in respect of the remuneration policies for the directors and senior management of the Company; to recommend the Board in respect of the remuneration policies for the non-executive directors; to determine the specific remunerations for all executive directors and senior management members, comprising non-monetary benefits, pension and compensation payment; to ensure that none of the directors or any of their respective associates determine their own remuneration; and to carry out other recommended duties set out in various governance codes.

The first meeting of the remuneration committee was held on 19 April 2006 to consider the remuneration scheme for directors (including independent non-executive directors), supervisors and the senior management for the year 2005 and to propose to the Board in this regard. All the then four independent non-executive directors and the one executive director attended the meeting.

**(c) Board meetings**

In 2006, the Board convened 8 meetings. As the Directors of the Company were often in business trips, five of the 8 meetings were held by way of written resolutions during the reporting period. The Secretary to the Board has ensured that each director, before making decisions, was fairly informed of the content of the resolutions and all other relevant documents, and was invited to give their opinion. Although the Company failed to fully comply with provision A.1.1. of the Code during the reporting period, it will hold site or conference meetings for directors in the coming year.



The following table sets out the attendance of each Director at the Board meetings during the year.

Name of Director	Times of attendance required in the year	Times of attendance in person (times of meetings held by way of written resolutions)	Times of attendance by proxy
He Changming	8	8(5)	1
Qi Huaiying	8	7(5)	1
Li Yihuang	8	8(5)	0
Wang Chiwei	8	8(5)	0
Gao Jianmin	8	8(5)	0
Liang Qing	8	6(5)	2
Wu Jinxing	8	8(5)	0
Shi Zhongliang	4	4(3)	0
Kang Yi	8	6(5)	2
Liu Xinxi	4	4(3)	2
Yin Hongshan	8	7(5)	1
Zhang Rui	4	3(2)	1
Tu Shutian	4	4(2)	0

Details of the work of the Board during the reporting period is set out in the paragraph "Daily work of the Board" in the section "Report of the Board" of this annual report.

With the constant services and notices provided by Secretary to the Board, all Directors of the Company are able to understand and comply with, on a timely basis, the relevant regulations promulgated by the PRC and overseas regulatory authorities. The election, re-election, term of office and duties of all directors and the Chairman of the Company as well as the convening, holding, procedures and voting of the Board meetings were in strict compliance with the Articles of Association.

#### (4) Supervisory Committee

The Supervisory Committee of the Company consist of 5 supervisors, including 2 representatives from the staff. The current Supervisory Committee is the fourth Supervisory Committee since the incorporation of the Company. Supervisors' term of office commences from 15 June 2006 and will expire upon the convening of the 2008 annual general meeting.

During the reporting period, the Supervisory Committee of the Company exercised its supervising power in accordance with laws, thereby safeguarding the legal interests of shareholders, the Company and its employees. For details of the work of the Supervisory Committee, please refer to "Report of the Supervisory Committee" set out in this annual report.

## (5) External Auditors

During the report period, the Company appointed Deloitte Touche Tohmatsu Certified Public Accountants Ltd. and Hong Kong Deloitte Touche Tohmatsu as its PRC and international auditors respectively. In order to maintain their independence, such accounting firms will not be employed for the Company's non-audit work. There must be clear efficiencies and value-added benefits to the Company from that work being undertaken by the external auditors, with no adverse effect on independence of their audit work or the perception of such independence.

Details relating to the auditors' remuneration are set out in the paragraph heads "2. Auditors" under the section headed "VII Other Matters" of the Report of the Board of the annual report.

## (6) Director's Responsibilities in Respect of Financial Statements

Under the assistance of the accounting department, the Board is responsible for preparing the financial statements for each financial year and ensuring that, in preparing such financial statements, appropriate accounting policies are adopted and applied and the PRC accounting standards and systems and International Financial Reporting Standards are observed, to give a true and impartial view of the financial position and operating results of the Company

## (7) Internal Control

The Board takes full charge of monitoring the operation of the Company's business units. It appointed competent personnel to the boards of directors of all subsidiaries and associated companies of the Company which are engaged in operation of key business to oversee the operations of those companies by attending their board meetings. The management of each business sector shall undertake the responsibility for the operation and results of such business.

By reference to the potential risks in and the importance of various business sectors and procedures, the Company has set up an internal control system with respect to corporate governance, finance, futures, executive, investment and operation. The internal audit department of the Company audits and reviews, from time to time, the effectiveness of the internal control system. The Independent Audit Committee under the Board also constantly oversees and monitors on the Company's internal control system on a regular basis or as needed.

## (8) Financial Controller and Qualified Accountant

The financial controller of the Company is the head of the Company's financial affairs and reports to the General Manager. He takes charge of preparing financial statements under the PRC accounting standards and systems and IFRS and compliance with the disclosure requirement by the regulatory authorities of the place where the Company's shares are listed. The financial controller is also responsible for the Company's financial budget and final account, overseeing the implementation of the budgets and business plans of the Company for each financial year, working with the Board to formulate relevant internal control systems for the Company and delivering his advice from time to time in this regard.

In accordance with Rule 3.24 of the Listing Rules on appointment of qualified accountants to serve as a company's senior management personnel, as at the end of the reporting period, the Company did not reach practicable and appropriate employment terms with relevant persons. Currently, the Company is seeking such a proper person to assume the position.



## (9) Information Disclosure and Investor Relations

The Company Secretary is assigned to be responsible for the Company's information disclosure and receipt of visits and enquires by investors. For the reporting period, the Company has designated, Shanghai Securities News, Hong Kong Economic Times and The Standard for publishing its domestic and overseas information.

## (10) Other Interested Parties

While providing the shareholders with a sound return and communication mechanism, the Company is devoted to delivering satisfactory services to customers and suppliers and securing development opportunity for its employees. The Company fully respects and safeguards the legal interests of relevant interested parties to coordinate and balance the interests of shareholders, employees and the society for their joint efforts to promote sustainable and healthy development of the Company.

## (11) Securities Transactions by Directors and Supervisors

During the reporting period, the Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules and formulated written guide for transactions of the Company's securities by its directors, supervisors and relevant employees. Having made special enquiries to all directors and supervisors, the Company confirms that none of directors and supervisors of the Company has engaged in any transaction of the Company's securities during the reporting period.

## (12) Independence of Independent Non-executive Directors

The Board has received the confirmation letters made by all independent non-executive directors on their independence in accordance with Rule 3.13 of the Listing Rules of the Stock Exchange. The Company considers that all current independent non-executive directors are independent persons.

## (13) Performance of Duties of Independent Non-executive Directors

The four independent non-executive directors of the Company diligently and actively performed their duties as independent directors, thereby safeguarding the interests of the Company as a whole and its minority shareholders. During the reporting period, the independent non-executive directors issued their independent opinion and statement on the Company's election of directors, connected transactions, guarantees and appropriation of fund by substantial shareholders.

During the reporting period, no objections were made by the Company's independent non-executive directors to relevant matters of the Company.

## (14) Independence of the Company from its Controlling Shareholder in Terms of Business, Personnel, Assets, Organization and Finance

### 1) Business:

The Company is able to operate mining, milling and smelting businesses independently with independent operation systems of supply and purchase, sale, financial management and auditing.

### 2) Personnel:

Except that the Chairman of the Company assumed by the legal representative and general manager of its holding company, other senior management members did not hold any position in any members of the controlling shareholder and the directors, supervisions and senior management of the Company were paid by the Company. The personnel and remuneration management of the Company are fully independent.

### 3) Assets:

The Company owns principal assets of Dexing Copper Mine, Yongping Copper Mine, Wushan Copper Mine and Guixi Smelter, including a complete production line from mining, milling to smelting, which enable the Company to operate mining, milling and smelting independently. The Company has an independent and complete production process. The assets of the Company are completely independent.

### 4) Organization:

The Company has an independent and well-built organization structure and a corporate governance structure. All departments carry out their operations independently.

### 5) Finance:

The Company has its own independent financial institute and accounting system. A series of accounting regulations and financial management regulations was set up. The Company maintained independent account at the bank and paid tax independently. The Company made independent financial decisions in accordance with Articles of Association of the Company and relevant regulations. JCC did not intervene in the Company's use of funds.