Xingye Copper International Group Limited
興業銅業國際集團有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code : 0505

Annual Report **2007**

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. HU Changyuan *(Chairman)*
Mr. CHEN Jianhua
(Deputy Chairman and General Manager)
Mr. WANG Jianli
Mr. MA Wanjun

Independent Non-Executive Directors

Mr. CUI Ming
Mr. XIE Shuisheng
Ms. LI Li

Audit Committee

Ms LI Li *(Chairman)*
Mr. CUI Ming
Mr. XIE Shuisheng

Remuneration Committee

Mr. CUI Ming *(Chairman)*
Ms. LI Li
Mr. WANG Jianli

Nomination Committee

Mr. XIE Shuisheng *(Chairman)*
Mr. CUI Ming
Mr. CHEN Jianhua

CHIEF FINANCIAL OFFICER AND COMPANY SECRETARY

Mr. CHAN Chung Kik, Lewis

AUTHORISED REPRESENTATIVES

Mr. WANG Jianli
Mr. CHAN Chung Kik, Lewis

PRINCIPAL LEGAL ADVISORS

Hong Kong

DLA Piper Hong Kong
Woo, Kwan, Lee & Lo

Cayman Islands

Conyers Dill & Pearman, Cayman

AUDITORS

KPMG, *Certified Public Accountants*

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS

Hong Kong

41st Floor
Bank of China Tower
1 Garden Road
Central, Hong Kong

PRC

Nos. 2-9, Jin Xi Road
Hangzhou Bay Development Zone
Cixi City
Ningbo City, Zhejiang Province
315336, PRC

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 705
Grand Cayman KY1-1107
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
26/F, Tesbury Centre
28 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Agricultural Bank of China
China Construction Bank

PUBLIC RELATIONS CONSULTANT

Porda International (Finance)
PR Co., Ltd.

COMPLIANCE ADVISER

Quam Capital Limited

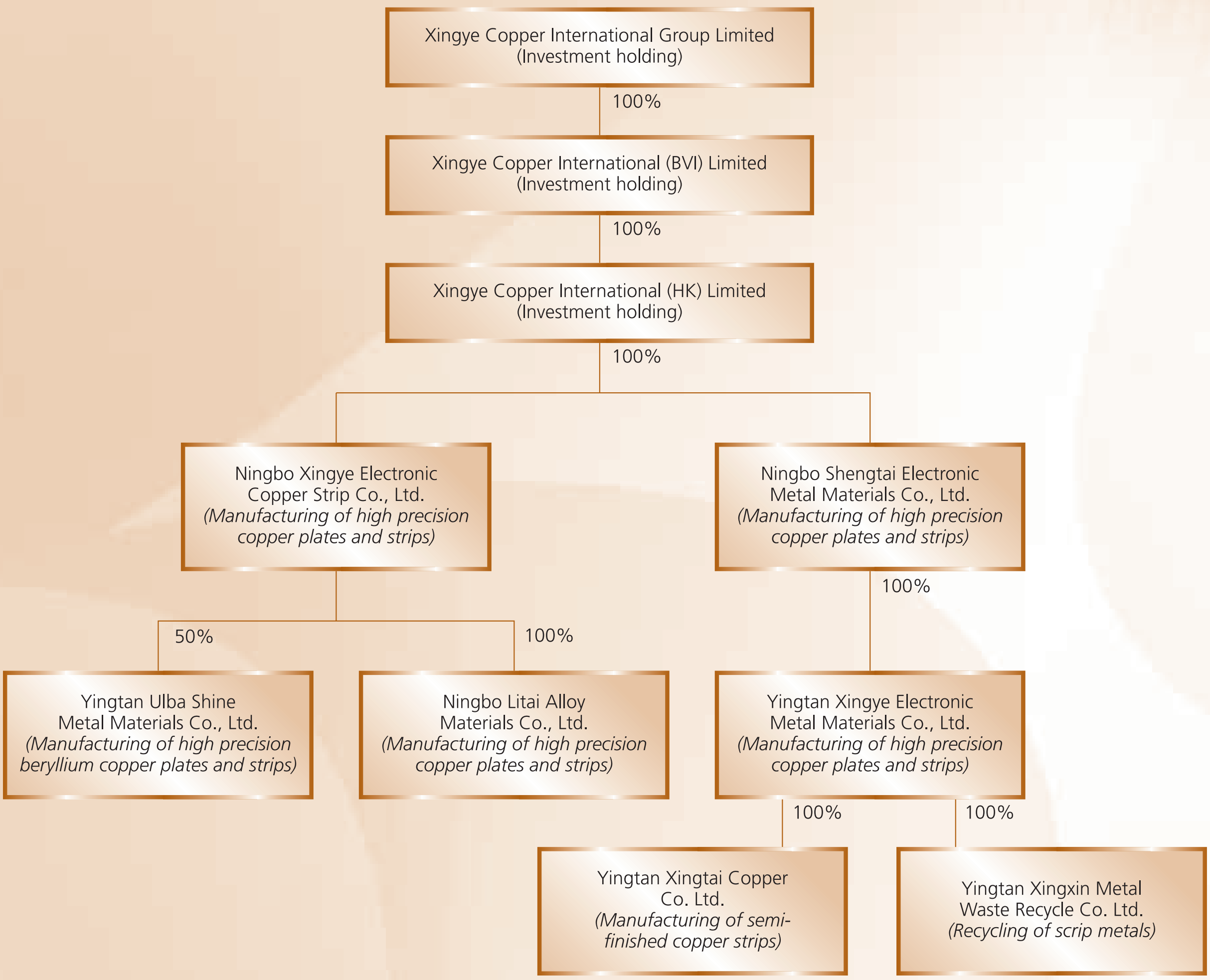
COMPANY WEBSITE

www.xingyecopper.com

STOCK CODE

505

Corporate Structure



Four Year Financial Summary

RESULTS

	2007 RMB'000	2006 RMB'000	2005 RMB'000	2004 RMB'000
Turnover	**2,096,133**	1,512,430	641,164	468,607
Gross profit	**217,330**	183,399	82,690	73,153
Result from operating activities	**196,806**	135,677	74,082	55,852
Profit attributable to equity holders of the Company	**150,845**	106,696	48,437	32,588

EARNINGS PER SHARE

	2007	2006	2005	2004
Basic earnings per share *(RMB)*	**0.33**	0.24	0.11	0.07
Diluted earnings per share *(RMB)*	**0.33**	N/A	N/A	N/A

ASSETS, LIABILITIES AND EQUITY

	2007 RMB'000	2006 RMB'000	2005 RMB'000	2004 RMB'000
Non-current assets	**492,782**	491,054	495,862	428,446
Current assets	**826,321**	547,724	330,208	214,819
Total assets	**1,319,103**	1,038,778	826,070	643,265
Current liabilities	**669,109**	695,421	483,047	256,266
Non-current liabilities	**112,013**	10,783	31,766	62,014
Total liabilities	**781,122**	706,204	514,813	318,280
Net current assets/(liabilities)	**157,212**	(147,697)	(152,839)	(41,447)
Total assets less current liabilities	**649,994**	343,357	343,023	386,999
Capital and reserves attributable to equity holders of the Company	**537,981**	332,074	311,257	303,575
Minority interests	**–**	500	–	21,410

Four Year Financial Summary

FINANCIAL RATIOS AND OTHER FINANCIAL INFORMATION

	2007	2006	2005	2004
EBITDA *(RMB'000)*	**226,346**	165,165	99,063	67,606
Profitability ratios:				
Gross profit margin[1] (%)	**10.4%**	12.1%	12.9%	15.6%
Operating profit margin[2] (%)	**9.4%**	9.0%	11.6%	11.9%
Net profit margin[3] (%)	**7.2%**	7.1%	7.6%	7.0%
EBITDA margin[4] (%)	**10.8%**	10.9%	15.5%	14.4%
Rate of return on equity[5] (%)	**28.0%**	32.1%	15.6%	10.7%
Liquidity ratios:				
Current ratio[6] (times)	**1.2**	0.8	0.7	0.8
Quick ratio[7] (times)	**0.8**	0.4	0.5	0.5
Inventory turnover[8] (days)	**34**	35	46	53
Trade receivable turnover[9] (days)	**26**	15	24	25
Trade payable turnover[10] (days)	**15**	17	19	17
Capital adequacy ratios:				
Gearing ratio[11] (%)	**47.8%**	51.2%	50.8%	39.1%
Net borrowings to equity[12] (%)	**71.2%**	109.9%	88.2%	72.1%
Interest coverage ratio[13] (times)	**6.2**	8.6	7.0	8.9

Notes:

(1) Gross profit margin is equal to gross profit divided by turnover times 100%.

(2) Operating profit margin is equal to operating profit divided by turnover times 100%.

(3) Net profit margin is equal to profit attributable to equity holders of the Company divided by turnover times 100%.

(4) EBITDA margin is equal to EBITDA divided by turnover times 100%.

(5) Rate of return on equity is equal to profit attributable to equity holders of the Company divided by capital and reserves attributable to equity holders of the Company times 100%.

(6) Current ratio is equal to current assets divided by current liabilities.

(7) Quick ratio is equal to current assets net of inventories divided by current liabilities.

(8) Inventory turnover is equal to the average of the beginning and ending inventory volume for the year divided by the sales volume times 365 days.

(9) Trade receivable turnover is equal to the average of the beginning and ending trade and bills receivables for the year divided by turnover times 365 days.

(10) Trade payable turnover is equal to the average of the beginning and ending trade and bills payables for the year divided by cost of sales times 365 days.

(11) Gearing ratio is equal to total borrowings divided by total assets times 100%.

(12) Net borrowings to equity ratio is equal to total borrowings net of cash and cash equivalents and pledged deposits divided by equity attributable to the equity holders of the Company times 100%.

(13) Interest coverage is equal to EBITDA divided by interest expenses.

Chairman's Statement

To Shareholders,

On behalf of the Board of Directors (the "Board"), I am pleased to present the first annual report of Xingye Copper International Group Limited (the "Company") and its subsidiaries (the "Group") for the year ended 31 December 2007 since our successful listing on the main board of the Stock Exchange on 27 December 2007.

On 27 December 2007, the Group successfully listed on the Stock Exchange (the "Listing") and allotted and issued 150,000,000 Shares pursuant to the global offering. On 11 January 2008, the over-allotment option was exercised and pursuant to which, 22,500,000 Shares were allotted and issued. Taking into account the exercise of the overallotment option, the net proceeds raised from the Listing amounted to approximately RMB221.0 million. The overwhelming market response to our global offering reflected market confidence in the solid business fundamentals of the Group. The success of our Listing marked a new milestone and granted the Group an access to the international capital markets. As a result, we now have the financial agility to capture additional growth opportunities in the copper semi-manufacturing industry.

During the year under review, the Group harvested encouraging results with substantial growth in both revenues and profit compared with the prior year. Our revenue surged 38.6% to exceed RMB2,096.1 million. The profit attributable to equity holders of the Company grew by 41.4% to RMB150.8 million. Earnings per share amounted to RMB0.33, representing an increase of 37.5% as compared to the prior year.

In 2007, the Group maintained its position as the leading producer of high precision copper plates and strips in the PRC with four different high precision product lines: tin phosphorous bronze plates and strips, brass plates and strips, lead frame strips and nickel silver plates and strips. According to the 2008 Issue 4 of Copper Manufacture Studies published by Beijing Antaike Information Development Co., Ltd, the Group is the largest producer of high precision tin phosphorous bronze plates and strips, high precision lead frame strips and high precision nickel silver plates and strips in terms of production volume in the PRC in 2007.

In 2007, the Group's "Three Ring" " " trademark was awarded the title of "China's Top Brand" and "China's well-known Trademark". These awards evidence the strong recognition of our brand and trademark among the public and provide customers with an assurance of quality of our products, and as a result our products are widely used in a variety of electronic appliances, telecommunication equipment, automobile components, and electricity transmission devices and transformers.

In 2007, notwithstanding the impact by macro control and structural adjustment, the development of China's copper semi-manufacturing industry was favoured by the continuously stable growing domestic economy. The domestic copper consumption is still active since China remained as the largest copper consumer in the world where the domestic copper consumption required a large amount of copper importation. Being of one of the leading manufacturers of higher copper plates and strips in PRC, the Group is able to take full advantage of our stable growth business model with a competitive cost structure to continuously gain share in the global copper plates and strips market. Our comprehensive product portfolio enabled us to further broaden our customer base and enter new markets.

Chairman's Statement

For 2007, in China, domestic consumption of copper plates and strips exceeded domestic production by 205,000 tonnes and the net import of copper plates and strips was 205,000 tonnes. Whilst the growth in the electronic appliance, telecommunications and automobile industries in China is expected to lead to a strong demand in high precision copper plates and strips. On such basis, we believe the development of high precision copper plates and strips market is significant and we expect the demands for high precision copper plates and strips in China generally, and for each of our category of products, will remain strong for the next few years.

Our remarkable operating performance has put the Group in an excellent position to invest in future earnings growth. The Group will continue to focus on our core strategies to expand market share while preserving competitive cost structure with our winning stable business model.

In light of this, the Company will be focusing on the following aspects: (i) to enhance production capacity; (ii) to expand product portfolio; (iii) to strengthen and expand market position in PRC; (iv) to reinforce our research and development capabilities for purpose to improve our production process; (v) to improve the product quality and environmental management system; and (vi) to explore acquisition opportunities.

On behalf of the Board, I would like to take this opportunity to express my sincere gratitude to the shareholders, local governments, our customers, suppliers and banks for their unreserved support, and our management team and staff for their dedication, loyalty and contribution during the year.

Hu Changyuan
Chairman

Hong Kong, 17 April 2008

Management Discussion and Analysis

BUSINESS REVIEW

On 27 December 2007, the Company successfully listed on the Main Board the Stock Exchange and allotted and issued 150,000,000 Shares pursuant to the global offering. On 11 January 2008, the over-allotment option was exercised and pursuant to which, 22,500,000 Shares were allotted and issued. Taking into account the exercise of the overallotment option, the net proceeds raised from the Listing amounted to approximately RMB221.0 million. The overwhelming market response to our global offering reflected market confidence in the solid business fundamentals of the Group. The success of our Listing marked a new milestone and granted the Group an access to the international capital markets. As a result, we now have the financial agility to capture additional growth opportunities in the copper semi-manufacturing industry.

Industry position

The Group's products are widely used as core and functional materials in the production of electronic appliances, telecommunications equipment, parts and components of automobiles, household appliances, construction and decoration materials and accessory devices. Driven by the continuous and steady growth of the economy, consumption of copper plates and strips continued to exceed its supply and China's net import of copper plates and strips amounted 205,000 tonnes in 2007.

The table below shows a comparison between China's production and consumption of the copper plates and strips for each of the periods indicated:

	2007	2006
	Tonnes	*Tonnes*
Production	**945,000**	882,000
Consumption	**1,150,000**	1,102,000

Source: 2008 Issue 4 of Copper Manufacture Studies, a PRC copper manufacture industry report published by Beijing Antaike Information Development Co., Ltd., which is an information provider for the mining and metals industries in the PRC and the rest of the world, being 51% owned by the Information Center of China National Nonferrous Metals Industry (also known as Nonferrous Metals Techno-Economic Research Institute).

Management Discussion and Analysis

The table below shows China’s imports, exports and net imports of the copper plates and strips for each of the periods indicated:

	2007	2006
	Tonnes	*Tonnes*
Import	**244,000**	270,000
Export	**39,000**	50,000
Net import	**205,000**	220,000

Source: 2008 Issue 2 of Copper Manufacture Studies, a PRC copper manufacture industry report published by Beijing Antaike Information Development Co., Ltd., which is an information provider for the mining and metals industries in the PRC and the rest of the world, being 51% owned by the Information Center of China National Nonferrous Metals Industry (also known as Nonferrous Metals Techno-Economic Research Institute).

In 2007, the Group maintained its position as the leading producer of high precision copper plates and strips in the PRC with four different high precision product lines, namely: tin phosphorous bronze plates and strips, brass plates and strips, lead frame strips and nickel silver plates and strips. According to the 2008 Issue 4 of Copper Manufacture Studies published by Beijing Antaike Information Development Co., Ltd, the Group is the largest producer of high precision tin phosphorous bronze plates and strips, high precision lead frame strips and high precision nickel silver plates and strips in terms of production volume in the PRC in 2007.

In 2007, the Group’s “Three Ring” “” trademark was awarded the titles of “China’s Top Brand” and “China’s well-known Trademark”. These awards evidence the strong recognition of our brand and trademark among the public and provide customers with an assurance of quality of our products, and as a result our products are widely used in a variety of electronic appliances, telecommunication equipment, automobile components, and electricity transmission devices and transformers.

Fluctuation of copper price

The major raw materials used in the manufacture of copper plates and strips include cathode copper and alloy trimming materials which can be purchased from both domestic and overseas markets. The trend of the domestic price of copper is basically in line with international market. In 2007, the continuous growth of the world economy and the weakening of US dollar have sustained the bullish metal commodities market.

Management Discussion and Analysis

The table below shows average cathode copper prices for each of the periods indicated:

	LME monthly copper spots *(US$/ton)*	LME three-month copper futures *(US$/ton)*	SHFE monthly copper futures *(RMB/ton)*	SHFE three-month copper futures *(RMB/ton)*
2006	6,721	6,637	62,170	61,617
2007	**7,117**	**7,087**	**62,211**	**62,056**

Source: 2008 Issue 2 of Copper Manufacture Studies, a PRC copper manufacture industry report published by Beijing Antaike Information Development Co., Ltd., which is an information provider for the mining and metals industries in the PRC and the rest of the world, being 51% owned by the Information Center of China National Nonferrous Metals Industry (also known as Nonferrous Metals Techno-Economic Research Institute).

BUSINESS STRATEGY

The Group aims to strengthen our market position in the PRC and globally. The Group is able to increase its operational efficiency and performance primarily through leading market position, economies of scale, technologically advanced equipment, competitive cost structure, wide range of products and long-term relationships with leading brands customers. In 2007, the Group continued to seek sustainable business growth and increase our shareholders' value. To achieve this, the Group focused on the implementation of the following strategies:

Expand our production capacity

The Group will continue to expand its production capacity and market share so as to further strengthen its leading position in China. Its annual designed production capacity increased by 6,000 tonnes from 54,000 tonnes in 2006 to 60,000 tonnes in 2007. To further expand production capacity, the Group will apply approximately RMB128.1 million and RMB46.1 million of the net proceeds raised from the Listing to Hangzhou Bay Facility and Yingtan Facility through capital investments, respectively. In particular, the Group plans to increase the production capacity of high precision brass plates and strips so as to further increase our scale of operations and achieve higher manufacturing efficiencies in order to compete more aggressively in the market. In addition, the Group intends to increase production capacity of high precision lead frame strips, high precision tin phosphorous bronze plates and strips and high precision nickel silver plates and strips in Hangzhou Bay Facility.

Management Discussion and Analysis

Expand our product portfolio

The Group intends to expand product portfolio to include, among others, high precision beryllium copper plates and strips and red copper plates and strips in the next few years.

Currently, all of the high precision beryllium copper plates and strips consumed in the PRC are imported from the United States and Japan. To take advantage of the opportunity, our subsidiary, Xingye Electronic, entered into a joint venture agreement and a registered capital subscription agreement (collectively, the "Ulba JV Agreements") with Ulba Metallurgical Plant, an independent third party, in relation to the incorporation of Yingtan Ulba on 23 September 2007. Pursuant to Ulba JV Agreements, the total investment and registered capital of Yingtan Ulba will be US$12,000,000 and US$6,200,000, respectively. Yingtan Ulba will produce beryllium copper plates and strips on a site located in the Yingtan Industrial Zone. According to our production plan, it is expected that Yingtan Ulba will commence production of high precision beryllium copper plates and strips by the end of 2009, with an annual production capacity of 2,000 tonnes by 2011.

In addition, the Group plans to explore market opportunities in high precision red copper plates and strips. The Group plans to commence commercial production of red copper plates and strips in Hangzhou Bay Facility in the second half of 2008 with an estimated annual production capacity of 22,000 tonnes by the end of 2011.

Strengthen and expand our market position in China

The Group plans to leverage the network of our existing distributor customers and relationships with core customers to expand domestic and overseas market positions. The Group will work with distributor customers to expand their sales networks and also seek to increase the number of direct customers. One of the ways in which the Group will seek to attract new direct customers will be to offer to them longer settlement terms for payments of the purchase price, including an option to utilize a loan/guarantee arrangement with insurance companies and banks.

The Group believes that our relationships with existing customers makes us well positioned to take advantage of the increase in domestic demand for high precision copper plates and strips as the manufacturing sector grows in the China. In terms of new customers, the Group will seek to widen our distribution network to include newly developing regions, such as the Bohai Bay area and regions in Central and Western China, to capture the growth of the manufacturing industry in these areas.

Management Discussion and Analysis

Strengthen our research and development capabilities and improve our production process

The Group believes that efforts on research and development and collaboration have been critical to success. Accordingly, the Group will continue to invest in research and development and collaborations to produce more technologically advanced, higher-margin and higher value-added products such as lead frame materials for IC applications, anti-corrosive iron nickel copper plates and strips and high precision beryllium copper plates and strips.

Continue to improve our product quality and environmental management system

The Group will continue to improve the quality of our products by implementing more rigorous quality control procedures and product quality management systems (such as GB/T19001-2000 idt ISO 9001:2000), which will allow the Group to produce higher grade, and consequently, higher margin products. The Group will also operate within an environmental management system that complies with all relevant PRC laws and regulations in relation to production safety and environmental protection, which will allow the Group to avoid legal liabilities relating to environmental matters and adapt faster to more stringent regulatory requirements. In March 2007, the Group passed an inspection for clean and hygienic production environment carried out by both the Ningbo Economy Committee and the Ningbo Environmental Protection Bureau.

Explore acquisition opportunities

The industry that the Group engaged in is fragmented, and the PRC Government has encouraged consolidation in the industry. Some smaller manufacturers may be forced to close down due to their decreasing competitiveness over time. These smaller manufacturers may become the potential acquisition targets of major manufacturers. Although no specific targets has been identified as at the date of this report, as a leading manufacturer in the industry, the Group intends to selectively pursue strategic acquisition opportunities which complement or enhance current businesses with new product lines or customers.

FINANCIAL REVIEW

Revenues

For the year ended 31 December 2007, the Group achieved record revenues of RMB2,096.1 million, representing an increase of 38.6% as compare to prior year.

The increase in revenues was attributable to (i) the increase in production capacity which allowed us to increase our sales to existing customers and to expand our customer base in order to satisfy the increasing demand for our products. Sales volume increased to 51,889 tonnes for 2007 from 40,344 tonnes for previous year; (ii) the increase in the average selling price per tonne resulted from an increase in the market price for copper.

Management Discussion and Analysis

The following table sets forth sales volume in amount and as a percentage of total sales volume and revenues in amount and as a percentage of total revenues for each of products, processing service fees and other sources of revenues for each of the periods indicated:

	For the year ended 31 December							
	2007				2006			
Product/service	**Sales volume *(tonnes)***	**%**	**Revenues *(RMB'000)***	**%**	Sales volume *(tonnes)*	%	Revenues *(RMB'000)*	%
Products:								
High precision tin phosphorous bronze plates and strips	**14,331**	**27.6**	**882,984**	**42.1**	11,480	28.5	641,106	42.4
High precision brass plates and strips	**8,144**	**15.7**	**405,807**	**19.4**	6,205	15.4	295,709	19.6
High precision lead frame strips	**5,957**	**11.5**	**361,907**	**17.3**	3,968	9.8	248,653	16.4
High precision nickel silver plates and strips	**2,833**	**5.5**	**276,026**	**13.2**	2,018	5.0	160,627	10.6
Sub-total	**31,265**	**60.3**	**1,926,724**	**92.0**	23,671	58.7	1,346,095	89.0
Processing services:								
High precision tin phosphorous bronze plates and strips	**6,501**	**12.5**	**31,798**	**1.5**	6,086	15.1	39,340	2.6
High precision brass plates and strips	**7,348**	**14.2**	**29,075**	**1.4**	5,749	14.2	27,276	1.8
High precision lead frame strips	**6,325**	**12.2**	**47,510**	**2.3**	4,374	10.8	34,698	2.3
High precision nickel silver plates and strips	**450**	**0.8**	**9,893**	**0.4**	464	1.2	11,210	0.7
Sub-total	**20,624**	**39.7**	**118,276**	**5.6**	16,673	41.3	112,524	7.4
Others *(Note)*	**N/A**	**–**	**51,133**	**2.4**	N/A	–	53,811	3.6
Total	**51,889**	**100.0**	**2,096,133**	**100.0**	40,344	100.0	1,512,430	100.0

Note: Sales of copper ash, oxidized zinc and furnace waste created in the course of our production activities and immaterial amounts of high precision red copper plates and strips, which are still in market testing or development stages.

N/A = Not applicable. Various units of measurement are used for sales in this category.

Management Discussion and Analysis

The following table sets forth sales volume in amount and as a percentage of total sales volume and revenues in amount and as a percentage of total revenues by geographical location for each of the periods indicated:

	For the year ended 31 December							
	2007				2006			
Product/service	**Sales volume *(tonnes)***	**%**	**Revenues *(RMB'000)***	**%**	Sales volume *(tonnes)*	%	Revenues *(RMB'000)*	%
PRC domestic sales	**44,823**	**86.4**	**1,659,077**	**79.1**	34,063	84.4	1,153,105	76.2
Overseas sales	**7,066**	**13.6**	**437,056**	**20.9**	6,281	15.6	359,325	23.8
Total	**51,889**	**100.0**	**2,096,133**	**100.0**	40,344	100.0	1,512,430	100.0

Cost of sales

For the year ended 31 December 2007, the Group's cost of sales was approximately RMB1,878.8 million, representing an increase of approximately 41.4% from RMB1,329.0 million for the previous year, primarily as a result of the growth in volume of products sold and increase in purchase cost per tonne due to the rise in copper price.

Gross profit and gross profit margin

The Group's gross profit increased by 18.5% from RMB183.4 million in 2006 to RMB217.3 million in 2007. Gross profit margins declined from 12.1% in 2006 to 10.4% in 2007 was caused by a rise in cost of raw materials.

Other operating income

During the year, the Group's other operating income were approximately RMB20.5 million, representing an increase of approximately 213.9% from RMB6.5 million for prior year.

Such increase was mainly due to the increase in government grants of RMB12.5 million for encouragement of the Group's development in the industry. During the period under review, government grants of RMB8.6 million were received by The Group's subsidiaries located in Yingtan for encouragement of enterprises make investment in that area.

Distribution expenses

During the year, the Group's distribution expenses were approximately RMB12.0 million, representing an increase of approximately 43.7% from RMB8.3 million for prior year. Such increase was primarily attributable to the increase in volume of products sold and delivered over the year.

Management Discussion and Analysis

Administrative expenses

During the year, the Group's administrative expenses were approximately RMB25.7 million, representing a decrease of approximately 37.8% from RMB41.4 million for prior year. This decrease was primarily attributable to a decrease in staff costs as an one-off payment of RMB24.3 million as staff benefit to our employees in 2006 for their continuous support and dedicated services in previous years. Despite the one-off payment, the administrative expenses was increased by approximately RMB8.6 million, which was in line with the growth of our business over the year; and an increase in depreciation charges as a result of purchase of office equipment and no. of employees.

Other operating expenses

During the year, the Group's other operating expenses were approximately RMB3.3 million, representing a decrease of approximately 26.1% from RMB4.5 million for prior year. The decrease was mainly attributable to the reduction in the loss from hedging activities involving copper futures contracts (2007: gain RMB0.7 million, 2006: loss RMB1.0 million).

Net finance costs

During the year, the Group's net finance costs were approximately RMB33.3 million, representing an increase of approximately 65.6% from RMB20.1 million for prior year. This increase was primarily attributable to the increase in interest expenses, which was broadly in line with the increase in our average bank borrowings from RMB475.4 million for 2006 to RMB580.9 million for 2007 and interest rate. The interest rate ranging from 5.58% to 7.2% p.a in 2006 and 5.69% to 8.22% p.a in 2007.

Taxation

In 2007, the Group's effective tax rate was approximately 7.73% which is comparable to the effective tax rate of 7.66% in 2006.

Profit attributable to equity holders of the Company

For the year ended 31 December 2007, the profit attributable to equity holders of the Company was approximately RMB150.8 million, representing an increase of approximately 41.4% from RMB106.7 million for prior year.

The net profit margin for the year ended 31 December 2007 was approximately 7.2%, representing an increase of approximately 0.1% from approximately 7.1% in 2006.

Management Discussion and Analysis

LIQUIDITY AND CAPITAL RESOURCES

Cash flows

Net cash inflow/(outflow) from the followings:

	Year ended 31 December	
	2007	2006
	RMB'000	RMB'000
Net cash generated from operating activities	**38,108**	17,711
Net cash used in investing activities	**(30,457)**	(22,909)
Net cash generated from financing activities	**182,588**	21,548
Net increase in cash and cash equivalents	**190,239**	16,350
Cash and cash equivalents at 1 January	**37,688**	21,338
Cash and cash equivalents at 31 December	**227,927**	37,688

Operating activities

The Group's cash from operating activities reflects (i) profit for the year adjusted for non-cash items, such as depreciation and amortization, net finance costs and income tax expense; (ii) the effect of changes in working capital, such as increases or decreases in inventories, trade and other receivables and trade and other payables; and (iii) payment for interest and corporate income tax.

The net cash generated from operating activities increased from RMB17.7 million for 2006 to RMB38.1 million for 2007. This increase was primarily due to an increase in operating profit, which was partially offset by an increase in inventories and trade and other receivables and a decrease in trade and other payables.

Investing activities

The Group's cash inflow from investing activities primarily consists interest received. The Group's cash outflow in investing activities primarily consists of payment for purchase of property, plant and equipment and payment for lease prepayments (i.e. land use rights).

The net cash flow used in investing activities increased from RMB22.9 million for 2006 to RMB30.5 million for 2007, which was attributable primarily to increase in capital expenditure.

Financing activities

The Group's cash inflow from financing activities primarily consists of proceeds from bank borrowings, proceeds from issuance of shares and decrease in pledged deposits. The Group's cash outflow from financing activities primarily consists of repayment of bank borrowings and dividend paid to shareholders.

The net cash generated from financing activities increased from RMB21.5 million for 2006 to RMB182.6 million for 2007, attributable primarily to the raising of capital from the Company's successful listing on the Stock Exchange in December 2007.

Management Discussion and Analysis

Borrowings

As at 31 December 2007, the Group had outstanding bank loans and other borrowings of approximately RMB630.4 million, of which approximately RMB526.4 million shall be repaid within 1 year, approximately RMB100.0 million shall be repaid after 1 year but within 2 years and approximately RMB4.0 million shall be repaid over 2 years. The gearing ratio as at 31 December 2007 was 47.8% (2006: 51.2%), which is calculated by dividing the total borrowings by the total assets.

Capital expenditure

For the year ended 31 December 2007, the Group invested RMB31.3 million for the purchase of property, plant and equipment. These capital expenditures were fully financed by internal resources.

Capital commitments

As at 31 December 2007, the future capital expenditure for which the Group had authorised but not contracted for and contracted but not provided for amounted to approximately RMB221.0 million and RMB0.3 million, respectively.

Use of net proceeds from the issue of new shares

As at 31 December 2007, approximately RMB190.1 million out of the net proceeds from the Listing was placed as bank deposits and will be applied according to the section headed "Use of proceeds" of the prospectus of the Company dated 12 December 2007.

MARKET RISK

The Group exposed to various types of market risks, including fluctuation in copper prices and other commodities' price and changes in interest rates and foreign exchange rates.

Commodity price risks

The Group is exposed to fluctuations in the prices of raw materials. Cathode copper, alloy trimmings, zinc, tin, nickel and other metals are the principal raw materials used in the production of the Group's products. The Group makes such purchases at market prices. In addition, sales of all the Group's products are made at market prices, which may fluctuate and are beyond control. Therefore, fluctuations in the prices for raw materials may have an adverse effect on the results of operations.

The Group uses its futures contracts traded on the SHFE to hedge against fluctuations in copper price. For the year ended 31 December 2007, the Group recorded a gain on futures contracts of RMB0.7 million (2006: loss RMB1.0 million).

Management Discussion and Analysis

Interest rate risks

The Group does not have significant interest-bearing assets other than short-term deposits. As such, income and operating cash flows are, to a large extent, independent of changes in market interest rates. The Group's exposure to market risk for changes in interest rates related primarily to fluctuations in interest rates on bank borrowings. The Group undertakes debt obligations to support general corporate purposes, including capital expenditures and working capital needs. The Group's bank borrowings bear interest rates that are subject to adjustment by lenders in accordance with changes to the relevant regulations of the People's Bank of China ("PBOC"). Increases in the PBOC interest rate will increase the Group's financing costs. Fluctuations in interest rates will affect the cost of new debts. The Group does not enter into any interest rate swaps to hedge against exposure to interest rate risks.

Foreign exchange rate fluctuation risk

The Group's export sales and certain portion of purchase of raw materials denominated in foreign currencies, primarily U.S. dollars. Therefore, fluctuations in the exchange rate may have an impact on operating results. The Group does not enter into foreign exchange contract to hedge against exposure to foreign exchange rate risks.

For the year ended 31 December 2007, the Group recorded a foreign exchange gain of RMB2.1 million (2006: loss of RMB0.9 million).

Employees

As at 31 December 2007, the Group had 971 employees. Remuneration policies are reviewed regularly to ensure that the Group is offering competitive employment packages to employees. Compensation of the employees includes salaries, pension, medical insurance scheme and other applicable social insurance. Promotion and salary increments are assessed based on performance related basis. The Group's growth is dependent upon the skills and dedication of employees. The Group recognizes the importance of human resources in competitive industry and has devoted resources to training employees. The Group has established an annual training program for our employees so that new employees can master the basic skills required to perform their functions and existing employees can upgrade or improve their production skills.

Corporate Governance Report

The Board is committed to promote good corporate governance to safeguard the interests of the Shareholders and believe that high standards of corporate governance are essential to the success of the Company and provide a practice enhancing greater accountability and transparency and meeting the expectations of all of the Group's various stakeholders.

CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 to the Listing Rules and has taken various actions to comply with the new requirements by compiling this Corporate Governance Report as part of the Company's annual report and accounts for the year ended 31 December 2007. The current practices will be reviewed regularly to follow the latest practices in corporate governance.

COMPLIANCE WITH THE MODEL CODE SET OUT IN APPENDIX 10 TO THE LISTING RULES

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, all the Directors confirmed that they have complied with the required standard set out in the Model Code during the year ended 31 December 2007.

BOARD

Board Composition

The Board has four executive Directors namely Mr. Hu Changyuan (Chairman), Mr. Chen Jianhua (deputy Chairman and general manager), Mr. Wang Jianli and Mr. Ma Wanjun and three independent non-executive Directors namely, Mr. Cui Ming, Xie Shuisheng and Ms. Li Li. Biographical details of the Directors are set out in the section headed "Directors and Senior Management" in this Annual Report.

More than one third of the members of the Board are independent non-executive Directors, which exceeds the minimum requirement of the Listing Rules. The independent non-executive Directors appointed by the Company are in compliance with Rule 3.10 of the Listing Rules.

Pursuant to the requirement of Rule 3.13 of the Listing Rules, the Company received annual confirmation of independence from each of the three independent non-executive Directors. The Board is of the view that all independent non-executive Directors are independent within the definition of the Listing Rules.

Responsibilities of the Board

The principal duty of the Board is to ensure that the Company is properly managed in the interest of Shareholders. The Board, led by the Chairman, is responsible for giving guidance to and exercising effective checks on the management. In general, the duties of the Board are: (i) formulating the long-term strategies of the Group and supervising their implementation; (ii) reviewing and approving the business plans and financial budgets of the Group; (iii) approving the annual and interim results of the Group; (iv) reviewing and supervising the risk management and internal control of the Group; (v) ensuring a high standard of corporate governance and compliance; and (iv) overseeing the performance of the management.

Corporate Governance Report

The Board delegates on specific terms for the management to carry out defined strategies and report to the Board in respect of day to day operations. For such purposes, the Board has laid down clear terms of reference which specify those circumstances under which the management shall report to the Board and those decisions and commitments for which prior approval of the Board is required.

The Company usually convenes at least four regular board meetings a year and meets more frequently as and when required. The Company was listed on 27 December 2007. During the year ended 31 December 2007, one full board meeting was held in which all Directors attended:

Name of Directors	Number of Board meetings attended in 2007	Attendance rate
Executive Directors		
HU Changyuan	1/1	100%
CHEN Jianhua	1/1	100%
WANG Jianli	1/1	100%
MA Wanjun	1/1	100%
Independent Non-Executive Directors		
CUI Ming	1/1	100%
XIE Shuisheng	1/1	100%
LI Li	1/1	100%

Notice of at least 14 days should be given of a regular board meeting to give all Directors an opportunity to attend. All Directors are supplied with comprehensive board papers and relevant materials within a reasonable period of time before the intended meeting date (usually no less than one week before the board meeting). In respect of regular board meetings, and so far as practicable in all other cases, an agenda and accompanying board papers should be sent in full to all Directors in a timely manner and at least 3 days before the intended date of board meeting or board committee meeting.

Directors are free to express their views at the meetings of the Board. Important decisions will only be made after detailed discussion at the board meetings. Directors confirm that they have responsibility to act in the interests of the public and the Company, particularly in the interests of minority shareholders. In the event of a conflict of interests between Shareholders' interests and any other interests, Shareholder's interests shall prevail.

Directors are free to have access to the management for enquiries and to obtain further information so as to facilitate the decision-making process. Management is also invited to attend Board meetings from time to time for detailed explanation of the issues under discussion and respond to enquiries from the Directors.

Detailed minutes of meetings are compiled for board meetings or special committee meetings. Minutes of the meetings must record issues in details considered by the Directors during the meeting as well as the resolutions made, including any worries or objections put forward by the Directors.

Corporate Governance Report

Directors can provide comments for the draft minutes within a week available for all Directors or special committee members. Draft minutes will then be approved with confirmation given by the chairman of the Board or the chairman of the special committee.

Minutes of Board meetings or special committee meetings are kept by the secretary to the Board or the company secretary and are available for inspection by the Directors at all time.

All Directors are free to communicate with the secretary to the Board or the company secretary who is responsible for ensuring and advising on compliance of all procedures in connection with the Board and all applicable rules and regulations.

The Board and special committees are provided with sufficient resources for performance of duties including but not limited to hiring consultants when necessary at the expenses of the Company. Individual Director can also hire consultants for advice on any specific issues at the expenses of the Company.

All Directors can obtain from the secretary to the Board or the company secretary timely information and latest development about rules and regulations and other continual responsibilities which Directors of listed companies must observe so as to ensure that each Director is informed of his own duties and that the Company implements Board procedures consistently and complies with the legislations properly.

DIRECTORS' RESPONSIBILITIES FOR THE ACCOUNTS

The Board acknowledges its responsibilities for the preparation of the financial statements for each financial year, which give a true and fair view of the state of affairs of the Group and of the results and cash flow for that year and in compliance with relevant laws and disclosure provisions of the Listing Rules.

In preparing the financial statements for the year ended 31 December 2007, the Directors have adopted appropriate and consistent accounting policies and made prudent and reasonable judgments and estimations. The financial statements for the reporting year have been prepared on a going concern basis.

The statement of the auditors of the Company about their reporting responsibilities on the accounts of the Group is set out in the section headed "Auditors' Report" in this Annual Report.

Corporate Governance Report

DIRECTORS' APPOINTMENT, RE-ELECTION AND REMOVAL

Directors are elected or replaced by general meetings. Shareholders and the Board are entitled to nominate a candidate for directorship by written notice.

According to Clauses 87 (1) of the Articles of Association at each annual general meeting, one-third of the Directors shall retire from office by rotation provide that every Directors shall be subject to retirement at an Annual General Meeting at least once every three years. According to Clause 87(2) of the Articles of Association, all retiring Directors shall, be eligible, offer themselves for re-election at the forthcoming annual general meeting. According to Clause 86(3) of the Articles of Association, any Director appointed to fill a casual vacancy is subject to re-election at the next Annual General Meeting following their appointment. The new director shall not be taken into account in determining the number of directors who are to retire by rotation at that Annual General Meeting.

DIRECTORS' SERVICE CONTRACTS

Each of the executive directors has entered into a service contract with the Company for a period of three years commencing from 27 December 2007 until terminated in accordance with the terms of the service contract. Under the service contract, either party may terminate such contract by giving to the other not less than three month's prior notice in writing.

Each of independent non-executive directors has entered into an appointment letter with the Company for a term of three years effective from 1 December 2007 until terminated by either party by giving not less than two months prior notice in writing.

DIVISION OF RESPONSIBILITIES

The posts of Chairman and the general manager are distinct and separate. The Chairman is responsible for supervising the functions and performance of the Board, while the general manager is responsible for the management of the businesses of the Group. The current Chairman and general manager of the Company are Mr. Hu Changyuan and Mr. Chen Jianhua respectively.

The Board also comprises three independent non-executive Directors who bring in strong independent judgement, knowledge and experience. In addition, each executive Director is delegated individual responsibility to monitor and oversee operations of a specific area, and to implement strategies and policies that are set by the Board. As noted below, all members of the Audit Committee and majority members of the Remuneration Committee and Nomination Committee are independent non-executive Directors. This structure ensures a sufficient balance of power and authority as well as segregation of power exists within the Group.

Corporate Governance Report

BOARD COMMITTEE

The Board has appointed the following committees to oversee particular aspects of the Company's affairs:

Remuneration Committee

The Remuneration Committee was established on 1 December 2007, which comprise two independent non-executive Directors and one executive Director, namely Mr. Cui Ming (Chairman), Ms Li Li and Mr. Wang Jianli. Its primary objective is to ensure that the Company can recruit, retain and motivate high-calibre staff in order to reinforce the success of the Company and create value for our Shareholders. The Remuneration Committee is responsible for overseeing the determination of Directors' remuneration and benefits and establishing a formal and transparent procedure for developing policy on remuneration. The Remuneration Committee meets formally at least 2 times a year.

The Remuneration Committee is set up with written terms of reference which set out clearly its duties and authorities delegated by the Board, including the following specific duties:

– formulate the framework or Board policy for determining the remuneration of the Company's Board and senior management. The objective of such policy should ensure that members of the senior management of the Company are provided with appropriate incentives to encourage enhanced performance and are, in a fair and reasonable manner, rewarded for their individual contributions to the success of the Company;

– recommend specific remuneration packages including, where appropriate, allowances, bonuses, benefits in kind, incentive payments, and share options for each executive Director and such other members of senior management as it is designed to consider;

– recommend targets for any performance-linked pay schemes operated by the Company, taking into account remuneration and employment conditions within the industry and in comparable companies; and

– recommend to the Board the remuneration of non-executive Directors (including independent non-executive Directors) taking into account factors such as effort, time spent and responsibilities.

When recommending the remuneration package for each individual Director, the Remuneration Committee will consider his qualification and experience, specific duties and responsibilities assigned to him by the Board and the prevailing market packages available for similar position. The emolument of the directors on a named basis for the year under review is set out in note 12 to the consolidated financial statements. Review and comparison in terms of Directors' emolument package and net profits of the Group are made from time to time with comparable listed industrial companies with similar capitalisation to the Group. Considering all such factors, the Remuneration Committee would make recommendation on the remuneration package for each Director after consultation with the Chairman.

Since the Company was listed on the Stock Exchange on 27 December 2007, the Remuneration Committee had no meeting in 2007.

Corporate Governance Report

Audit Committee

The Audit Committee was established on 1 December 2007 with specific written terms of reference setting out duties, responsibilities and authorities delegated to them by the Board. The Audit Committee comprises three Independent non-executive Directors (Mr. Cui Ming, Mr. Xie Shuisheng and Ms. Li Li) and Ms Li Li has the appropriate professional accounting qualification and is the Chairman of the Audit Committee. The Audit Committee meets formally at least 2 times a year. The major duties and responsibilities of the Audit Committee include the following:

– to review the Group's annual and interim reports as well as financial reports, recommendations on management put forward by auditors and responses from the Company's management;

– to review matters related to accounting policies and accounting practices adopted by the Group;

– to assist the Board in making independent assessment of effectiveness of the Group's financial reporting procedures and internal control system;

– to advise the Board on appointment, re-appointment and removal of hired external auditors, approve remuneration and terms of appointment of external auditors and to handle any problems in relation to the auditors' resignation or dismissal of auditors;

– to review connected transactions and examine the adequacy of internal controls of the Group as part of the standard procedures.

The duties of the Audit Committee include reviewing the scope and results of the audit and its cost effectiveness and the independence and objectivity of the Company's auditor. The Audit Committee will review the independence of the Company's auditor, the resources and adequacy of the internal audit function, at least once a year. Where the auditor also supplies non-audit services to the Company, the Committee will keep the nature and extent of such services under review, seeking to balance between the maintenance of objectivity and value for money.

The Audit Committee has undertaken a review of all the non-audit services provided by the Company's auditor and concluded that in their opinion such services did not affect the independence of the auditor. The Board has appointed an accountant to be responsible for the accounting and financial matters of the Group and the Audit Committee has free access to the accountant and senior management of the Group and to any financial and relevant information which enable them to discharge their audit committee function effectively and efficiently. Besides internal assistance being available, the Audit Committee may request for assistance and advice from external auditors as and when they think necessary at the expenses of the Company. The Audit Committee shall meet with external auditor without the presence of executive Directors to discuss the Group's financial reporting and any major and financial matters arising during the year under review at least once a year.

Corporate Governance Report

In addition, the Audit Committee is authorized:

- to investigate any matter within its written terms of reference;
- to have full access to and co-operation by the management;
- to have full discretion to invite any director or executive officer to attend its meetings; and
- to have reasonable resources to enable it to discharge its functions properly.

Since the Company was listed on the Stock Exchange on 27 December 2007, the Audit Committee had no meeting in 2007.

Nomination Committee

The Nomination Committee was established on 1 December 2007 and comprises two independent non-executive Directors and one executive Director, namely Mr. Xie Shuisheng (Chairman), Mr. Cui Ming and Mr. Chen Jianhua. According to the written terms of reference of the Nomination Committee, the major responsibilities of the Nomination Committee include:

– regularly review the structure, size and composition of the Board and make recommendations to the Board with regard to any adjustments that are deemed necessary;

– review whether or not an independent non-executive Director is independent for the purpose of the Listing Rules on annual basis;

– be responsible for identifying and nominating for the approval of the Board, candidates to fill board vacancies as and when they arise;

– assess the effectiveness of the Board as a whole and the contribution by each individual Director to the effectiveness of the Board;

– be responsible for re-nomination having regard to the Director's contribution and performance, including, if applicable, as an independent Director; and

– to advise the Board on issues regarding appointment or re-appointment of Directors and succession of Directors (in particular the chairman and general manager).

The Nomination Committee had convened a meeting for the nomination of Directors for re-election in the forthcoming Annual General Meeting of the Company and had resolved that all the Directors shall retire, and being eligible, shall offer themselves for re-election at the forthcoming annual general meeting.

Since the Company was listed on the Stock Exchange on 27 December 2007, the Nomination Committee had no meeting in 2007.

Corporate Governance Report

INTERNAL CONTROLS

The Board bears the overall responsibility for maintaining sound and effective internal control system of the Group. The Group's internal control framework covers (i) the setting of a defined management structure with limits of authority and clear lines of accountability; and (ii) the establishment of regular reporting of financial information, in particular, tracking of deviations from budgets and targets.

The relevant executive Directors and senior management have been delegated with respective level of authorities. Yearly budgets of the Company are reviewed and approved by the Board. The relevant executive Directors and senior management have specific responsibility for monitoring the performance, conduct and operations of each subsidiary within the Group by reviewing the differences between actual results and yearly budgets.

COMMUNICATION WITH SHAREHOLDERS

The Company uses a range of communication tools to ensure its Shareholders are kept well informed of key business imperatives. These include general meeting, annual report, various notices, announcements and circulars. The poll voting procedures and the rights of Shareholders to demand a poll were included in all circulars accompanying notice convening general meeting and the details procedures for conducting a poll has been read out by the chairman at general meeting.

The Annual General Meeting provides a useful forum for Shareholders to exchange views with the Board. The Chairman, Directors, Board Committees' Chairman/Members and external auditor, where appropriate, are available to answer questions at the meeting.

To ensure all Shareholders have timely access to important corporate information, The Company utilises its corporate website to disseminate to investors information such as results announcements, annual and interim reports.

AUDITORS' REMUNERATION

For the year ended 31 December 2007, fees payable to the external auditors of the Group, KPMG, for statutory audit services amounted to approximately RMB1,592,000. The Company did not engage KPMG for any non-audit services during the year ended 31 December 2007.

Report of the Directors

The Directors have pleasure in presenting their annual report together with the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2007.

GROUP REORGANISATION

The Company was incorporated in the Cayman Islands on 19 July 2007 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. As a result of the Reorganisation of the Group (the "Reorganisation") which took place for purpose of listing of the Shares on the Main Board of the Stock Exchange, the Company became the holding company of the subsidiaries now comprising the Group. Details of the Reorganisation are set out in the prospectus of the Company dated 12 December 2007. The Company's shares were listed on the Stock Exchange on 27 December 2007 (the "Listing Date").

PRINCIPAL ACTIVITIES

The principal activity of the Group is the manufacturing of high precision copper plates and strips and there were no significant changes in the nature of the Group's principal acting since the Listing Date.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2007 are set out in the accompanying financial statements on page 44.

An dividend of RMB103.7 million was fully paid by the subsidiaries to the Shareholders of the Company before the Reorganisation on 22 November 2007. The Board recommended the payment of a final dividend of HK$0.07 (equivalent to approximately RMB0.063) per Share for the year ended 31 December 2007, which is expected to be payable on or about 6 June 2008 subject to the approval of the forthcoming Annual General Meeting. The dividend will be payable to Shareholders of the Company whose names appear on the register of members of the Company on 23 May 2008. The exchange rate adopted for conversion is the average closing exchange rate published by the People's Bank of China of the five business days prior to the declaration of dividends.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 22 May 2008 to 23 May 2008, both days inclusive, during which period no transfer of Shares will be registered. In order to qualify for the proposed final dividend and to determine the identity of Shareholder who are entitled to attend and vote at the Annual General Meeting, all share transfers, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 21 May 2008.

Report of the Directors

FOUR YEAR FINANCIAL SUMMARY

A summary of the consolidated results and of the assets and liabilities of the Group for the last four financial years is set out on pages 4 to 5.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 19 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment during the year are set out in note 17 to the financial statements.

INTEREST-BEARING BORROWINGS

Particulars of interest-bearing borrowings of the Group as at 31 December 2007 are set out in note 24 to the financial statements.

SHARE CAPITAL

As at the date of this report, there was a total 622,500,000 Shares issue. Details of the movements in share capital of the Company during the year are set out in note 29 to the financial statements.

RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out in note 29 to the financial statements.

CHARITABLE DONATIONS

During the year, the Group donated a total of RMB317,000 for charitable purposes.

POST BALANCE SHEET DATE EVENT

Details of post balance sheet date event of a material nature are set out in note 35 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2007, the five largest customers and the largest customer of the Group accounted for approximately 30.0% and 10.4% of its aggregate turnover, while the five largest suppliers and the largest supplier of the Group accounted for approximately 42.6% and 14.1% of its aggregate purchase.

At no time during the year ended 31 December 2007 have the Directors of the Company, their associates or any shareholder of the Company (whom to the best knowledge of the Directors of the Company owns more than 5% of the Company's share capital) had any interests in such major customers and suppliers.

Report of the Directors

SHARE OPTION SCHEMES

The Company has adopted a Pre-IPO Share Option Scheme and a Share Option Scheme on 1 December 2007. The principal terms of the two schemes are as follows:

Pre-IPO Share Option Scheme

The purpose of the Pre-IPO Share Option Scheme is to recognise the contribution to the Group by certain executive Directors and employees towards the growth of the Group and/or the listing of the shares of the Company on the Stock Exchange. The principal terms of the Pre-IPO Share Option Scheme are substantially the same as the terms of the Share Option Scheme, except that:

(i) the exercise price per Share is a price representing a 30% discount on the Offer Price of HK$1.70 upon listing;

(ii) the total number of Shares subject to the Pre-IPO Share Option Scheme is 18,000,000 Shares; and

(iii) save for the options which have been granted under the Pre-IPO Share Option Scheme, no further options will be offered or granted under the Pre-IPO Share Option Scheme, as the right to do so will terminate upon the listing of the Shares on the Stock Exchange.

Set out below are details of the outstanding options granted under the Pre-IPO Share Option Scheme as at 31 December 2007:

	Number of options					
Name	**Granted**	**Exercised during the year**	**Lapsed during the year**	**Cancelled during the year**	**Outstanding As at 31 December 2007**	**Approximate percentage of issued share capital of the Company** %
Directors:						
Hu Changyuan	1,800,000	–	–	–	1,800,000	0.30
Chen Jianhua	1,500,000	–	–	–	1,500,000	0.25
Wang Jianli	1,200,000	–	–	–	1,200,000	0.20
Ma Wanjun	1,200,000	–	–	–	1,200,000	0.20
Sub-total	5,700,000	–	–	–	5,700,000	0.95
Employees	12,300,000	–	–	–	12,300,000	2.05
Total	18,000,000	–	–	–	18,000,000	3.00

Report of the Directors

Notes:

1. The exercisable period for all options granted under the Pre-IPO Option Scheme is from 27 December 2008 to 27 December 2011.

2. All options under the Pre-IPO Option Scheme were granted on 1 December 2007 at an exercise price of HK$1.19 per Share.

3. Each of the grantees to whom options have been conditionally granted under the Pre-IPO Share Option Scheme will be entitled to exercise:

   (a) One-third of the total number of the options shall be exercised from the expiry of the first anniversary of 27 December 2007 to the date immediately before the second anniversary of 27 December 2007;

   (b) One-third of the total number of the options shall be exercised from the expiry of the second anniversary of 27 December 2007 to the date immediately before the third anniversary of 27 December 2007; and

   (c) One-third of the total number of the options shall be exercised from the expiry of the third anniversary of 27 December 2007 to the date immediately before the fourth anniversary of 27 December 2007.

Save as disclosed above, no option was granted, cancelled or lapsed under the Pre-IPO Share Option Scheme during the year ended 31 December 2007.

The fair value of options granted under Pre-IPO Share Option Scheme was determined using the "Black-Scholes-Merton Option Pricing model". The significant inputs into the model were:

- risk-free rate of return – 2.083% to 2.356% per annum;
- forecast fluctuations in share price – 52.47%; and
- forecast dividend yield – 3.82% per annum.

Based on the inputs above to the Black-Scholes-Merton Option Pricing Model, the total fair value of the outstanding options as at the grant date (i.e. 1 December 2007) was HK$12,334,000.

The "Black-Scholes-Merton Option Pricing Model" is designed to assess the fair value of options and is a common choice among various option pricing models for assessing the fair value of options. The value of the options depends on the valuation arrived at based on certain subjective assumptions on variables. Any changes in the variables used may cause a substantial effect on the assessment of the fair value of the options.

Report of the Directors

Share Option Scheme

The purpose of the Share Option Scheme is to provide incentive or reward to eligible persons (being full time or part time employees, executive, non-executive Directors and independent non-executive Directors of our Group) for their contribution to, and continuing efforts to promote the interests of, our Company and to enable our Company and its subsidiaries to recruit and retain high-calibre employees.

The total number of shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme to an employee in any 12-month period up to the date of grant shall not exceed 1% of the shares in issue as at the date of grant. Any further grant of options in excess of this limit shall be subject to the approval of Shareholders in a general meeting.

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be at least the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (ii) the average of the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a Share.

Subject to earlier termination by the Company in general meeting or by the Board of Directors, the Share Option Scheme shall be valid and effective for a period of ten years from the date of adoption, i.e. 27 December 2007.

During the financial year ended 31 December 2007, no option was granted by the Company under the Share Option Scheme.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities during the year.

Report of the Directors

DIRECTORS

The Directors who held office during the year and up to the date of this report were:

Executive directors

Mr. HU Changyuan *(Chairman)*
Mr. CHEN Jianhua *(Deputy Chairman and General Manager)*
Mr. WANG Jianli
Mr. MA Wanjun

Independent non-executive directors

Mr. CUI Ming
Mr. XIE Shuisheng
Ms. LI Li

* *All the executive Directors were appointed on 27 December 2007 while all the independent non-executive Directors were appointed on 1 December 2007.*

Pursuant to Article 86(3) of the Articles of the Company, any director appointed by the Board as an addition to the existing Board shall hold office only until the next forthcoming annual general meeting of the Company and shall then be eligible for election. Messrs. Hu Changyuan, Chen Jianhua, Wang Jianli, Ma Wanjun, Cui Ming, Xie Shuisheng and Ms Li Li will retire from office by rotation from the board at the forthcoming Annual General Meeting and being eligible, offers themselves for re-election.

In accordance with to Article 87 of the Company's Articles of Association, all Directors shall retire from their office by rotation at the forthcoming Annual General Meeting and, being eligible, offers themselves for re-election.

The Company has received annual confirmation from each of the independent non-executive Directors as regards their independence pursuant to Rule 3.13 of the Listing Rules, and considers that each of the independent non-executive Directors is independent to the Company.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company for a period of three years commencing from 27 December 2007 until terminated in accordance with the terms of the service contract. Under the service contract, either party may terminate such contract by giving to the other not less than three month's prior notice in writing.

Each of independent non-executive Directors has entered into an appointment letter with the Company for a term of three years effective from 1 December 2007 until terminated by either party by giving not less than two months prior notice in writing.

Report of the Directors

Save as disclosed above, no Director proposed for re-election at the forthcoming annual general meeting has an unexpired service contract with the Group which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

Details of remuneration of the Directors for 2007 are out in note 12 to the financial statement.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2007, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations, within the meaning of Part XV of the SFO, which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, including interests and short positions which the Directors and chief executive of the Company were taken or deemed to have under such provisions of the SFO, or which are required to be and are recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise required to be notified to the Company, and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") contained in the Listing Rules, were as follows:

Name of Director	Capacity	Number of issued Ordinary Shares	Number of underlying Shares pursuant to Share option	Aggregate interests	Approximate Percentage shareholding %
Hu Changyuan	Beneficial owner *(Note 1)*	–	1,800,000	1,800,000	0.30
	Interest of a controlled corporation *(Note 2)*	330,165,000	–	330,165,000	55.03
Chen Jianhua	Beneficial owner *(Note 1)*	–	1,500,000	1,500,000	0.25
Wang Jianli	Beneficial owner *(Note 1)*	–	1,200,000	1,200,000	0.20
	Nominee for another person *(Note 3)*	29,835,000	–	29,835,000	4.97
Ma Wanjun	Beneficial owner *(Note 1)*	–	1,200,000	1,200,000	0.20

Report of the Directors

Notes:

1. These Shares represent the underlying interests in Shares pursuant to the options granted to our Directors by our Company under the Pre-IPO Share Option Scheme.

2. These 330,165,000 Shares are held by Shine International Holdings Limited which is wholly owned by Mr. Hu. Mr. Hu is deemed to be interested in these Shares by virtue of the SFO.

3. These 29,835,000 Shares are held by Sun Fook Limited as a nominee for 842 employees of our Company pursuant to a declaration of trust dated 7 September 2007. Sun Fook Limited is wholly owned by Wang Jiangli who is therefore deemed to be interested in these Shares by virtue of the SFO.

Save as disclosed above, as at 31 December 2007, non of the Directors held or was deemed to hold any interests or short positions in the shares or underlying shares of the Company or any of its associated corporations (as defined in the SFO) which were required to be recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise required to be notified to the Company, and the Stock Exchange pursuant to the Model Code nor have they been granted the right to acquire any interests in shares of debentures of the Company and any of its associated corporations.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than disclosed above under "Share Options Scheme", at no time during the year was the Company or its subsidiary a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the Directors nor the chief executive, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

Report of the Directors

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2007, the following persons or corporations have interests or short positions in the Shares and underlying Shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Name of Shareholder	Capacity	Number of Shares in which the shareholder has deemed to have interests	Percentage of shareholding
Hu Changyuan	Interest of a controlled corporation *(Note 1)*	330,165,000	55.03%
	Beneficial interest *(Note 2)*	1,800,000	0.30%
Shine International Holdings Limited *(Note 1)*	Beneficial interest	330,165,000	55.03%
Luckson Business Limited *(Note 3)*	Beneficial interest	45,000,000	7.50%
Corich Investments Limited *(Note 4)*	Beneficial interest	45,000,000	7.50%

Notes:

1. These 330,165,000 Shares are held by Shine International Holdings Limited which is wholly owned by Mr. Hu. Mr. Hu is deemed to be interested in these Shares by virtue of the SFO.

2. These Shares represent the underlying interests in Shares pursuant to options granted to Mr. Hu under the Pre-IPO Share Option Scheme.

3. Luckson Business Limited is owned by 21 members of the senior management of the Group.

4. Corich Investments Limited is owned by 13 of Mr. Hu's family members.

Save as disclosed herein, as at 31 December 2007, so far as the Directors are aware, there were no other person, other than the Directors and chief executive of the Company, who had any interests or short positions in the shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

Report of the Directors

DIRECTORS' INTEREST IN CONTRACTS

No contracts of significance in relation to the Company's business to which the Company, any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

CONTINUING CONNECTED TRANSACTIONS

For the year ended 31 December 2007, except the deed of non-competition and save as disclosed in the prospectus of the Company dated 12 December 2007 the Group did not enter into any agreements which may constitute connected transaction for the purposes of the Listing Rules.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors were interested in any business apart from the Group's businesses which competed or were likely to compete, either directly or indirectly, with the businesses of the Group during the year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-Laws or the laws of Cayman Islands which would oblige the Company to offer new shares on a pro-rata basis to existing Shareholders.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Board has adopted the Model Code during the year. Having made specific enquiry of all Directors, the Directors have complied with the required standard set out in the Model Code.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules for the period commencing from the Listing Date to 31 December 2007. A report on the principal corporate governance practices adopted by the Company is set out in the section headed "Corporate Governance Report" of this Annual Report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this annual report, the Company has maintained the prescribed public float under the Listing Rules.

RETIREMENT SCHEMES

Particulars of the retirement schemes of the Group are set out in note 9 to the financial statements.

Report of the Directors

REVIEW BY AUDIT COMMITTEE

The audit committee of the Company, which comprises the three independent non-executive Directors, namely, Mr. Cui Ming, Mr. Xie Shuisheng and Ms Li Li, has reviewed the audited financial statements for the year ended 31 December 2007. The audit committee discussed auditing, internal control and financial reporting matters including the review of accounting practices and principles by the Group.

AUDITORS

The financial statements were been audited by KPMG who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board
Hu Changyuan
Chairman

Hong Kong, 17 April 2008

Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. HU Changyuan, aged 60, is an executive Director and Chairman of the Board of our Group. He obtained a diploma in modern economic management studies (現代經濟管理專業學習) from the Distant Learning University of Economics, Beijing (北京經濟函授大學) in 1988. Mr. Hu was recognized as a senior economist by the Human Resources Department of Zhejiang Province (浙江省人事廳) in 1995. He is the founder of our Group. Mr. Hu has more than twenty years of experience in the copper plates and strips industry. Prior to the establishment of our Group, Mr. Hu played an active role in the establishment of Cixi County Xingye Copper Strips Factory in 1985. He was duly appointed as the head of the factory by Cixi County Rural Collective Enterprise Administration Bureau (慈溪縣鄉鎮企業管理局). He was responsible for the overall management of the factory and was the key decision maker of the factory. He was a committee member of the first council of the China Nonferrous Metals Industry Association (中國有色金屬工業協會第一屆理事會理事), a member of the People's Political and Consultation Commission of Cixi City (慈溪市政協委員) and was a representative to the People's Congress of Ningbo City (寧波市人大代表). Mr. Hu was awarded the title of "Labor Model of Ningbo City" (寧波市勞動模範) by Ningbo People's Government (寧波市人民政府) in 1991. He was also awarded the title of outstanding Chinese Entrepreneur (中國優秀企業家) by the Chinese International Hua Shang Association (中國國際華商會) and International Hua Shang Magazine (國際《華商》雜誌社) in 2006. Mr. Hu is dedicated to charities. In 2005, Mr. Hu served as a vice president of the Zhejiang Charity Federation (浙江省慈善總會副會長). In 2005, Mr. Hu was awarded Zhejiang Charitable Individual (浙江慈善個人獎) by the People's Government of Zhejiang. In 2007, he was awarded "Outstanding Contributions to Chinese Charities" (中華慈善事業突出貢獻獎) and the title of "China's Charity Figure" (中華慈善人物) by China Charity Federation (中華慈善總會). Mr. Hu is a father of Mr. Hu Mingda, a deputy general manager of the Group and a brother-in-law of Mr. Yu Liben, a consultant of the Group.

Mr. CHEN Jianhua, aged 40, is an executive Director, deputy chairman of the Board and general manager of our Group. He graduated from an executive management program in business administration organized by Shanghai Fudan University and Hong Kong University Continuing Education Institute (上海港大－復旦專業繼續教育學院) in 2004 and has been working for our Group since 1998. Mr. Chen was appointed as the general manager of our Group in January 2005, responsible for the day-to-day management of our Group. He has been an executive director of Xingye Electronic since February 2004. Prior to joining our Group, Mr. Chen joined Cixi County Xingye Copper Strips Factory in 1986, responsible for the statistics audit, production planning, production management and technology development of the factory. He was then appointed as the general manager of Ningbo Shine Group Co. in 1993 and served the role until he joined our Group in 1998. Mr. Chen has more than twenty years of experience in the copper plates and strips industry. He was awarded the title of "Outstanding Entrepreneur of Cixi City" (慈溪市突出貢獻企業家) by the People's Government of Cixi in 2005 and 2006. In 2005, he was awarded the title of an "Outstanding Entrepreneur" (優秀企業家) by the CNMFIA. In 2007, he was awarded the title of "Advanced Production Worker" by Cixi City, and was also awarded Outstanding Figure in the Industrial and Economic Year of Cixi City.

Mr. WANG Jianli, aged 36, is an executive Director and vice-general manager of our Group. He obtained a diploma in urban planning and management from Hangzhou University in 1996. He graduated from an executive management program in business administration organized by Zhejiang University in 2003 and has been working for our Group since 1998. Mr. Wang was recognized as an economist by the People's Government of Ningbo City (寧波市人民政府). Mr. Wang has been a vice-general manager of our Group since 2004, responsible for the sales, marketing and sourcing function of our Group. He was the executive director of Tongtai from February 2005 to December 2006. Mr. Wang has nineteen years of experience in

Directors and Senior Management

the copper plates and strips industry. Prior to joining our Group, Mr. Wang joined Cixi County Xingye Copper Strips Factory in 1988, responsible for the establishment and project management of the factory, he was involved in the technology reform of the factory since 1992. He was then appointed as a vice-general manager of Ningbo Shine Group Co. in 1993 and served the role until he joined our Group in 1998. Mr. Wang was awarded the title of "Model of Founders of Privately-owned Enterprises" (浙江省鄉鎮企業創業標兵) by Zhejiang Province Village Enterprise Bureau (浙江省鄉鎮企業局) and Zhejiang Province Chamber of Industry (浙江省總工會) in 1999. In 2006, he was awarded the title of "Star Entrepreneur of Cixi City" (慈溪明星企業家) by the People's Government of Cixi. He is now a vice-president of the fifth council of the CNMFIA (中國有色金屬加工工業協會).

Mr. MA Wanjun, aged 41, is an executive Director and vice-general manager of our Group. He graduated from an executive management program in business administration organized by Shanghai Fudan University and Hong Kong University Continuing Education Institute (上海港大－復旦專業繼續教育學院) in 2004. He has been working for our Group since 2001 and was an executive director of Xingye Electronic from February 2004 to January 2005 and has been an executive director of Ningbo Shengtai since July 2003. Mr. Ma has been a vice-general manager of our Group since 2004, responsible for the management of technology equipment and production of our Group. Mr. Ma has more than twenty years of experience in the copper plates and strips industry. Prior to joining our Group, Mr. Ma joined Cixi County Xingye Copper Strips Factory in 1985. He was then appointed as the head of research department of Ningbo Shine Group Co. in 1993 and served the role until he joined our Group in 2001. In 1999, he was engaged as a commissioner of the heavy nonferrous metal branch association of China National Nonferrous Metal Standardization Technology Commission (全國有色金屬標準化技術委員會) by the General Administration of Quality Supervision, Inspection and Quarantine (國家質量監督檢驗檢疫總局). He was awarded the title of "Star Entrepreneur of Cixi City" (慈溪市明星企業家) by the People's Government of Cixi in 2005. In 2006, he was awarded the title of "Outstanding Figure in the Nonferrous Metal Industry of China (中國有色金屬工業優秀科術工作者) by the China Nonferrous Metals Industry Association and the Chinese Non-Ferrous Metal Society (有色金屬學會).

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CUI Ming, aged 51, is an independent non-executive Director of our Group. He obtained a bachelor degree in finance from the Beijing Economics and Trade University in 1982. In 1994, Mr. Cui founded New York-based First Pacific Rim Inc., the US investment banking operation controlled by Guotai J&A Securities, a brokerage and investment banking firm in the PRC, and has been its CEO for seven years. Mr. Cui is the managing director of China Vision SME, LP, an private equity fund established in the Bahamas; and the founder and CEO of Oriental Financial Management Ltd, a financial management firm with offices in Beijing and Hong Kong. Mr. Cui is also a director of Meilan Environmental Materials Holdings Limited, an investment holding company incorporated in Hong Kong with investment in an integrated chlor-alkali, chlorochemical and fluorochemical producer in the PRC.

Mr. XIE Shuisheng, aged 63, is an independent non-executive Director of our Group. He obtained a doctorate degree in metal plastic forming process (金屬塑性加工) from Tsinghua University in 1986. Mr. Xie is the chief engineer of the State Key Laboratory For Fabrication and Processing of Nonferrous Metals (有色金屬材料製備加工國家重點實驗室) and a professor at the Beijing nonferrous metals head research institute of that laboratory. In recent years, he has guided the studies of more than 20 master and doctorate students. Mr. Xie is also a committee member of the Nonferrous Metals Society of China (中國有色金屬學會理事), the head of the Metal Alloy Processing Academic Committee of Nonferrous Metals Society of China

Directors and Senior Management

(中國有色金屬學會合金加工學術委員會主任), a committee member of the Beijing Mechanical Engineering Society and the head of the Pressure Processing Society of the Chinese Mechanical Engineering Society (中國機械工程學會北京市機械學會理事兼壓力加工學會主任), a committee member of the Confederation of Chinese Metal Forming Industry and the vice chairman of the Semi-solid Processing Committee of the Chinese Mechanical Engineering Society (中國機械工程學會鍛壓學會理事兼半固態加工學術委員會副主任); and a committee member of the Nuclear Materials Professional Society of the Chinese Nuclear Society (中國核學會材料專業學會常務理事). Mr. Xie is an authoritative figure in his field of studies, he has published over 160 articles in various international and Chinese academic journals and has obtained 14 patents in China.

Ms. LI Li, aged 35, is an independent non-executive Director of our Group. She is a qualified accountant in the PRC, and is a member of the Association of International Accountants. She obtained a bachelor degree in business administration from the Party School of Central Committee of the Communist Party of China located at Jiangsu Province, China, in 1997. Ms. Li has been the manager of the finance department of the Shanghai office of Springs Global since 2005. She was also the financial manager in Shanghai SKD Technology Co., Ltd and FAI (electronic) International Trading Co., Ltd from 2001 to 2004 and from 1999 to 2001 respectively.

SENIOR MANAGEMENT

Mr. CHAN Chung Kik, Lewis, aged 35, is the chief financial officer, the company secretary and the qualified accountant of our Group, and is responsible for the overall financial management and company secretarial functions of our Group. He holds a bachelor degree in accounting from the University of Canberra, Australia and is a member of the Hong Kong Institute of Certified Public Accountants and the CPA Australia. Prior to joining our Group in July 2007, Mr. Chan was the financial controller and company secretary of Tianjin Lishen Battery Joint-Stock Co., Ltd. from August 2006 to May 2007. He was the finance manager of Tianjin Development Holdings Limited from March 2005 to March 2006. In addition, Mr. Chan was a manager in Ernst & Young, an international accounting firm, in Hong Kong and had over 8 years' experience in auditing and corporate advisory services.

Mr. HU Mingda, aged 36, is a son of Mr. Hu Changyuan. Mr. Hu is a vice-general manager of our Group responsible for the setting up and the operation of our production plant at Yingtan Industrial Zone, Yingtan City, Jiangxi Province. Mr. Hu obtained his bachelor degree in mechanical engineering from South China Polytechnic University (華南理工大學) located at Guangzhou, China in 1993. Mr. Hu joined our Group in 2006 and was the executive director of Tongtai from December 2006 to July 2007. Prior to joining our Group, Mr. Hu was the general manager of a company in the metal alloy industry.

Mr. CHENG Zhenkang, aged 66, is the chief engineer of our Group responsible for the engineering function of our Group. Mr. Cheng is a senior engineer obtained a bachelor degree in Non-ferrous Metal Metallurgy from Central-South Institute of Mining and Metallurgy (中南礦冶學院) (now known as Central South University of Technology (中南大學)) located at Hunan Province, China in 1965. Mr. Cheng has been the chief engineer of our Group since 2004. Prior to joining our Group, Mr. Cheng was the chief engineer of Ningbo Shine Group Co. Mr. Cheng was awarded for his distinguished contribution as a young and middle-aged expert (有突出貢獻的中青年專家) by the Jiangsu Provincial People's Government in 1992. Mr. Cheng has been receiving special government subsidy from the State Council for his outstanding contribution since 1993. He was

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awarded the title of "Advanced Worker of Cixi City" (慈溪市級先進工作者) and "Outstanding Imported Talent" (優秀引進人才) by Cixi Municipal Committee of the Communist Party of China in 2003 and 2004 respectively. He was awarded the title of "Cixi Outstanding Figure in Technology Development" (慈溪市優秀科技工作者) by Cixi Municipal Committee of the Communist Party of China in 2006.

Mr. MA Huafa, aged 50, is an assistant to the general manager of our Group and is responsible for the safety and environmental functions of our Group. Mr. Ma joined our Group in 2002. Prior to his appointment as an assistant to the general manager of our Group, Mr. Ma was the vice manager responsible for production, the chairman of the working committee, assistant to the manager and head of the planning and execution department of our Group. Prior to joining our Group, Mr. Ma was a manager of Ningbo Shine Group Co..

Mr. CHEN Junjie, aged 36, is an assistant to the general manager of our Group and is responsible for the production planning, cash settlement and enterprise resources and planning functions of our Group. Mr. Chen obtained a diploma in industrial enterprise media from the University of Ningbo Broadcast Television (寧波廣播電視大學) in 1994. Mr. Chen joined our Group in 2004. Prior to his appointment as an assistant to the general manager of our Group, he was a cash settlement officer, chief of information office, vice department head of the planning department, assistant to the manager and department head of the planning and execution department of our Group. Prior to joining our Group, Mr. Chen was a manager of the installation workshop of a company in the electronic appliance industry.

Mr. ZHENG Guohui, aged 33, is an assistant to the general manager of our Group and is responsible for the quality control function of our Group. Mr. Zheng obtained a diploma in wireless technology from Guan County Adult Middle Professional Institute (國安縣成人中等專業學校) located at Hebei Province, China in 1998. He is a qualified ISO 9001 and ISO 14001 assessor and a national occupational skills and quality assessment supervisor (國家職業技能鑒定質量督導員). Mr. Zheng joined our Group in 2004. Prior to his appointment as an assistant to the general manager of our Group, he was the assistant to the manager and the department head of the quality control department of our Group. Prior to joining our Group, Mr. Zheng was the head of technical department of Ningbo Shine Group Co..

Ms. CHEN Yajun, aged 35, is the head of the finance department reporting to the chief financial officer of our Group. She is responsible for the financial management function of our Group. Ms. Chen obtained a diploma in law from Dongbei University of Finance and Economics (online education) (東北財經大學(網絡教育)) in 2007 and obtained the Certificate of Accounting Professional in the PRC in 2006. Ms. Chen joined our Group in 2001. Prior to her appointment as the head of the finance department of our Group, she was the executive director of Tongtai from 2001 to 2004 and has been the finance manager of our Group since January 2007. She was responsible for the financial and accounting functions of our Group before Mr. Chan Chung Kik Lewis joined our Group. Prior to joining our Group, Ms. Chen worked in the finance management department of Ningbo Shine Group Co..

Mr. YU Liben, aged 61, is brother-in-law of Mr. Hu Changyuan. Mr. Yu is a consultant of our Group and is responsible for the internal control function of our Group. Mr. Yu joined our Group in 1999. He was appointed as the chairman of the supervisory committee of Xingye Electronic and was the general manager of our Group from 2003 to 2004. He was previously a director of Shengtai and Xingye Electronic. Mr. Yu was also the executive director of Tongtai from June 2004 to February 2005. Prior to joining our Group, Mr. Yu was a consultant of Ningbo Shine Group Co..

Auditors' Report

Auditors' report to the shareholders of
Xingye Copper International Group Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Xingye Copper International Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 44 to 99, which comprise the consolidated and company balance sheets as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with International Financial Reporting Standards promulgated by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditors' Report

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2007 and of the Group's profit and cash flows for the year then ended and have been properly prepared in accordance with International Financial Reporting Standards promulgated by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

17 April 2008

Consolidated Income Statement

For the year ended 31 December 2007

	Note	2007 RMB'000	2006 RMB'000
Turnover	5	**2,096,133**	1,512,430
Cost of sales		**(1,878,803)**	(1,329,031)
Gross profit		**217,330**	183,399
Other operating income	7	**20,533**	6,541
Distribution expenses		**(11,959)**	(8,323)
Administrative expenses		**(25,749)**	(41,411)
Other operating expenses	8	**(3,349)**	(4,529)
Result from operating activities		**196,806**	135,677
Finance income		**3,948**	1,176
Finance expenses		**(37,277)**	(21,301)
Net finance costs	10(i)	**(33,329)**	(20,125)
Profit before tax		**163,477**	115,552
Income tax	11	**(12,632)**	(8,856)
Profit for the year		**150,845**	106,696
Attributable to:			
Equity holders of the Company		**150,845**	106,696
Minority interests		**–**	–
Profit for the year		**150,845**	106,696
Dividends payable to equity holders of the Company attributable to the year			
– Dividend declared during the year	15	**134,436**	85,879
– Final dividend proposed after the balance sheet date	15	**39,218**	30,680
Earnings per share			
Basic earnings per share (RMB)	16(a)	**0.33**	0.24
Diluted earnings per share (RMB)	16(b)	**0.33**	N/A

The accompanying notes form part of these financial statements.

Consolidated Balance Sheet

At 31 December 2007

	Note	**2007** *RMB'000*	2006 *RMB'000*
Non-current assets			
Property, plant and equipment	*17*	**477,897**	478,708
Lease prepayments	*18*	**14,885**	12,346
		492,782	491,054
Current assets			
Inventories	*20*	**279,282**	236,080
Trade and other receivables	*21*	**299,402**	145,193
Pledged deposits	*22*	**19,710**	128,763
Cash and cash equivalents	*23*	**227,927**	37,688
		826,321	547,724
Current liabilities			
Interest-bearing borrowings	*24*	**526,411**	527,515
Derivative financial instruments	*25*	**946**	–
Trade and other payables	*27*	**139,268**	167,437
Income tax payables		**2,484**	469
		669,109	695,421
Net current assets/(liabilities)		**157,212**	(147,697)
Total assets less current liabilities		**649,994**	343,357
Non-current liabilities			
Interest-bearing borrowings	*24*	**104,000**	4,000
Deferred tax liabilities	*28*	**8,013**	6,783
		112,013	10,783
Net assets		**537,981**	332,574

The accompanying notes form part of these financial statements.

Consolidated Balance Sheet (continued)

At 31 December 2007

	Note	**2007**	2006
		RMB'000	*RMB'000*
Capital and reserves			
Share capital	*29*	**56,172**	–
Reserves	*29*	**481,809**	332,074
Total attributable to equity holders of the Company		**537,981**	332,074
Minority interests		**–**	500
Total equity		**537,981**	332,574

Approved and authorised for issue by the board of directors on 17 April 2008.

Hu Changyuan
Chairman

Chen Jianhua
Deputy Chairman and General Manager

The accompanying notes form part of these financial statements.

Balance Sheet

At 31 December 2007

	Note	2007 RMB'000
Non-current assets		
Investments in subsidiaries	*19*	**407,249**
Current assets		
Trade and other receivables	*21*	**111,754**
Cash and cash equivalents	*23*	**79,258**
		191,012
Current liabilities		
Trade and other payables	*27*	**1,958**
Net current assets		**189,054**
Net assets		**596,303**
Capital and reserves		
Share capital	*29(c)*	**56,172**
Reserves	*29(d)*	**540,131**
Total equity		**596,303**

Approved and authorised for issue by the board of directors on 17 April 2008.

Hu Changyuan
Chairman

Chen Jianhua
Deputy Chairman and General Manager

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2007

	Note	2007 RMB'000	2006 RMB'000
Equity attributable to equity holders of the Company:			
Balance at 1 January		**332,074**	311,257
Issuance of share by placing and public offer		**238,731**	–
Share issuance expenses		**(48,656)**	–
Profit for the year		**150,845**	106,696
Dividend approved and paid during the year	*15*	**(134,436)**	(85,879)
Exchange differences on translating foreign operations		**(577)**	–
Balance at 31 December		**537,981**	332,074
Minority interests:			
Balance at 1 January		**500**	–
Capital injection		**–**	500
Acquisition of minority interests		**(500)**	–
Balance at 31 December		**–**	500
Total equity:	*29(a)*	**537,981**	332,574

The accompanying notes form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2007

	2007 *RMB'000*	2006 *RMB'000*
Operating activities		
Profit for the year	**150,845**	106,696
Adjustments for:		
Depreciation for plant, property and equipment	**29,255**	29,236
Amortisation of lease prepayments	**285**	252
Net finance costs	**33,329**	20,125
Gain on disposal of plant, property and equipment	**–**	(381)
Unrealised loss on derivative financial instruments	**(946)**	–
Income tax expense	**12,632**	8,856
Operating profit before changes in working capital	**225,400**	164,784
Change in inventories	**(43,202)**	(142,146)
Change in trade and other receivables	**(73,209)**	(53,968)
Change in trade and other payables	**(25,186)**	79,996
Interest paid	**(36,308)**	(19,261)
Income tax paid	**(9,387)**	(11,694)
Net cash generated from operating activities	**38,108**	17,711
Investing activities		
Interest received	**1,821**	1,176
Proceeds from sale of property, plant and equipment	**–**	567
Proceeds from sale of other investments	**–**	214
Acquisition of minority interests	**(500)**	–
Acquisition of a subsidiary, net of cash acquired	**(510)**	–
Payment for property, plant and equipment	**(28,444)**	(22,766)
Payment for lease prepayments	**(2,824)**	(2,100)
Net cash used in investing activities	**(30,457)**	(22,909)

The accompanying notes form part of these financial statements.

Consolidated Cash Flow Statement (continued)

For the year ended 31 December 2007

	2007 *RMB'000*	2006 *RMB'000*
Financing activities		
Proceeds from issuance of shares, net of issuance expense	**190,075**	–
Capital injection	**–**	500
Proceeds from interest-bearing borrowings	**1,132,086**	667,796
Repayment of interest-bearing borrowings	**(1,114,190)**	(555,565)
Change in pledged deposits	**109,053**	(5,304)
Dividend paid	**(134,436)**	(85,879)
Net cash generated from financing activities	**182,588**	21,548
Net increase in cash and cash equivalents	**190,239**	16,350
Cash and cash equivalents at 1 January	**37,688**	21,338
Cash and cash equivalents at 31 December	**227,927**	37,688

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

1. REORGANISATION

Xingye Copper International Group Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability on 19 July 2007 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a reorganisation (the "Reorganisation") of the Company and its subsidiaries (collectively referred to as the "Group") to rationalise the group structure in preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the subsidiaries now comprising the Group in September 2007. Details of the Reorganisation are set out in the Prospectus of the Company dated 12 December 2007. The Company's shares were listed on the Stock Exchange on 27 December 2007.

2. BASIS OF PREPARATION

The Group is regarded as a continuing entity resulting from the Reorganisation of entities under common control. The consolidated financial statements have been prepared on the basis that the Company was the holding company of the Group for both years presented, rather than from the date when the Company became the holding company of the Group pursuant to the Reorganisation. Accordingly, the consolidated results of the Group for the years ended 31 December 2006 and 2007 include the results of the Company and its subsidiaries with effect from 1 January 2006 or, if later, since their respective dates of incorporation or at the date that common control was established as if the current group structure had been in existence throughout the two years presented. The consolidated balance sheets at 31 December 2006 and 31 December 2007 have been prepared on the basis that the current group structure was in place with effective from 1 January 2006. All material intra-group transactions and balances have been eliminated on consolidation. In the opinion of the directors, the consolidated financial statements prepared on this basis present fairly the results of operations and the state of affairs of the Group as a whole. As the Company was incorporated on 19 July 2007, no comparative figures are presented in respect of the Company's balance sheet.

(a) Statement of compliance

The financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRSs") promulgated by the International Accounting Standards Board ("IASB"). IFRSs include International Accounting Standard ("IAS") and related interpretations. These financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 4 provides information on any changes in accounting policies resulting from initial application of these developments to the extent they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

Notes to the Financial Statements

2. BASIS OF PREPARATION (continued)

(b) Basis of measurement

These financial statements have been prepared on the historical cost basis except that derivative financial instruments are measured at fair value.

(c) Functional and presentation currency

These consolidated financial statements are presented in Renminbi ("RMB"), rounded to the nearest thousand. Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity ("functional currency").

(d) Use of estimates and judgments

The preparation of financial statements in conformity with IFRSs requires managements to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described as follows:

(i) Impairment losses on trade and other receivables

Impairment losses for trade and other receivables are assessed and provided based on management's regular review of ageing analysis and evaluation of collectibility. A considerable level of judgment is exercised by the management when assessing the credit worthiness and past collection history of each individual customer. Any increase or decrease in the impairment losses for bad and doubtful debts would affect the consolidated income statement in future years.

(ii) Depreciation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. The Group reviews annually the useful life of an asset and its residual value, if any. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

Notes to the Financial Statements

2. BASIS OF PREPARATION (continued)

(d) Use of estimates and judgments (continued)

(iii) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of distributing and selling products of similar nature. It could change significantly as a result of competitor's actions in response to severe industry cycles or other changes in market condition. Management will reassess the estimations at each balance sheet date.

(iv) Income taxes

Determining income tax provisions involves judgment on the future tax treatment of certain transactions. The Group carefully evaluates the tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation. Deferred tax assets are recognised for temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised, management's judgment is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operation policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(ii) Acquisition from entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative periods presented or, if later, at the date that common control was established. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group's controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity. Any cash paid for the acquisition is recognised directly in equity.

Notes to the Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of consolidation (continued)

(iii) Transaction eliminated on consolidation

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing these financial statements. Unrealised gains arising from transactions with associates are eliminated against the investment to the extent of the Group's interest in the associates. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(iv) Minority interests

Minority interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Minority interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity holders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and the equity holders of the Company.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured in terms of historical costs are translated using the foreign exchange rates ruling at the transaction date. Foreign currency differences arising on retranslation are recognised in profit or loss.

Notes to the Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Foreign currency (continued)

(ii) Foreign operations

The assets and liabilities of foreign operations are translated to RMB at exchange rates at the reporting date. The income and expenses of foreign operations are translated to RMB at exchange rates at the dates of the transactions.

The resulting foreign currency differences are recognised directly in a separate component of equity. When a foreign operation is disposed of, in part or in full, the relevant amount in the foreign currency translation reserve is transferred to profit or loss.

(c) Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, interest-bearing borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs, except as described below. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Accounting for finance income and expenses is discussed in Note 3(k).

Other

Other non-derivative financial instruments include trade and other receivables and trade and other payables are measured at amortised cost using the effective interest method, less any impairment losses.

Notes to the Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Financial instruments (continued)

(ii) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to issue of ordinary shares are recognised as a deduction from equity.

(iii) Derivative financial instruments

The Group uses copper futures contracts to hedge its exposure against copper price fluctuations. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. The Group's policy with respect to hedging the risk of copper is to designate it as fair value hedge.

The use of derivative financial instruments is governed by the Group's policies, which provide written principles on the use of derivative financial instruments consistent with the Group's risk management strategy.

Derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition, derivative financial instruments are stated at fair value.

Changes in the fair value of derivative financial instruments that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. Changes in the fair value of the hedging instrument are recognised in the income statement. The gain or loss relating to the effective portion of hedging is recognised in the income statement under "cost of sales". The gain or loss relating to the ineffective portion is recognised in the income statement under "other operating income/(loss)".

The Group discontinues fair value hedge accounting if the hedging instrument expires or is sold, terminated or exercised; the hedge no longer meets the criteria for hedge accounting; or the Group revokes the designation.

Derivative financial instruments that do not qualify for hedge accounting are deemed as financial assets or liabilities held for trading. Changes in fair values of such derivatives are recognised directly in the income statement under "other operating income/(loss)" as they arise.

Notes to the Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses (Note 3(f)).

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

(ii) Subsequent costs

The cost of replacing part of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives.

The estimated useful lives for the current and comparative years are as follows:

Plant and buildings	10-35 years
Machinery	5-20 years
Electronic and other equipment	3-10 years
Motor vehicles	10 years

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

Notes to the Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Property, plant and equipment (continued)

(iv) Retirement or disposal

Gains or losses arising from the retirement or disposal of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated income statement on the date of retirement or disposal.

(e) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is computed using the weighted average method and includes expenditure incurred in acquiring the inventories to bring them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes direct labour and an appropriate share of overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and selling expenses.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the year in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the year the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the year in which the reversal occurs.

(f) Impairment of assets

(i) Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on a individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in profit or loss.

Notes to the Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Impairment of assets (continued)

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories (Note 3(e)), and deferred tax assets (Note 3(l)), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with IAS 34, Interim Financial Reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year.

Impairment losses recognised in an interim period in respect of goodwill and unquoted equity securities carried at cost are not reversed in a subsequent period. Impairment losses recognized in an interim period in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of available-for-sale equity securities is recognized directly in equity. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

Notes to the Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Employee benefits

(i) *Short-term employee benefits*

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

(ii) *Defined contribution retirement plan*

Obligation for contributions to PRC local government defined contribution retirement schemes pursuant to the relevant labour rules and regulations in the PRC are recognised as an expense in the profit or loss as incurred, except to the extent that they are included in the cost of inventories not yet recognised as an expense.

(iii) *Share-based payment transactions*

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the Black-Scholes-Merton Option Pricing Model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On the vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

(h) Provisions and contingent liabilities

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market of the time value of money and the risks specific to the liability.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Notes to the Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Revenue

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Goods sold

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

(ii) Service income

Service income is recognised when the related service is rendered.

(iii) Government grants

Government grants are recognised initially as deferred income when there is reasonable assurance that they will be received and that the Group will comply with the conditions associated with the grant. Grants that compensate the Group for expenses incurred are recognised in profit or loss on a systematic basis in the same year in which the expenses are recognised. Grants that compensate the Group for the cost of an asset are recognised in profit or loss on a systematic basis over the useful life of the asset.

(j) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Lease prepayments in the balance sheet represent cost of land use rights paid to the People's Republic of China (the "PRC") land bureau. Land use rights are carried at cost less accumulated amortisation and impairment losses (Note 3(f)). Amortisation is charged to the income statement on a straight-line basis over the respective periods of the rights.

(k) Finance income and expenses

Finance income comprises interest income on funds invested, changes in the fair value of financial assets at fair value through profit or loss and foreign currency gains. Interest income is recognised as it accrues, using the effective interest method. Dividend income is recognised on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Notes to the Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Finance income and expenses (continued)

Finance expenses comprise interest expense on borrowings, foreign currency losses, changes in the fair value of financial assets at fair value through profit or loss and impairment losses recognised on financial assets. All borrowing costs are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

(l) Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividend are recognised at the same time as the liability to pay the related dividend is recognised.

Notes to the Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Dividends

Dividends are recognised as a liability in the year in which they are declared.

(n) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

(o) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Group's primary format for segment reporting is based on business segment.

(p) Borrowing costs

Borrowing costs are expensed in profit or loss in the year in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial year of time to get ready for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of qualifying asset commences when expenditures for the asset are being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

Notes to the Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Related parties

For the purposes of these financial statements, parties are considered to be related to the Group if:

(i) The party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) The Group and the party are subject to common control;

(iii) The party is an associate of the Group or a jointly controlled entity in which the Group is a venturer;

(iv) The party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) The party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) The party is a post-employment benefit plans which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

4. CHANGES IN ACCOUNTING POLICIES

The IASB has issued a number of new and revised IFRSs and Interpretations that are first effective or available for early adoption for the current accounting period of the Group and the Company.

There have been no significant changes to the accounting policies applied in these financial statements for the years presented as a result of these developments. However, as result of the adoption of IFRS 7, Financial instruments: Disclosures and the amendment to IAS 1, Presentation of financial statements: Capital disclosures, there have been some additional disclosures provide as follows:

As a result of the adoption of IFRS 7, the financial statements include expanded disclosure about the significance of the Group's financial instruments and the nature and extent of risks arising from those instruments, compared with the information previously required to be disclosed by IAS 32, Financial instruments: Disclosure and presentation. These disclosures are provided throughout these financial statements, in particular in Note 32.

Notes to the Financial Statements

4. CHANGES IN ACCOUNTING POLICIES (continued)

The amendment to IAS 1 introduces additional disclosure requirements to provide information about the level of capital and the Group's and the Company's objectives, policies and processes for managing capital. These new disclosures are set out in Note 32.

Both IFRS 7 and the amendment to IAS 1 do not have any material impact on the classification, recognition and measurement of the amounts recognised in the financial instruments.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (Note 33).

5. TURNOVER

The principal activities of the Group are the manufacturing and sales of high precision copper plates and strips and the provision of processing services.

The sales value of goods sold is stated after allowances for goods returned and deduction of any trade discounts, and excludes value added tax or other sales taxes.

The amount of each significant category of revenue recognised during the years is as follows:

	2007	2006
	RMB'000	*RMB'000*
Sales of goods	**1,977,857**	1,399,906
Processing services	**118,276**	112,524
	2,096,133	1,512,430

Notes to the Financial Statements

6. SEGMENT REPORTING

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure.

In presenting the information on the basis of business segments, segment turnover is based on sales of goods and processing services. The Group's assets and liabilities are jointly used by the two segments, the allocation would be arbitrary and not understandable, and accordingly, no analysis on segment assets, liabilities and capital expenditure is provided.

	2007 *RMB'000*	2006 *RMB'000*
Revenue		
Sales of goods	**1,977,857**	1,399,906
Processing services	**118,276**	112,524
	2,096,133	1,512,430
Segment result		
Sales of goods	**177,340**	154,549
Processing services	**39,990**	28,850
	217,330	183,399
Unallocated operating expenses net-off income	**(20,524)**	(47,722)
Result from operating activities	**196,806**	135,677
Net finance costs	**(33,329)**	(20,125)
Income tax expense	**(12,632)**	(8,856)
Profit for the year	**150,845**	106,696

In presenting the information on the basis of geographic segments, segment turnover is based on the geographical location of customers. The Group's assets and liabilities are almost all located in the PRC, and accordingly, no analysis on segment assets, liabilities and capital expenditure is provided.

Notes to the Financial Statements

6. SEGMENT REPORTING (continued)

	2007	2006
	RMB'000	*RMB'000*
Revenue		
The PRC	**1,659,077**	1,153,105
Overseas	**437,056**	359,325
	2,096,133	1,512,430

7. OTHER OPERATING INCOME

	2007	2006
	RMB'000	*RMB'000*
Government grants	**16,711**	4,252
Net gain on disposal of property, plant and equipment	**–**	381
Gain on derivative financial instruments	**655**	–
Others	**3,167**	1,908
	20,533	6,541

The Group has been awarded unconditional government grants, amounted to RMB16,711,000 and RMB4,252,000 during 2007 and 2006 respectively. They were related to encouragement of the Group's development in the industry.

8. OTHER OPERATING EXPENSES

	2007	2006
	RMB'000	*RMB'000*
Donation	**317**	300
Loss on derivative financial instruments	**–**	1,012
Water conservancy fund	**2,421**	3,043
Others	**611**	174
	3,349	4,529

Notes to the Financial Statements

9. PERSONNEL EXPENSES

	2007 RMB'000	2006 RMB'000
Wages, salaries and other benefits	**26,149**	46,669
Contribution to defined contribution plan	**2,863**	2,782
	29,012	49,451

The Group participates in pension funds organised by the PRC government. According to the respective pension fund regulations, the Group is required to pay annual contributions during the years. The Group remits all the pension fund contributions to the respective social security offices, which are responsible for the payments and liabilities relating to the pension funds. The Group has no obligation for payment of retirement and other post-retirement benefits of employees other than the contributions described above.

10. PROFIT BEFORE TAX

Profit before tax is arrived at after charging/(crediting):

(i) Net finance costs

	2007 RMB'000	2006 RMB'000
Interest expense	**36,308**	19,261
Bank charges	**969**	1,100
Net foreign exchange loss	**–**	940
Finance expenses	**37,277**	21,301
Net foreign exchange gain	**(2,127)**	–
Interest income	**(1,821)**	(1,176)
Finance income	**(3,948)**	(1,176)
Net finance costs	**33,329**	20,125

Notes to the Financial Statements

10. PROFIT BEFORE TAX (continued)

(ii) Other items

	2007 RMB'000	2006 RMB'000
Cost of inventories*	**1,878,803**	1,329,031
Depreciation	**29,255**	29,236
Amortisation of lease prepayments	**285**	252
Auditors' remuneration-audit services	**1,592**	268

* *Cost of inventories includes RMB42,131,000 (2006: RMB44,076,000) relating to staff costs, depreciation expenses and amortization of lease prepayments which amounts are also included in the respective total amounts disclosed separately above or in Note 9 for each type of expenses.*

11. INCOME TAX

(i) Income tax expense in the consolidated income statements represents:

	2007 RMB'000	2006 RMB'000
Current tax expense		
Provision for PRC income tax	**11,402**	7,839
Deferred tax		
Originating and reversal of temporary differences	**1,230**	1,017
	12,632	8,856

(a) Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and British Virgin Islands.

(b) No provision for Hong Kong profits tax has been made for the year as the Group did not have any assessable profit subject to Hong Kong profits tax during the year.

(c) The provision for PRC income tax is based on the respective corporate income tax rates applicable to the subsidiaries located in the PRC as determined in accordance with the relevant income tax rules and regulations of the PRC. The applicable tax rate of Ningbo Xingye Electronic Copper Strip Co., Ltd. ("Xingye Electronic"), Ningbo Shengtai Electronic Metal Materials Co., Ltd. ("Shengtai") and Yingtan Xingtai Copper Co., Ltd. ("Xingtai Copper"), the Group's major operating subsidiaries are 26.4%, 26.4% and 33% respectively.

Notes to the Financial Statements

11. INCOME TAX (continued)

(i) Income tax expense in the consolidated income statements represents: (continued)

(c) (continued)

Pursuant to the foreign enterprises income tax rules and regulations of the PRC ("FEIT Law"), the subsidiaries located in the PRC are entitled to a tax holiday ("Tax Holiday") which comprises of a two-year tax-free period from their first profit-making followed by a three-year period of a 50% reduction in the applicable income tax rates.

As 2003 was the first year when Xingye Electronic recorded assessable profits, Xingye Electronic is entitled to an exemption from PRC income tax for 2003 and 2004 and to a 50% reduction in the applicable income tax rate for 2005 to 2007.

As 2006 was the first year when Shengtai recorded assessable profits, Shengtai is entitled to an exemption from PRC income tax for 2006 and 2007 and to a 50% reduction in the applicable income tax rate for 2008 to 2010.

(d) On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the PRC ("New Tax Law"). According to the New Tax Law, the applicable tax rate of the Group's subsidiaries in the PRC are unified at 25% with effect from 1 January 2008. Pursuant to the transitional arrangement under the New Tax Law, Shengtai will continue to enjoy the tax-exemption or 50% reduction on the applicable income tax rate under the New Tax Law until the expiry of the Tax Holidays previously granted under the FEIT Law, and thereafter it will be subjected to the unified rate of 25%. The new rate was used to measure the Group's deferred tax assets and liabilities as at 31 December 2007. The enactment of the New Tax Law is not expected to have any financial effect on the amounts accrued in the consolidated balance sheet in respect of current tax payable.

Notes to the Financial Statements

11. INCOME TAX (continued)

(ii) Reconciliation between tax expense and accounting profit at applicable tax rate:

	2007 RMB'000	2006 RMB'000
Profit before tax	**163,477**	115,552
Computed using the Group's PRC subsidiaries applicable tax rates	**12,725**	6,410
Change in tax rate	**553**	201
Non-deductible costs net off non-taxable income	**(646)**	2,245
Income tax expense	**12,632**	8,856

12. DIRECTORS' REMUNERATION

Details of directors' remuneration are as follows:

	Year ended 31 December 2007				
Name of directors	Fee RMB'000	Basic salaries, allowances and other benefits RMB'000	Contributions to retirement benefit schemes RMB'000	Bonus RMB'000	Total RMB'000
Executive directors					
Mr. Hu Changyuan	–	480	3	1,020	1,503
Mr. Chen Jianhua	–	150	3	840	993
Mr. Wang Jianli	–	120	3	580	703
Mr. Ma Wanjun	–	120	3	580	703
Independent non-executive directors					
Mr. Cui Ming	–	10	–	–	10
Mr. Xie Shuisheng	–	10	–	–	10
Ms. Li Li	–	10	–	–	10
	–	900	12	3,020	3,932

Notes to the Financial Statements

12. DIRECTORS' REMUNERATION (continued)

	Year ended 31 December 2006				
Name of directors	Fee *RMB'000*	Basic salaries, allowances and other benefits *RMB'000*	Contributions to retirement benefit schemes *RMB'000*	Bonus *RMB'000*	Total *RMB'000*
Executive directors					
Mr. Hu Changyuan	–	240	3	6,686	6,929
Mr. Chen Jianhua	–	151	3	803	957
Mr. Wang Jianli	–	118	3	515	636
Mr. Ma Wanjun	–	117	3	566	686
	–	626	12	8,570	9,208

An analysis of directors' remuneration by the number of directors and remuneration range is as follows:

	2007 *RMB'000*	2006 *RMB'000*
Nil to RMB1,000,000	**6**	3
RMB1,000,000 to RMB5,000,000	**1**	–
Above RMB5,000,000	**–**	1

There were no amounts paid during the year to the directors in connection with their retirement from employment with the Group, or inducement to join. There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

The independent non-executive directors were appointed on 1 December 2007.

Notes to the Financial Statements

13. INDIVIDUALS WITH HIGHEST EMOLUMENTS

The five highest paid individuals of the Group during the year include four directors of the Company, whose remuneration are reflected in the analysis presented above. Details of remuneration paid to the remaining highest paid individual of the Group are as follows:

	2007	2006
	RMB'000	*RMB'000*
Basic salaries, allowances and other benefits	**442**	96
Contributions to retirement benefit schemes	**–**	3
Bonus	**–**	326
	442	425
Number of senior management	**1**	1

The above individuals' emoluments are within the band of Nil to RMB1,000,000.

There were no amounts paid during the year to the five highest paid employees in connection with their retirement from employment with the Group, or inducement to join.

14. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated profit attributable to equity holders of the Company include a loss of RMB1,021,000 (2006: Nil) which has been dealt with in the financial statements of the Company.

15. DIVIDENDS

Dividends payable to equity holders of the Company attributable to the year

	2007	2006
	RMB'000	*RMB'000*
Dividend declared and paid during the year	**134,436**	85,879
Final dividend proposed after balance sheet date of RMB0.063 per share (2006: N/A)	**39,218**	30,680

Dividend of RMB85,879,000 and RMB134,436,000 was declared by the subsidiaries in 2006 and 2007 respectively to the then equity holders of the Company before the Reorganisation.

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date. The calculation of final dividend per share is based on 622,500,000 ordinary shares in issue as at the date of dividend declaration.

Notes to the Financial Statements

16. BASIC AND DILUTED EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to the shareholders of ordinary shares of RMB150,845,000 (2006: RMB106,696,000) and the weighted average of 452,054,795 (2006: 450,000,000) ordinary shares in issue during the year.

Weighted average number of ordinary shares

	2007 Number of shares
Share issued upon incorporation *(Note 29(c)(i))*	**1**
Issuance of shares upon the Reorganisation *(Note 29(c)(ii))*	**9,999**
Capitalisation issue *(Note 29(c)(iii))*	**449,990,000**
Effect of issuance of shares for placing and public offering	**2,054,795**
Weighted average number of ordinary shares at 31 December 2007	**452,054,795**

The weighted average number of shares in issue during the year ended 31 December 2006 represents the 450,000,000 shares in issue before the listing of the shares on the Stock Exchange, as if such shares had been outstanding during the above entire year.

(b) Diluted earnings per share

The calculation of diluted earnings per share for the year ended 31 December 2007 is based on profit attributable to equity shareholders of the Company of RMB150,845,000 and the weighted average number of 452,467,562 ordinary shares (diluted). Diluted earnings per share for the year ended 2006 is not presented as there were no dilutive potential ordinary shares in existence during the year ended 31 December 2006.

Weighted average number of ordinary shares (diluted) for the year ended 31 December 2007 is calculated as follows:

Weighted average number of ordinary shares at 31 December 2007	452,054,795
Effect of deemed issue of shares under the Company's Pre-IPO Share Option Scheme	412,767
Weighted average number of ordinary shares at 31 December 2007 (diluted)	452,467,562

17. PROPERTY, PLANT AND EQUIPMENT

The Group

	Plant and buildings RMB'000	Machinery RMB'000	Electronic and other equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost						
At 1 January 2006	76,583	391,303	1,288	1,407	89,744	560,325
Additions	43	2,199	370	2,474	17,680	22,766
Transfer from construction in progress	5,935	24,423	–	–	(30,358)	–
Disposals	–	(810)	–	–	(108)	(918)
At 31 December 2006	82,561	417,115	1,658	3,881	76,958	582,173
Additions	1,169	874	255	220	25,926	28,444
Transfer from construction in progress	10,323	9,533	77	–	(19,933)	–
At 31 December 2007	**94,053**	**427,522**	**1,990**	**4,101**	**82,951**	**610,617**
Accumulated depreciation						
At 1 January 2006	(3,909)	(70,266)	(540)	(246)	–	(74,961)
Charge for the year	(3,481)	(25,304)	(251)	(200)	–	(29,236)
Disposals	–	732	–	–	–	732
At 31 December 2006	(7,390)	(94,838)	(791)	(446)	–	(103,465)
Charge for the year	(3,963)	(24,512)	(196)	(584)	–	(29,255)
At 31 December 2007	**(11,353)**	**(119,350)**	**(987)**	**(1,030)**	**–**	**(132,720)**
Carrying amounts						
At 31 December 2007	**82,700**	**308,172**	**1,003**	**3,071**	**82,951**	**477,897**
At 31 December 2006	75,171	322,277	867	3,435	76,958	478,708

Notes to the Financial Statements

17. PROPERTY, PLANT AND EQUIPMENT (continued)

(i) All of the property, plant and equipment owned by the Group are located in the PRC.

(ii) Certain property, plant and equipment with the carrying amounts of RMB125,144,000 and RMB199,002,000 were pledged as securities for bank loans at 31 December 2007 and 2006 respectively (Note 24(i)).

(iii) Up to the date of this report, the Group was in process of applying for the certificate of certain of its properties with an aggregate carrying value of approximately RMB4,093,000 as at 31 December 2007 (2006: Nil). The directors of the Company are of the opinion that the Group is entitled to lawful and validity occupy or use the above mentioned properties.

18. LEASE PREPAYMENTS

The Group

	RMB'000
Cost	
At 1 January 2006	10,832
Additions	2,100
At 31 December 2006	12,932
Additions	2,824
At 31 December 2007	**15,756**
Accumulated amortisation	
At 1 January 2006	(334)
Charge for the year	(252)
At 31 December 2006	(586)
Charge for the year	(285)
At 31 December 2007	**(871)**
Carrying amounts	
As at 31 December 2007	**14,885**
As at 31 December 2006	12,346

(i) Lease prepayments represent cost of land use rights in respect of land located in the PRC with a lease period of 50 years when granted.

(ii) Certain land use right with the carrying amount of RMB7,024,000 and RMB10,226,000 were pledged as securities for bank loans at 31 December 2007 and 2006 respectively (Note 24(i)).

Notes to the Financial Statements

19. INVESTMENT IN SUBSIDIARIES

	The Company 2007 *RMB'000*
Unlisted shares, at cost	**407,249**

All of the following entities are subsidiaries as defined under Note 3(a) and have been consolidated into the Group's financial statements. The class of shares held is ordinary unless otherwise stated.

Name of company	Place and date of incorporation	Percentage of equity attributable to the Company Direct	Indirect	Issued and fully paid-up/ registered capital	Principal activities
Xingye Copper International (BVI) Limited ("Xingye Copper (BVI)")	British Virgin Islands, July 2007	100%	–	USD1/ USD1	Investment holding
Xingye Copper International (Hong Kong) Limited ("Xingye Copper (HK)")	Hong Kong SAR, July 2007	–	100%	HKD10/HKD10	Investment holding
Xingye Electronic(i)	The PRC, November 1998	–	100%	USD9,580,000/ USD9,580,000	Manufacturing of high precision copper plates and strips
Shengtai(ii)	The PRC, November 2001	–	100%	USD15,800,000/ USD15,800,000	Manufacturing of high precision copper plates and strips
Yingtan Xingye Electronic Metal Materials Co., Ltd. ("Yingtan Xingye")(iii)	The PRC, November 2006	–	100%	RMB5,000,000/ RMB5,000,000	Manufacturing of high precision copper plates and strips
Xingtai Copper(iv)	The PRC, April 2007	–	100%	RMB1,000,000/ RMB1,000,000	Manufacturing of semi-finished copper strips

Notes to the Financial Statements

19. INVESTMENT IN SUBSIDIARIES (continued)

Name of company	Place and date of incorporation	Percentage of equity attributable to the Company Direct	Indirect	Issued and fully paid-up/ registered capital	Principal activities
Yingtan Xingxin Metal Waste Recycle Co., Ltd ("Xingxin")(v)	The PRC, April 2007	–	100%	RMB1,000,000/ RMB1,000,000	Recycling of scrap metals
Yingtan Ulba Shine Metal Materials Co., Ltd. ("Yingtan Ulba")(vi)	The PRC, July 2007	–	100%	RMB5,000,000/ USD6,200,000	Manufacturing of high precision beryllium copper plates and strips
Ningbo Litai Alloy Metal Co., Ltd. ("Ningbo Litai")(vii)	The PRC, August 2007	–	100%	RMB3,890,000/ RMB3,890,000	Manufacturing of high precision copper plates and strip

Notes:

(i) Xingye Electronic was incorporated in the PRC as a sino-foreign equity joint venture and became a wholly foreign-owned enterprise from 22 December 2005.

(ii) Shengtai was incorporated in the PRC as a sino-foreign equity joint venture and became a wholly foreign-owned enterprise from 22 April 2004.

(iii) Yingtan Xingye was incorporated in the PRC as a domestic company and became a wholly owned enterprise from 15 June 2007.

(iv) Xingtai Copper was incorporated in the PRC as a domestic company.

(v) Xingxin was incorporated in the PRC as a domestic company and became a wholly owned enterprise from 28 June 2007.

(vi) Yingtan Ulba was incorporated in the PRC as a domestic company.

(vii) Ningbo Litai was incorporated in the PRC as a domestic company.

Notes to the Financial Statements

20. INVENTORIES

	The Group	
	2007	2006
	RMB'000	*RMB'000*
Raw materials	**83,517**	49,802
Work in progress	**153,352**	169,782
Finished goods	**39,937**	15,316
Others	**2,476**	1,180
	279,282	236,080

Provisions of RMB9,129,000 was made against those inventories with net realisable value lower than carrying value as at 31 December 2006. Except for the above, none of the inventories as at 31 December 2006 and 2007 was carried at net realisable value.

Certain inventories with the carrying amounts of RMB256,600,000 and RMB50,000,000 were pledged as securities for bank loans at 31 December 2007 and 2006 respectively (Note 24(i)).

21. TRADE AND OTHER RECEIVABLES

	The Group		The Company
	2007	2006	**2007**
	RMB'000	*RMB'000*	***RMB'000***
Trade and bill receivables	**218,477**	78,690	**–**
Non-trade receivables	**17,375**	23,131	**10**
Prepayments	**63,550**	10,393	**146**
Amount due from related parties	**–**	32,979	**–**
Amount due from subsidiaries	**–**	–	**111,598**
	299,402	145,193	**111,754**

All of the trade and other receivables are expected to be recovered within one year.

Credit terms granted to customers ranged from 0 to 90 days depending on the customers' relationship with the Group, its creditworthiness and settlement record.

Notes to the Financial Statements

21. TRADE AND OTHER RECEIVABLES (continued)

An ageing analysis of trade and bill receivables (net off impairment loss for bad and doubtful debts) of the Group is as follows:

	The Group	
	2007	2006
	RMB'000	*RMB'000*
Within 3 months	**217,077**	76,760
Over 3 months but less than 6 months	**809**	1,502
Over 6 months but less than 1 year	**381**	136
Over 1 year but less than 2 years	**199**	182
Over 2 years	**11**	110
	218,477	78,690

22. PLEDGED DEPOSITS

Pledged deposits can be analysed as follows:

	The Group	
	2007	2006
	RMB'000	*RMB'000*
Guarantee deposits for issuance of commercial bills and banking facilities	**19,710**	128,763

Pledged deposits earn interest at rates ranging from 1.80% to 3.33% per annum.

23. CASH AND CASH EQUIVALENTS

All the balances of cash and cash equivalents as at 31 December 2007 are cash at bank and in hand.

The Group's exposure to credit risk and currency risk are disclosed in Note 32.

Notes to the Financial Statements

24. INTEREST-BEARING BORROWINGS

	The Group	
	2007	2006
	RMB'000	*RMB'000*
Current		
Secured bank loans	**203,200**	284,300
Unsecured bank loans	**192,211**	118,116
Bank advances under discounted bills	**131,000**	103,099
Current portion of non-current secured bank loans	**–**	22,000
	526,411	527,515
Non-current		
Secured bank and other loans	**104,000**	4,000
	104,000	4,000
	630,411	531,515

(i) The secured bank and other loans as of 31 December 2007 carried interest rate ranging from 6.21% to 8.22% (31 December 2006: 5.58% to 6.73%) per annum and were secured by the following assets:

	The Group	
	2007	2006
	RMB'000	*RMB'000*
Carrying amounts of assets:		
Inventories	**256,600**	50,000
Property, plant and equipment	**125,144**	199,002
Lease prepayments	**7,024**	10,226

(ii) Unsecured bank loans as of 31 December 2007 carried interest rate ranging from 5.69% to 7.88% (31 December 2006: 6.12% to 7.20%) per annum.

Notes to the Financial Statements

24. INTEREST-BEARING BORROWINGS (continued)

(iii) The Group's non-current bank and other loans were repayable as follows:

	The Group	
	2007	2006
	RMB'000	*RMB'000*
Within 1 year	–	22,000
Over 1 year but less than 2 years	**100,000**	–
Over 2 years	**4,000**	4,000
	104,000	4,000
	104,000	26,000

(iv) The Group's discounted bills with recourse have been accounted for as collateralised bank advances. The discounted bill receivable and the related proceeds of the same amount are included in the Group's "Bills receivable" and "Bank advances under discounted bills" as at the balance sheet date.

25. DERIVATIVE FINANCIAL INSTRUMENTS

The Group uses commodity futures contracts to hedge its exposure against copper price fluctuations. The Group's policy with respect to hedging the risk of copper is to designate it as fair value hedge. The notional contract value and the related terms are summarized as follows:

	The Group	
	2007	2006
	RMB'000	*RMB'000*
Sales contracts		
Volume (tonne)	**280**	–
Notional contract value	**15,244**	–
Market value	**(16,190)**	–
Fair value	**(946)**	–
Contract maturity date	January, February and March 2008	

The market value of futures contracts is based on quoted market price at the balance sheet date. The unrealized holding (losses)/gains on the futures contracts remeasured at fair value were RMB(946,000) and RMBNil as at 31 December 2007 and 2006, and the changes in the fair value were recognized in the income statements.

Notes to the Financial Statements

26. EQUITY-SETTLED SHARE BASED PAYMENTS

(a) Pre-IPO Share Option Scheme

Pursuant to the shareholders' written resolution passed on 1 December 2007, the Company adopted a Pre-IPO Share Option Scheme (the "Pre-IPO Option") whereby four directors, eight senior management and 21 employees of the Company were given the rights to subscribe for shares of the Company. The subscription price pre share pursuant to the Pre-IPO Option is a 30% discount to the global offering price.

Each option granted under the Pre-IPO Option has a vesting period of one year commencing from the date of listing of the Company on the Stock Exchange ("Listing Date") and the options are exercisable for a period of three years. The Group has no legal or constructive obligation to repurchase or settle the option in cash.

(i) The terms and conditions of the grants that existed during the year are as follows:

	Number of options *('000 shares)*	**Vesting conditions**	**Contractual life of options**
Options granted to directors – on 1 December 2007	5,700	One-third on each of the first, second and third anniversary of the Listing Date	3 years
Options granted to senior management – on 1 December 2007	5,340	One-third on each of the first, second and third anniversary of the Listing Date	3 years
Options granted to employees – on 1 December 2007	6,960	One-third on each of the first, second and third anniversary of the Listing Date	3 years
Total share options	18,000		

Notes to the Financial Statements

26. EQUITY-SETTLED SHARE BASED PAYMENTS (continued)

(a) Pre-IPO Share Option Scheme (continued)

(ii) The number and weighted average exercise price of share options are as follows:

	Exercise price *HKD*	Number of options *('000 shares)*
Outstanding at the beginning of the year	–	–
Granted during the year	1.19	18,000
Outstanding at the end of the year	1.19	18,000
Exercisable at the end of the year	1.19	–

No share options were exercised during the year.

The share option outstanding at 31 December 2007 had an exercise price of HKD1.19 and a weighted average remaining contractual life of 3 years. No options and rights were outstanding as at 31 December 2006 as the Pre-IPO Option was not effective during that year.

(iii) Fair value of share options and assumptions

The fair value of service received in return for share options granted is measured by reference to the fair value of share options. The estimate of the fair value of the share options granted is measured based on a Black-Scholes-Merton Option Pricing Model. The contractual life of the share options is used as an input into this model. Expectations of early exercise are incorporated into the Black-Scholes-Merton Option Pricing Model.

	Granted in December 2007
Fair value at grant date	HKD12,334,000
Share price	HKD1.70
Exercise price	HKD1.19
Expected volatility	52.47%
Expected Option life	2.57~3.57 years
Expected dividend yield rate	3.82%
Risk-free interest rate	2.083%~2.356%

Notes to the Financial Statements

26. EQUITY-SETTLED SHARE BASED PAYMENTS (continued)

(b) Share Option Scheme

The Company has also adopted a share option scheme (the "Share Option Scheme") pursuant to the shareholders' written resolution passed on 1 December 2007.

The maximum number of shares that may be granted under the Share Option Scheme and other share option schemes shall not exceed 30% of the number of issued shares of the Company from time to time. No option may be granted to any person such that the total number of shares of the Company issued and to be issued upon exercise of all options granted and to be granted to each participant in any 12-month period up to the date of the latest grant exceeds 1% of the number of shares of the Company in issue.

An option under the Share Option Scheme may be exercised in accordance with the terms of the Scheme at any time during a period as determined by the Board of Directors of the Company, which must not be more than 10 years from the date of the grant.

No share option has been granted under the Share Option Scheme during the year.

27. TRADE AND OTHER PAYABLES

	The Group		The Company
	2007	2006	**2007**
	RMB'000	*RMB'000*	***RMB'000***
Trade and bill payables	**63,858**	90,933	–
Non-trade payables and accrued expenses	**75,410**	76,504	**1,958**
	139,268	167,437	**1,958**

An ageing analysis of trade and bill payables of the Group is as follows:

	The Group	
	2007	2006
	RMB'000	*RMB'000*
Within 3 months	**57,592**	85,517
Over 3 months but less than 6 months	**5,805**	3,358
Over 6 months but less than 1 year	**2**	338
Over 1 year but less than 2 years	**147**	1,254
Over 2 years	**312**	466
	63,858	90,933

Notes to the Financial Statements

28. DEFERRED TAX LIABILITIES

(a) Recognised deferred tax liabilities

Deferred tax liabilities are attributable to the following:

	The Group	
	2007	2006
	RMB'000	*RMB'000*
Property, plant and equipment	**8,013**	6,783

(b) The components of deferred tax liabilities recognised in the consolidated balance sheets and the movements during the year are as follows:

	The Group Property, plant and equipment
	RMB'000
At 1 January 2007	6,783
Recognised in the consolidated income statement	1,230
At 31 December 2007	**8,013**

Notes to the Financial Statements

29. CAPITAL AND RESERVES

(a) The Group

	Attributable to equity holders of the Company							
	Share capital RMB'000 (note (c))	Share premium RMB'000 (note d(i))	Capital reserve RMB'000 (note d(ii))	PRC statutory reserve RMB'000 (note d(iv))	Translation reserve RMB'000	Retained earnings RMB'000	Minority interests RMB'000	Total RMB'000
At 1 January 2006	–	–	248,656	15,000	–	47,601	–	311,257
Capital injection	–	–	–	–	–	–	500	500
Profit for the year	–	–	–	–	–	106,696	–	106,696
Total recognised income and expense	–	–	–	–	–	106,696	–	106,696
Transfer to reserve	–	–	–	5,322	–	(5,322)	–	–
Dividend approved and paid during the year	–	–	–	–	–	(85,879)	–	(85,879)
At 31 December 2006	–	–	248,656	20,322	–	63,096	500	332,574
At 1 January 2007	–	–	248,656	20,322	–	63,096	500	332,574
Exchange differences on translating foreign operations	–	–	–	–	(577)	–	–	(577)
Total income and expense recognised directly in equity	–	–	–	–	(577)	–	–	(577)
Profit for the year	–	–	–	–	–	150,845	–	150,845
Total recognised income and expense	–	–	–	–	–	150,845	–	150,845
Arising from reorganisation	1	–	11,070	(10,135)	–	(936)	–	–
Issuance of share by placing and public offer	14,043	224,688	–	–	–	–	–	238,731
Capitalisation issue	42,128	(42,128)	–	–	–	–	–	–
Share issuance expenses	–	(48,656)	–	–	–	–	–	(48,656)
Transfer to reserve	–	–	–	9,297	–	(9,297)	–	–
Acquisition of minority interests	–	–	–	–	–	–	(500)	(500)
Dividend approved and paid during the year	–	–	–	–	–	(134,436)	–	(134,436)
At 31 December 2007	56,172	133,904	259,726	19,484	(577)	69,272	–	537,981

Notes to the Financial Statements

29. CAPITAL AND RESERVES (continued)

(b) The Company

	Share capital RMB'000 (note (c))	Share premium RMB'000 (note d(i))	Contributed surplus RMB'000 (note d(iii))	Accumulated losses RMB'000	Total RMB'000
At 19 July 2007 (date of incorporation)	–	–	–	–	–
Arising from reorganisation	1	–	407,248	–	407,249
Issuance of share by placing and public offering	14,043	224,688	–	–	238,731
Capitalisation issue	42,128	(42,128)	–	–	–
Share issuance expenses	–	(48,656)	–	–	(48,656)
Loss for the period	–	–	–	(1,021)	(1,021)
At 31 December 2007	**56,172**	**133,904**	**407,248**	**(1,021)**	**596,303**

(c) Share capital

	2007 The Group and the Company No. of shares	Amount *HK$'000*
Authorised		
Ordinary shares of HKD0.10 each *(notes (i) and (iii))*	**5,000,000,000**	**500,000**

Notes to the Financial Statements

29. CAPITAL AND RESERVES (continued)

(c) Share capital (continued)

	Number of shares	Amount *HKD'000*	Amount *RMB'000 equivalent*
Ordinary shares issued and fully paid			
Share issued upon incorporation *(note (i))*	1	–	–
Issuance of new shares pursuant to the Reorganisation *(note (ii))*	9,999	1	1
Capitalisation issue *(note (iii))*	449,990,000	44,999	42,128
Issuance of share by placing and public offering *(note (iv))*	150,000,000	15,000	14,043
At 31 December 2007	**600,000,000**	**60,000**	**56,172**

(i) The Company was incorporated in the Cayman Islands on 19 July 2007 with an authorised share capital of HKD380,000 divided into 3,800,000 ordinary shares of par value HKD0.10 each. On 19 July 2007, 1 ordinary share of HKD0.10 in the Company was allotted and issued to the initial subscriber for cash at par and such share was then transferred to Shine International Holdings Limited ("Shine International") on the same day.

(ii) Pursuant to the Reorganization, on 6 September 2007, 9,999 shares credited as fully paid were allotted and issued to Shine International as directed by Xing Ye Copper Company Limited ("Xing Ye Copper"), in consideration for the acquisition by Xingye Copper (HK) of the entire equity interest of each of Xingye Electronic and Shengtai from Xing Ye Copper.

(iii) Pursuant to written resolutions of the shareholders passed on 1 December 2007, the authorized share capital of the Company was increased from HKD380,000 to HKD500,000,000 by the creation of an additional 4,996,200,000 shares.

Pursuant to an ordinary resolution passed at a directors' meeting held on 1 December 2007, 449,990,000 ordinary shares of HKD0.10 each in the Company were issued at par value on 27 December 2007 by way of capitalisation of HKD44,999,000 (equivalent to RMB42,128,000) from the share premium account upon the listing of the Company's share on the Stock Exchange.

Notes to the Financial Statements

29. CAPITAL AND RESERVES (continued)

(c) Share capital (continued)

(iv) On 27 December 2007, 150,000,000 ordinary shares of HKD0.10 each were issued at a price of HKD1.70 per share under the Hong Kong Public Offering (the "Offering") and the International Placing (the "Placement"). The proceeds of HKD15,000,000 (equivalent to RMB14,043,000) representing the par value, were credited to the Company's share capital. The remaining proceeds of HKD240,000,000 (equivalent to RMB224,688,000), before the share issue expenses, were credited to the share premium account.

(d) Reserves

(i) Share premium

Pursuant to an ordinary resolution passed at a directors' meeting held on 1 December 2007, 449,990,000 ordinary shares of HKD0.10 each in the Company were issued at par value on 27 December 2007 by way of capitalization of HKD44,999,000 (equivalent to RMB42,128,000) from the share premium account upon the listing of the Company's share on the Stock Exchange.

150,000,000 ordinary shares of HKD0.10 each in the Company were issued at HKD1.70 under the Offering and the Placement on 27 December 2007. The excess of the proceeds totaling HKD240,000,000 (equivalent to RMB224,688,000) over the nominal value of the total number of ordinary shares issued, less certain listing costs of HKD51,972,000 (equivalent to RMB48,656,000) incurred in connection with the issue of share capital, amounting to HKD188,028,000 (equivalent to RMB176,032,000), was credited to the share premium account of the Company.

The application of the share premium account is governed by the Companies Law of the Cayman Islands. Under the Companies Law of the Cayman Islands, the funds in share premium account are distributable to shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) Capital reserve

Capital reserve represents the excess of the aggregate of the share capital of the subsidiaries acquired and the equity of a predecessor entity with its business transferred to the Group pursuant to the Reorganization, amounting to RMB259,726,000, over the consideration paid by the Company of HKD1,000 (equivalent to RMB1,000) , representing the nominal value of the shares issued by the Company in exchange thereof.

Notes to the Financial Statements

29. CAPITAL AND RESERVES (continued)

(d) Reserves (continued)

(iii) Contributed surplus

Contributed surplus represents the excess of the fair value of the shares of Xingye Copper (HK) determined on the basis of the consolidated net assets of Xingye Copper (HK) at the date of the Reorganisation over the nominal value of the shares issued by the Company in exchange thereof.

(iv) PRC statutory reserve

Transfers from retained earnings to the following PRC statutory reserves were made in accordance with the relevant PRC rules and regulations and the articles of association of the Company's subsidiaries incorporated in the PRC and were approved by the respective boards of directors.

General reserve fund

The subsidiaries in the PRC are required to transfer at least 10% of their profit after taxation, as determined under the PRC accounting regulations, to the general reserve fund until the reserve balance reaches 50% of their respective registered capital. The transfer to this reserve must be made before the distribution of dividends to shareholders.

The general reserve fund can be used to make good losses and convert into share capital by the issue of new shares to shareholders in proportion to their existing equity holdings.

Enterprise expansion fund

The transfers from retained earnings to the enterprise expansion fund were made in accordance with the relevant PRC rules and regulations and the articles of association of the Company's subsidiaries and were approved by the respective boards of directors.

The enterprise expansion fund can be used to convert into share capital, to acquire fixed assets and to increase current assets.

Notes to the Financial Statements

30. RELATED PARTY TRANSACTIONS

Particulars of significant transactions between the Group and the above related parties during the year are as follows:

(a) Significant related party transactions – Non-recurring

	The Group	
	2007	2006
	RMB'000	*RMB'000*
Secured bank loans guarantee jointly provided by:		
Ningbo Shine Group Co., Cixi Xingye Investment Co., Ltd ("Xingye Investment") and Ningbo Xingye Alloy Co., Ltd	–	22,600
Secured bank loans guarantee jointly provided by:		
Directors	–	92,600
Unsecured bank loans guarantee jointly provided by:		
Directors	–	14,000

(b) Receivable due from related parties

	The Group	
	2007	2006
	RMB'000	*RMB'000*
Xingye Investment	–	32,979

31. CAPITAL COMMITMENTS

Capital commitments outstanding at the respective year end not provided for in the consolidated financial statements were as follows:

	The Group	
	2007	2006
	RMB'000	*RMB'000*
Authorised but not contracted for	**221,000**	–
Contracted for		
– Equipment	**324**	2,854
	221,324	2,854

Notes to the Financial Statements

32. FINANCIAL INSTRUMENTS

Overview

Financial assets of the Group include cash and cash equivalents, pledged deposits, trade and other receivables. Financial liabilities of the Group include loans and borrowings, trade and other payables.

The Group has exposure to the following risks from its use of financial instruments:

– credit risk

– liquidity risk

– market risk

The Board of Directors has overall responsibility for the establishment, oversight of the Group's risk management framework, and developing and monitoring the Group's risk management policies.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. Internal audit department undertakes both regular and hot reviews of risk management controls and procedures, the results of which are reported to the Group's audit committee.

Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Board has established a credit policy under which credit evaluations are performed on all customers requiring credit. These receivables are due within 0 to 90 days from the date of billing.

Debtors with balance that are more than the credit term given by the Group are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

At the balance sheet date, the Group has a certain concentration of credit risk 9% and 49%, and 9% and 19% of the total trade receivables was due from the Group's largest customer and top five largest customers respectively as at 31 December 2006 and 2007 respectively.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of consolidated balance sheets. The Group does not provide any guarantee which would expose the Group to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other trade receivables are set out in Note 21.

Notes to the Financial Statements

32. FINANCIAL INSTRUMENTS (continued)

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutes to meet its liquidity requirements in the short and longer term.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

	2007			
	Carrying amount	**Total undiscounted cash flow**	**Within one year or on demand**	**More than one year and less than five years**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Interest-bearing borrowings	**630,411**	**694,622**	**573,691**	**120,931**
Trade and other payables	**139,268**	**139,268**	**139,268**	**–**
	769,679	**833,890**	**712,959**	**120,931**

	2006			
	Carrying amount	Total undiscounted cash flow	Within one year or on demand	More than one year and less than five years
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing borrowings	531,515	544,820	539,157	5,663
Trade and other payables	167,437	167,437	167,437	–
	698,952	712,257	706,594	5,663

Notes to the Financial Statements

32. FINANCIAL INSTRUMENTS (continued)

Market rate risk

(a) Interest risk

The interest rates and terms of repayment of interesting-bearing borrowings of the Group are disclosed in Note 24.

Sensitivity analysis

As at 31 December 2007, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's net profit for the year and retained earnings by approximately RMB3,745,000 (2006: RMB2,313,000). This sensitivity analysis has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The analysis is performed on the same basis for 2006.

(b) Foreign currency risk

RMB is not freely convertible into foreign currencies. All foreign exchange transactions involving Renminbi must take place through the People's Bank of China or other institutions authorised to buy and sell foreign exchange. The exchange rate adopted for the foreign exchange transactions are the rates of exchange quoted by the People's Bank of China that are determined largely by supply and demand. Changes in exchange rate affect the RMB value of sales proceeds of products that are denominated in foreign currencies. In addition, an appreciation of RMB against USD may have the effect of rendering exports from the Group in China more expensive and less competitive than products from other countries.

The following table details the Group's exposure at the balance sheet date to currency risk arising from forecast transactions or recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	2007		2006	
	USD'000	***HKD'000***	*USD'000*	*HKD'000*
Trade and other receivables	**6,893**	**–**	2,850	–
Cash and cash equivalents	**85**	**130,840**	43	1,356
Interest-bearing borrowings	**(6,881)**	**–**	(1,300)	(1,350)
Trade and other payables	**(3,188)**	**–**	(6,337)	–
Gross balance sheet exposure	**(3,091)**	**130,840**	(4,744)	6

The Group is not subject to currency risk on the forecasted transactions as the Group does not hedge its foreign currency risk.

Notes to the Financial Statements

32. FINANCIAL INSTRUMENTS (continued)

Market rate risk (continued)

(b) *Foreign currency risk* (continued)

The following significant exchange rates applied during the years:

	Average and reporting rate	
	2007	2006
	RMB	*RMB*
USD1	**7.3046**	7.8087
HKD1	**0.9364**	1.0047

Sensitivity analysis

A 5 percent strengthening of the RMB against the following currencies at 31 December would have increased/(decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2006.

	2007	2006
	RMB'000	*RMB'000*
Profit or (loss)		
USD	**1,129**	1,852
HKD	**(6,126)**	–
	(4,997)	1,852

A 5 percent weakening of the RMB against the above currencies at 31 December would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

(c) *Commodity price risk*

The Group uses its futures contracts traded on the Shanghai Futures Exchanges to hedge against fluctuations in copper price. The futures are marked to market at balance sheet date and corresponding unrealised holding gains/losses are recorded in the income statements for the year ended 31 December 2007. For details of the exposure of futures contracts, please refer to Note 25.

Notes to the Financial Statements

32. FINANCIAL INSTRUMENTS (continued)

Fair value

The carrying amounts of significant financial assets and liabilities approximate their respective fair values as at 31 December 2006 and 2007.

The following methods and assumptions were used to estimate the fair value for each class of financial instruments:

(i) Cash and cash equivalents, pledged deposits, trade and other receivables, and trade and other payables.

The carrying values of these financial assets and liabilities approximate fair value because of the short maturities of these instruments.

(ii) Interest-bearing borrowings

The carrying amounts of interest-bearing borrowings approximate their fair value based on the borrowing rates currently available for bank loans with similar terms and maturity.

(iii) Derivative financial instruments

The derivative financial instruments are stated at their fair value based on quoted market price.

(iv) Share-based payment transactions

The fair value of share option under the Share Option Scheme is measured using the Black-Scholes-Merton Option Pricing Model. Measurement inputs include the offer price, the exercise price, the risk-free rate of interest, excepted option period, expected volatility and expected dividend. Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

Capital management

The Group also optimises the structure of its capital, comprising equity and loans. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares, adjust the capital expenditure plan, sell assets to reduce debt, or adjust the proportion of short-term and long-term loans. The Group monitors capital on the basis of debt-to-equity ratio, which is calculated by dividing interest-bearing borrowings by the total of equity attributable to equity shareholders of the Company and interest-bearing borrowings, and liability-to-asset ratio, which is calculated by dividing total liabilities by total assets. The Group's strategy is to make appropriate adjustments according to the operating and investment needs and the changes of market conditions, and has maintained the debt-to-equity ratio and the liability-to-asset ratio at a range considered as reasonable by management. As at 31 December 2007, the debt-to-equity ratio and the liability-to-asset ratio of the Group were 53.96% (2006: 61.55%) and 59.22% (2006: 67.98%), respectively.

Notes to the Financial Statements

32. FINANCIAL INSTRUMENTS (continued)

Capital management (continued)

The schedule of the contractual maturities of loans and commitments are disclosed in Note 32 and Note 31, respectively.

During 2007, the Group's strategy, which was unchanged from 2006, was to maintain the debt-to-equity ratio at a level considered reasonable by the Group's management from time to time with reference to the prevailing market conditions. In order to maintain or adjust the ratios, the Group may adjust the amount of dividends paid to shareholders, issue new shares and raise new debt financing.

33. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ANNUAL ACCOUNTING PERIOD ENDED 31 DECEMBER 2007

Up to the date of issue of these financial statements, the IASB has issued the following amendments, new standards and interpretations which are not yet effective for the annual accounting period ended 31 December 2007 and which have not been adopted in these financial statements:

	Effective for accounting period beginning on or after
IFRS 8, Operating Segments	1 January 2009
Revised IAS 23, Borrowing costs	1 January 2009
IFRIC 11, IFRS 2 – Group and treasury share transactions	1 March 2007
IFRIC 12, Service concession arrangements	1 January 2008
IFRIC 13, Customer loyalty programmes	1 July 2008
IFRIC 14, IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction	1 January 2008

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. Up to the date of issuance of these financial statements, the Group believes that the adoption of IFRIC 11, IFRS 2, IFRIC 12, IFRIC 13, IFRIC 14 and IAS 19 are not applicable to any of the Group's operations and that the adoption of IFRS 8 and Revised IAS 23 are unlikely to have a significant impact on the Group's results of operations and financial position.

34. PARENT AND ULTIMATE HOLDING COMPANY

As at 31 December 2007, the directors consider the ultimate holding company of the Group to be Shine International, a company incorporated in Bermuda.

Notes to the Financial Statements

35. SUBSEQUENT EVENTS

(a) Exercise of over-allotment

On 11 January 2008, the underwriters of the Placement exercised the over-allotment option for the issuance of 22,500,000 ordinary shares of HKD0.10 each at HKD1.70 per share. The proceeds of HKD2,250,000 (equivalent to RMB2,096,000) representing the par value, were credited to the Company's share capital. The remaining proceeds of HKD36,000,000 (equivalent to RMB33,530,000), before the share issue expenses, were credited to the share premium account.

(b) Dividend

According to the board resolution dated 17 April 2008, the Group declared dividends of HKD43,575,000 (equivalent to RMB39,217,500) to shareholders.

Glossary

"Board"	the Board of Directors of the Company
"China" or "PRC"	the People's Republic of China
"Company"	Xingye Copper International Group Limited, an exempted company incorporated in the Cayman Islands on 19 July 2007 under the Companies Law with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
"Director(s)"	the director(s) of the Company
"Group", "our Group", "we" or "us"	the Company and its subsidiaries
"Hangzhou Bay Facility"	production facility located at Economic Developing Zone, Jinxi Road, Hangzhou Bay New Zone, Cixi City, Zhejiang Province, the PRC
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollar" or "HK$"	Hong Kong dollar, the lawful currency of Hong Kong
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"LME"	the London Metal Exchange
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of nominal value HK$0.10 each in the share capital of the Company
"Shareholder(s)"	The holder(s) of the Shares
"SHFE"	Shanghai Futures Exchange
"Shengtai"	Ningbo Shengtai Electronic Metal Materials Co., Ltd.(寧波盛泰電子金屬材料有限公司), a company established in the PRC on 30 November 2001 with limited liability
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Tongtai"	Ningbo Xingye Tongtai Precision Alloy Materials Co. Ltd.(寧波興業同泰精密合金材料有限公司), a company established in the PRC on 20 November 2000 with limited liability
"Xingye Electronic"	Ningbo Xingye Electronic Copper Strip Co. Ltd.(寧波興業電子銅帶有限公司), a company established in the PRC on 2 November 1998 with limited liability
"Yingtan Facility"	production facility located at Yingtan Industrial Zone, Yingtan City, Jiangxi Province, the PRC
"Yingtan Ulba"	Yingtan Ulba Shine Metal Materials Co. Ltd.(鷹潭烏爾巴興業金屬材料有限公司), a company established on 30 July 2007 and was approved for conversion into an equity joint venture on 6 November 2007 in the PRC with limited liability