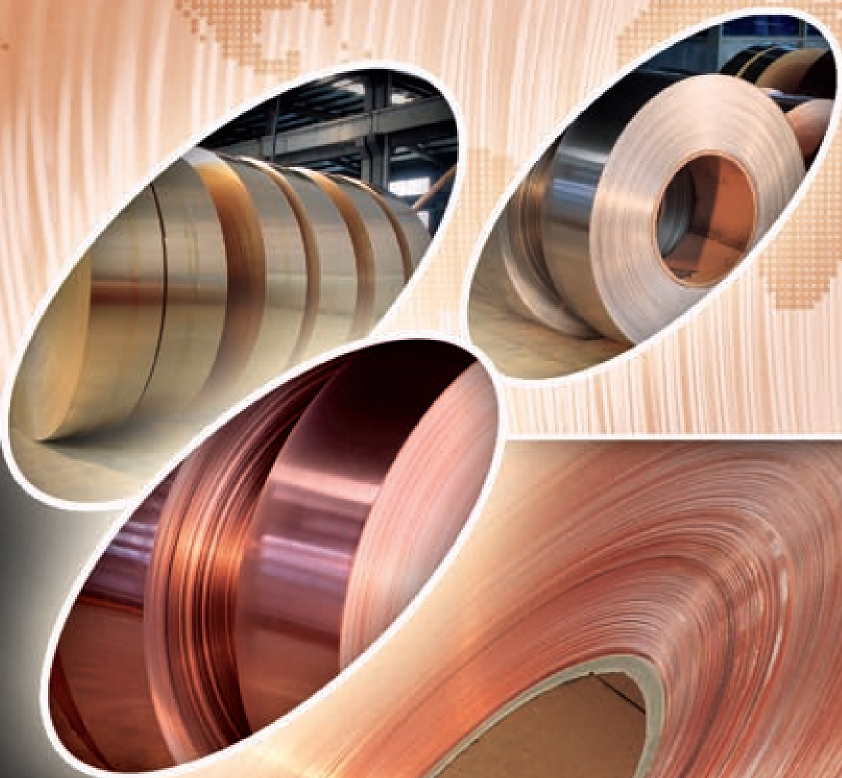
Xingye Copper International Group Limited

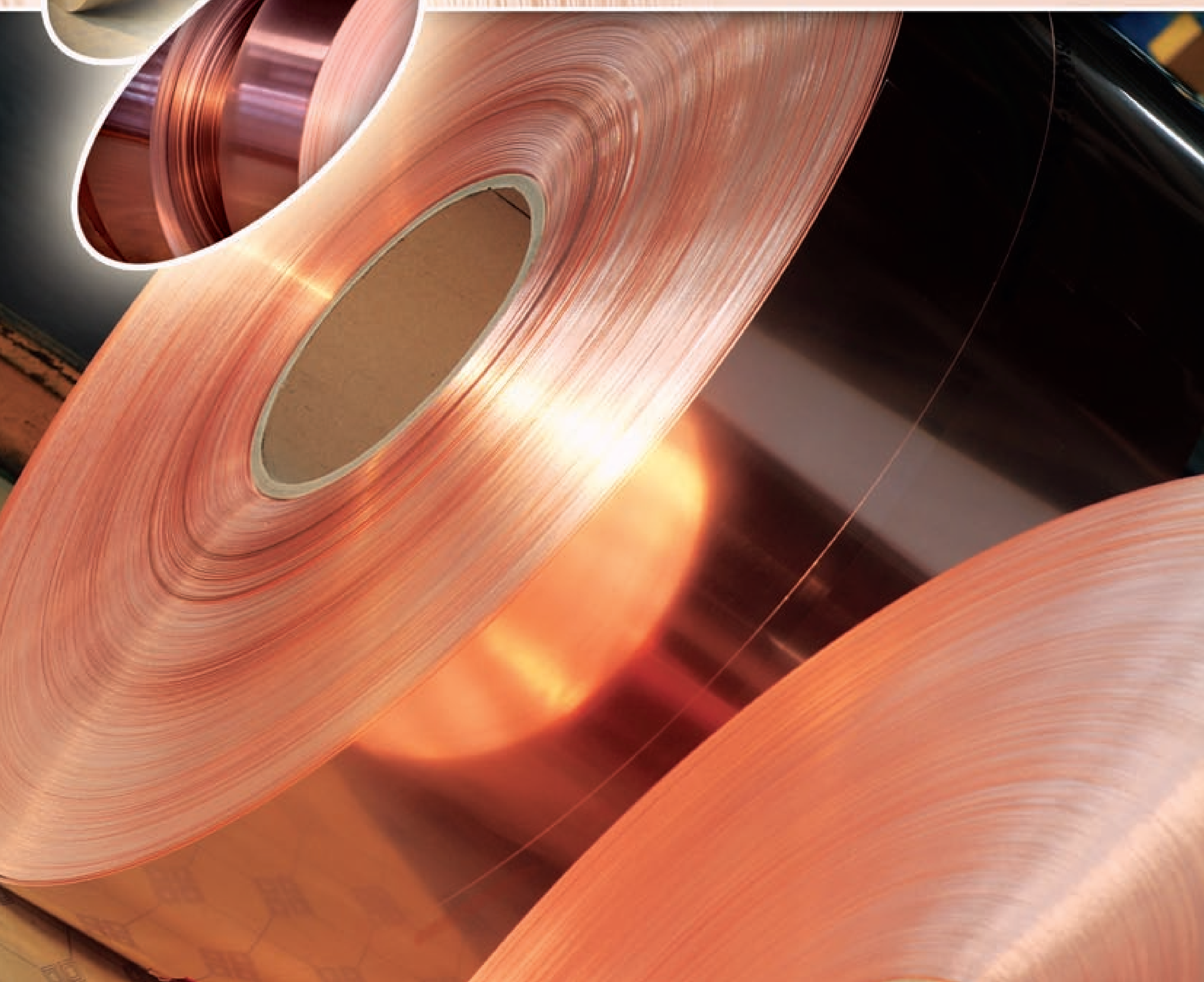
興業銅業國際集團有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code : 00505



Annual Report **2008**



Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. HU Changyuan *(Chairman)*
Mr. CHEN Jianhua
(Deputy Chairman and Chief Executive Officer)
Mr. WANG Jianli
Mr. MA Wanjun

Independent Non-Executive Directors

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

Non-Executive Director

Ms. YU Yuesu

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

Development Strategic Committee

Mr. WANG Jianli *(Chairman)*
Mr. MA Wanjun *(Vice Chairman)*
Mr. CHEN Jianhua
Mr. CUI Ming
Mr. CHAN Chung Kik, Lewis

COMPANY SECRETARY

Ms. NGAN Chui Wan

AUTHORISED REPRESENTATIVES

Mr. WANG Jianli
Mr. CHAN Chung Kik, Lewis

PRINCIPAL LEGAL ADVISORS

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

Flat 11, 11/F., Hung Tai Industrial Building
37-39 Hung To Road, Kwun Tong
Kowloon, 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

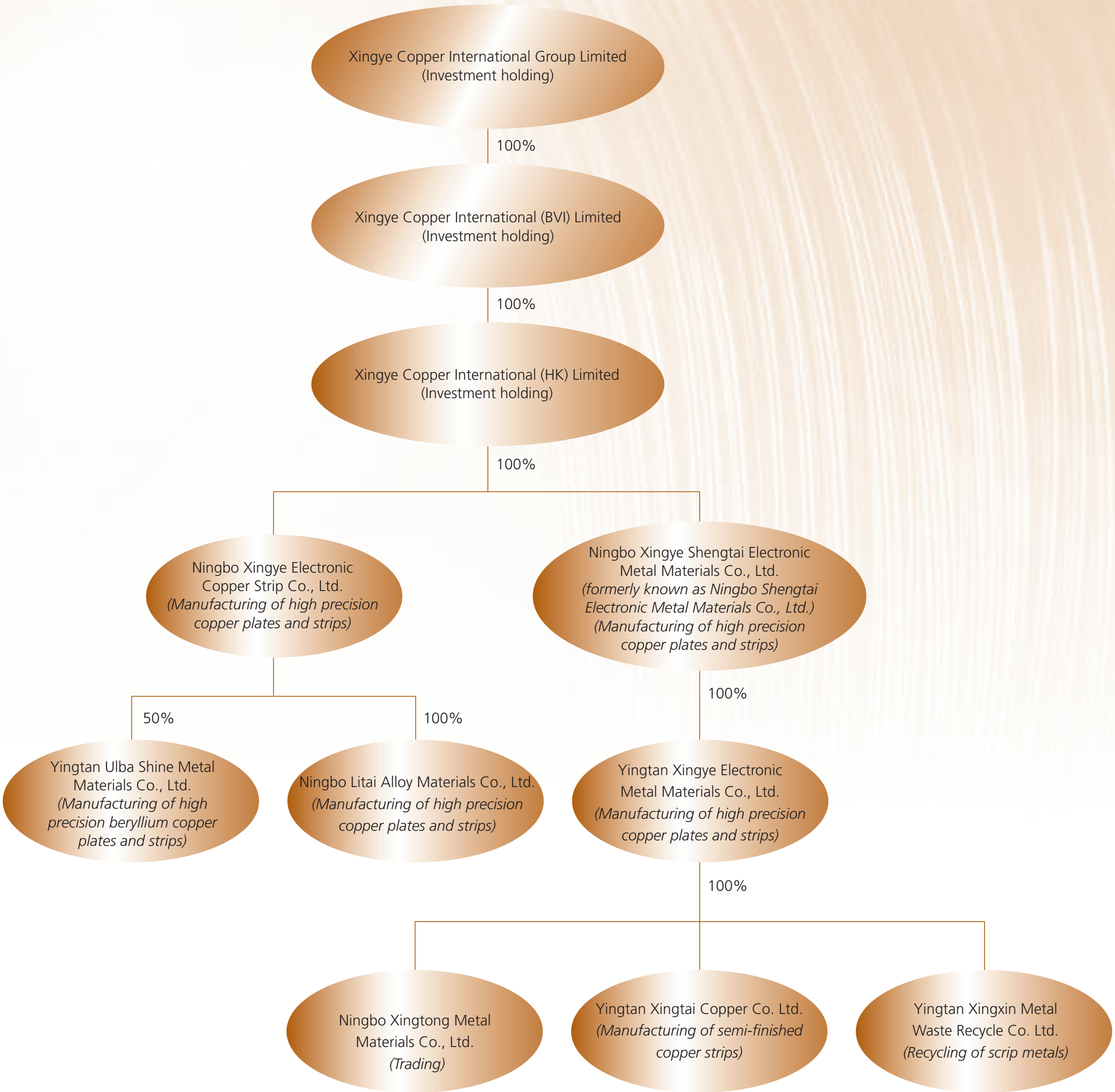
Agricultural Bank of China
China Construction Bank

COMPANY WEBSITE

www.xingyecopper.com

STOCK CODE

00505


Xingye Copper International Group Limited
(Investment holding)
100%
Xingye Copper International (BVI) Limited
(Investment holding)
100%
Xingye Copper International (HK) Limited
(Investment holding)
100%
Ningbo Xingye Electronic Copper Strip Co., Ltd.
(Manufacturing of high precision copper plates and strips)
Ningbo Xingye Shengtai Electronic Metal Materials Co., Ltd.
(formerly known as Ningbo Shengtai Electronic Metal Materials Co., Ltd.)
(Manufacturing of high precision copper plates and strips)
50%
100%
100%
Yingtan Ulba Shine Metal Materials Co., Ltd.
(Manufacturing of high precision beryllium copper plates and strips)
Ningbo Litai Alloy Materials Co., Ltd.
(Manufacturing of high precision copper plates and strips)
Yingtan Xingye Electronic Metal Materials Co., Ltd.
(Manufacturing of high precision copper plates and strips)
100%
Ningbo Xingtong Metal Materials Co., Ltd.
(Trading)
Yingtan Xingtai Copper Co. Ltd.
(Manufacturing of semi-finished copper strips)
Yingtan Xingxin Metal Waste Recycle Co. Ltd.
(Recycling of scrip metals)

Chairman's Statement

To Shareholders,

On behalf of the Board of Directors, I hereby present the results of Xingye Copper International Group Limited (the "Company") and its subsidiaries (together the "Group") for the year ended 31 December 2008.

The year 2008 was a bittersweet year for the Company. The impact of the subprime mortgage problem in the U.S. has caused the global financial crisis and the economic slowdown. The worldwide economic system has been critically affected. This impose huge impact and effect on different enterprises in the PRC especially those in the manufacturing industry. The global economic slowdown and the downturn in real estate and automobile industries have caused the nonferrous metal price to plunge. Copper price experienced a drop of approximately 70% from its height. The domestic copper supply has superabounded its demands. In addition, the outcome of the financial crisis is impossible to predict, the impact of the drop in consumer confidence and demand in electronic and semiconductor market has gradually appeared, and the customers markets of the Group has been seriously impacted and showed signs of severe recession. Therefore, the Group's sales in the second-half year of the financial year have inevitably been adversely affected. In view of the spreading global financial crisis, the State Council of the PRC passed the project of "Adjustment and Invigoration Plan of Nonferrous Metal" (the "Planning Project") on 25 February 2009, according to which the state supports technological reforms of enterprise through arrangement of subsidized loan, tightening the state storage system and adjusting tax recovery structure of export products. As nonferrous metal products have a large number of varieties which are widely spread in terms of application fields and the products are much interrelated, they play a significant role in socio-economic development. In the light of the current excess production capacity and unreasonable industry structure of the nonferrous metal industry, the Planning Project launched by the PRC proposes (a) to adjust the product structure and support the export of further processed products which demonstrate advanced technology and are high value-added; (b) to strictly control the total output and accelerate the elimination of straggly production capacity; (c) to intensify technological reforms as well as research and development in order to give impetus to technological upgrade; (d) to promote enterprise reorganization, optimize the overall arrangement of the industry, enhance enterprise management and safety regulations, boost the competitiveness of the industry and fully utilize both domestic and foreign resources to improve resources protection ability. All of the above measures mentioned in the Planning Project are beneficial to the Group.

In order to minimise the impact of the slowdown in market demand with a view to re-stabilising profitability, the Group will continue to focus on enhancing operational efficiency, implementing cost controls and cash flow management. In order to reduce the total costs for acquiring new equipment, on 24 September 2008, the Company announced that it would change the use of the net proceeds from the Global Offering (as defined in the prospectus dated 12 December 2007 issued by the Company). As disclosed in the announcement, the Group would utilize the net proceeds to acquire certain second-hand production equipments and facilities which, after certain modifications, would be equally fit for the Group's production. The total costs for acquiring new equipments and facilities by the Group for the expansion of production capacity could therefore be reduced.

PROSPECTS AND STRATEGY

The Company aims to be a leading, strong and large-scale enterprise providing the best products with high effectiveness in the industry and become a well-managed, environmental friendly and innovative enterprise by realizing scale operations and promoting harmonious development. By adhering to the mottos of "creating the best products" and "strengthen our competitiveness" as our development directions, the Company intends to expand its scale. The major duties include (a) emphasizing on synchronizing growth with the market and following the development trend of applications market and industry, seeking new sources of profit growth, expanding the scale through merger and acquisition of other domestic and foreign enterprises and improving our market value; (b) developing the products by adopting differentiation strategies and emphasizing on research and development of new products; (c) upgrading technologies to enhance the quality of the products and developing new products to seek for a breakthrough in the production capacities; upgrading technology and optimizing the existing equipments as well as using energy-saving and environmental-friendly equipments; (d) increasing revenue and reducing operating costs to lower the costs and enhance the technology levels of existing products and maximize market share; exploring internal potentials and maximizing returns by adhering to input-output models to stimulate the productivity with inputs; (e) enhancing internal management structure to improve the corporate structure and organization; and (f) attempting to adopt market value management in the capital operations and diversify the business of the Group.

The continuance of the mentioned factors will facilitate the Group to achieve better performance once the market demand picks up following market consolidation. Therefore, the Group is fully aware of the present challenges of weak market demand, and will take a cautious approach to the development of our business and exercise tighter cost control measures. The Company aims to emerge to be stronger and to strengthen our competitiveness at minimal cost and consolidate our market position to take advantage of the economic upturns. The management believes that, based on the policy, the capital expenditure would also be reconsidered in a prudent manner to improve the Group's liquidity.

APPRECIATION

Looking forward, we will continue our proven strategy of fostering opportunities for sustainable growth with the aim of enhancing return for our Shareholders. Finally, on behalf of the Board, I would like to take this opportunity to express my sincere gratitude to a team of devoted staff for their outstanding service and to our Shareholders for your continued support.

Hu Changyuan
Chairman

Hong Kong, 27 March 2009

BUSINESS DEVELOPMENT

The financial tsunami resulted from the U.S. subprime mortgage crisis has spread rapidly and affected the whole world, causing material volatility in the global financial market, credit crunch and significant drops in consumer and investment confidence. The financial crisis has imposed enormous impacts on real economy. Many developed countries are stepping into recession, while situation in the emerging markets also deteriorates at a fast pace. Different economies have experienced simultaneous decline. The impact of this crisis on China's economy has been relatively huge and it is currently facing severe challenges. This is mainly due to: an obvious fall in external demand, excess production capacity in particular industries, difficulties in production and operations, particularly for manufacturing industry in the PRC. The pressure of economic slowdown has obviously grown. The PRC central government has adjusted the macro-economic control policy to implement active financial policy and moderate currency policy, and has taken more forceful measures to expand domestic demand in order to establish an advantageous institutional environment for enterprises to cope with the challenges.

The Group has taken various measures to deal with continuous economic turmoil positively, optimize corporate management organization, raise the core competitiveness of enterprises and boost corporate economic efficiency, which include:

1. Maintaining sufficient cash reserves, strict control on the level of inventories, shortening of production cycle, acceleration of production cycle, rigorous monitor on customer's credit, preventing bad and doubtful debt, reducing operation costs and saving capital expenditure etc., which serve to maintain a relatively sufficient cash flow.

   During the report period, our Group identified suppliers that could offer certain second-hand equipment and facilities which, after certain modifications, are equally suitable for the Group's production purposes. Therefore, the proceeds from the global offering intended for acquiring certain equipments and facilities for the expansion of production capacity of the Group can be reduced by approximately RMB55.1 million. The surplus has been applied for general working capital purpose.

2. Launching technological reform, formulating a five-year technological reform plan, upgrading equipments and improving production capacity. Increasing annual production capacity to 80,000 tons, improving product quality, promoting equipment efficiency, improving high energy consumption equipment and reducing production costs through technological reform. Mainly focusing on the reform of melting furnaces, rolling mills, continuous strip annealing furnaces and pickling line to achieve "improving quality and lowering costs" as its objective in the first stage. During the year, there were 60 proposed technological reform projects, 18 of which were completed, which mainly included the transformation and trial production of horizontal continuous strip annealing furnace, hot rolling system for solid solution, smelting furnaces and surface mills.

3. Strengthening product development, strive for technological innovation, product research and development, persisting independence and originality, increasing adaptability of the enterprise to the market competition and continuing long term and on-going development. The key development includes high value-added products such as electronic copper strips of high strength and conductivity, high precision beryllium copper plates and strips, high precision red copper plates and strips in and copper strip for automobile. During the year, the beryllium copper strip successfully completed the stages of slab and hot rolling and it is expected to commence sample production trial at the end of 2009. Small batch production of high precision red copper plates was started in the second half of 2008. The Company strived to complete the trial production properly and attempted to commence effective production as soon as possible.

4. In order to practice modernized management, the Company optimizes the enterprise informatization management structure, intensifies basic management, carries out comprehensive reproduction and upgrades the ERP system. During the report period, the linkage between the financial system and logistic system was first established and the Group will then focus on the linkage with the system of the Customs. In 2009, the production and operation procedures, including research and development, fixed assets, supply, sales and subsidiaries, will be integrated into the ERP system.

FINANCIAL REVIEW

Revenues

The Group's revenue was mainly from sales of high precision copper plates and strips and processing services which accounted for 92.7% and 5.7% of the total revenue for the year under review, respectively, with the remaining revenue mainly generated from sales of scrap materials.

For the year ended 31 December 2008, the Group recorded revenues decreased by 16.1% to RMB1,758.0 million as compared to prior year and sales volume decreased to 44,387 tonnes for 2008 from 51,889 tonnes for previous year. The decrease in revenues was mainly attributed to (i) the decrease in the average selling price per tonne resulted from decrease in the market price for raw materials; and (ii) the slow-down in sales caused by the global financial turmoil in the latter half of 2008.

Gross profit and gross profit margin

A provision for diminution in value of inventories of RMB79.7 million was provided for in the financial statement at balance sheet date to reflect the subsequent net realisable value lower than carrying value as at year ended 2008, excluding such provision, the Group's gross profit for the year 2008 decreased to RMB95.6 million, representing a decrease of 56.0% as compared to prior year. Gross profit margins declined from 10.4% in 2007 to 5.4% in 2008. The decrease in both gross profit and gross profit margin was due to (i) decrease in the selling price for our copper plates and strips as raw material in particular copper decreased rapidly in the second half of 2008; and (ii) the higher cost of raw materials purchased in the first half of 2008 were absorbed in the second half of 2008 as the cost of inventories were computed by using weighted average method, which resulted in a substantial decrease in gross profit and gross profit margin in the second half of 2008.

Other operating income

During the year, the Group's other operating income were approximately RMB17.5 million, representing a decrease of 14.8% from RMB20.5 million for prior year. This was mainly due to the one-off government grants recorded in 2007 amounting to RMB2.9 million as the support for the Group listed on the Main Board of the Stock Exchange.

Distribution expenses

The Group's distribution expenses decreased from RMB12.0 million in prior year to RMB8.9 million in 2008 was mainly due to decrease in transportation expenses as a result of decrease in sales volume.

Administrative expenses

During the year, the Group's administrative expenses were approximately RMB48.4 million, representing an increase of approximately 87.9% from RMB25.7 million in prior year. This increase was primarily attributed to the (i) inclusion expenses of head office, which commenced operation in year 2008 for the purpose of listing of the Company's shares on the Main Board of the Stock Exchange; (ii) subsidiaries which commenced operation in second half of 2007; and (iii) the fair value of options granted under Pre-IPO Share Option Scheme of RMB7.0 million in year 2008.

Other operating expenses

The Group's other operating expenses increased from RMB3.4 million in prior year to RMB15.8 million in 2008 was primarily attributed to the impairment losses on equipment of RMB12.1 million.

Net finance costs

The Group's net finance costs decreased RMB2.6 million by 7.9% from RMB33.3 million in prior year to RMB30.7 million in 2008. This decrease was primarily contributed by an increase in net foreign exchange gain of RMB3.6 million for year 2008 which was mainly arisen from exchange of loans of subsidiaries dominated in Hong Kong dollar into Renminbi. The increase was partially offset by the increase of the bank charges of RMB0.6 million for year 2008.

Taxation

The Group recorded a tax credit of RMB0.8 million in 2008 whereas a tax expense of RMB12.6 million in 2007. This was mainly due to the significant decline for the taxable income for one of the Group's subsidiary namely Xingye Electronic in 2008 and deferred tax assets recognised in respect of provision for diminution in value of inventories.

Profit attributable to equity holders of the Company

As a result of the factors discussed above, the Group recorded loss attributable to equity holders of the Company of RMB72.3 million for the year ended 31 December 2008.

Excluding the fair value of options granted under Pre-IPO Share Option Scheme of RMB7.0 million, provision for diminution in value of inventories of RMB79.7 million and impairment losses on equipment of RMB12.1 million, the Group's recorded a profit attributable to equity holders of the Company of RMB26.5 million for the year under review.

LIQUIDITY AND CAPITAL RESOURCES

As at 31 December 2008, the Group recorded net current liabilities of RMB19.1 million, which was primarily due to a provision for diminution in value of inventories of RMB79.7 million provided for in the financial statements at balance sheet date.

As a percentage of total interest-bearing borrowings, the short-term interest-bearing borrowings represented 83.9% as of 31 December 2008. As at the date of this report, the Group had not experienced any difficulty in raising funds by securing and rolling over the short-term loans borrowed from various banks in the PRC, which were renewed on an annual basis in accordance with local market practice.

Despite the net current liability as of 31 December 2008, owing to the Group's ability to generate cash from operating activities, good credit standing and relationships with principal lending banks and available undrawn banking facilities together with bank deposits of RMB442.8 million and RMB211.2 million (comprised deposits with banks of RMB80.7 million and cash and cash equivalents of RMB130.5 million) respectively. Based on the previous experience and the Group's relationships with its principal lending banks, the Board believes that the Group can roll over the existing short-term bank borrowings upon maturity in the coming year. The Board is confident that the Group has adequate financial resources to sustain its working capital requirement and meet its foreseeable debt repayment requirements.

Cash flows

Net cash inflow/(outflow) from the followings:

	Year ended 31 December	
	2008	2007
	RMB'000	*RMB'000*
Net cash generated from operating activities	**190,141**	38,108
Net cash used in investing activities	**(82,361)**	(30,457)
Net cash (used in)/generated from financing activities	**(205,209)**	182,588
Net (decrease)/increase in cash and cash equivalents	**(97,429)**	190,239
Cash and cash equivalents at 1 January	**227,927**	37,688
Cash and cash equivalents at 31 December	**130,498**	227,927

Operating activities

The Group's cash from operating activities reflects (i) profit/loss for the year adjusted for non-cash items, such as depreciation and amortization, impairment losses on equipment, 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 RMB38.1 million for 2007 to RMB190.1 million for 2008. This increase was primarily due to a decrease in inventories and trade and other receivables, which was partially offset by a decrease in trade and other payables, decrease in operating profit and increase in income tax paid.

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 investment in a jointly-controlled entity, payment for purchase of property, plant and equipment and payment for lease prepayments (i.e. land use rights).

The net cash used in investing activities increased from RMB30.5 million for 2007 to RMB82.4 million for 2008, which was attributable primarily to increase in capital expenditure and payment for investment in a jointly-controlled entity.

Financing activities

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

The Group recorded a net cash used in financing activities of RMB205.2 million for 2008 whereas a net cash generating from financing activities of RMB182.6 million for 2007. This was mainly due to repayment of bank borrowings, increase in pledged deposits and dividend paid to shareholders in year 2008.

Borrowings

As at 31 December 2008, the Group had outstanding bank loans and other borrowings of approximately RMB521.4 million, of which approximately RMB437.4 million shall be repaid within 1 year, approximately RMB80.0 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 2008 was 49.0% (2007: 47.8%), which is calculated by dividing the total borrowings over the total assets.

Charge on assets

As at 31 December 2008, the Group pledged assets with aggregate carrying value of RMB327.1 million (31 December 2007: RMB388.8 million) to secure bank loans facilities of the Group.

Capital expenditure

For the year ended 31 December 2008, the Group invested RMB69.6 million for the purchase of property, plant and equipment. These capital expenditures were fully financed by internal resources and net proceeds from issuance shares.

Capital commitments

As at 31 December 2008, the future capital expenditure for which the Group had authorised but not contracted for and contracted but not provided for amounted to approximately RMB86.0 million and RMB9.3 million, respectively.

Use of net proceeds from the issue of new shares

The net proceeds from the issue of new shares amounted to approximately RMB221.4 million. Part of the net proceeds has been applied as follows:

	Planned amount *RMB' million*	Amount utilised up to 31 December 2008 *RMB' million*	Balance as at 31 December 2008 *RMB' million*
– expand production capacity	119.4*	44.8	74.6
– develop large-scale production of new products	29.6	14.8	14.8
– research and development	12.6	4.1	8.5
– general working capital purpose	59.8*	59.8	–
	221.4	123.5	97.9

The balance of the net proceeds has been placed as bank deposits.

* The actual amount of net proceeds raised from the Global Offering to be applied for the expansion of the Group's production capacity through the acquisitions of various production equipments and facilities was originally approximately RMB174.5 million. However, the Group was able to locate alternative suppliers who can provide suitable production equipments and facilities to the Group at lower costs than which was originally estimated by the Group. The Group has also located suppliers who can provide certain second-hand equipments and facilities which, after certain modifications, are equally fit for the Group's production purposes. Therefore, the total costs for acquiring new equipments and facilities by the Group for the expansion of production capacity can be reduced by approximately RMB55.1 million. The surplus has been applied for general working capital purposes. Please refer to the announcement dated 24 September 2008 for details.

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 2008, the Group recorded a gain on futures contracts of RMB3.1 million (2007: RMB0.7 million).

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 2008, the Group recorded a net foreign exchange gain of RMB5.8 million (2007: RMB2.1 million).

Employees

As at 31 December 2008, the Group had 965 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.

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

CORPORATE GOVERNANCE PRACTICES

During the year ended 31 December 2008, 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. The current practices will be reviewed regularly to follow the latest practices of corporate governance.

COMPLIANCE WITH THE MODEL CODE AS 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") as set out in Appendix 10 to the Listing Rules. Having made specific enquiries with all Directors, all the Directors confirmed that they had complied with the required standards set out in the Model Code during the year ended 31 December 2008.

BOARD

Board composition

The Board has four executive Directors, namely, Mr. Hu Changyuan (Chairman), Mr. Chen Jianhua (Deputy Chairman and Chief Executive Officer), Mr. Wang Jianli and Mr. Ma Wanjun, a non-executive Director, namely, Ms. Yu Yuesu, and three independent non-executive Directors, namely, Mr. Cui Ming, Mr. Xie Shuisheng and Ms. Li Li. Mr. Hu Changyuan is the spouse of Ms. Yu Yuesu. Biographical details of the Directors are set forth in the section headed "Biographical details of the Directors and Senior Management" of the 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. Therefore, the number of the independent non-executive Directors appointed by the Company is 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 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 the 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 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 risk management and internal control of the Group; (v) ensuring a high standard of corporate governance and compliance; and (vi) overseeing the performance of the management.

The Board delegates on specific terms to 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 convenes at least four regular Board meetings a year and meets more frequently as and when required. During the year ended 31 December 2008, four full Board meetings were held of which all Directors attended:

Names of Directors	Number of Board meetings attended in 2008	Attendance rate
Executive Directors		
Hu Changyuan *(Chairman)*	4/4	100%
Chen Jianhua *(Deputy Chairman and Chief Executive Officer)*	4/4	100%
Wang Jianli	4/4	100%
Ma Wanjun	4/4	100%
Non-executive Director		
Yu Yuesu *(Note)*	3/4	75%
Independent Non-executive Directors		
Cui Ming	4/4	100%
Xie Shuisheng	4/4	100%
Li Li	4/4	100%

Note: Ms. Yu Yuesu has become a non-executive Director since 23 May 2008.

Notice of at least 14 days should be given to the Directors of a regular Board meeting to give all Directors an opportunity to attend the meeting. 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 committees meeting, which ensure that all Directors would have the opportunity to include matters in the agenda.

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 have free access to the management for enquiries and to obtain further information so as to facilitate the decision-making process. Management would also be 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 detail which are considered by the Directors during the meeting as well as the resolutions passed, including any worries or objections been put forward by the Directors.

A week's time will be available to all the Directors and the special committee members to provide comments on the draft minutes of the relevant meetings. The draft minutes will then be approved with confirmation given by the Chairman 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 times.

All Directors are free to communicate with the secretary to the Board and 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 should give a true and fair view of the state of affairs of the Group and of the results and cash flow for that year in compliance with relevant laws and disclosure provisions of the Listing Rules.

In preparing the financial statements for the year ended 31 December 2008, 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 Auditors' Report on pages 38 to 39 of this Annual Report.

DIRECTORS' APPOINTMENT, RE-ELECTION AND REMOVAL

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

According to Clauses 87 (1) and (2) of the Articles of Association, one-third of the Directors shall retire from office by rotation at least once every three years and, being eligible, offer themselves for re-election at the forthcoming annual general meeting. 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.

Each of the executive Directors of the Company has been appointed for a term of three years commencing from 27 December 2007 pursuant to their service contracts, provided that either the executive Director or the Company may terminate such appointment at any time by giving to the other not less than three month's prior notice in writing. They are subject to retirement by rotation and re-election at the annual general meeting at least once every three years pursuant to Clause 87 of the Articles of Association.

The non-executive Director of the Company has been appointed for a term of 1 year commencing from 23 May 2008 pursuant to her letter of appointment, provided that either the non-executive Director or the Company may terminate such appointment at any time by giving to the other not less than two month's prior notice in writing. The non-executive Director is subject to retirement by rotation and re-election at the annual general meeting of the Company at least once every three years pursuant to Clause 87 of the Articles of Association.

Each of the independent non-executive Directors of the Company was appointed for a term of three years commencing from 1 December 2007 pursuant to their letters of appointment, provided that either the independent executive Director or the Company may terminate such appointment at any time by giving to the other not less than two month's prior notice in writing. They are subject to retirement by rotation and re-election at the annual general meeting of the Company at least once every three years pursuant to Clause 87 of the Articles of Association.

DIVISION OF RESPONSIBILITIES

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

The Board comprises three independent non-executive Directors who have brought in strong independent judgment, knowledge and experience. In addition, each executive Director is delegated individual responsibilities 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 powers within the Group.

BOARD COMMITTEE

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

Remuneration committee

The Remuneration Committee was established on 1 December 2007, which comprises 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 also responsible for overseeing the determination of Directors' remuneration and benefits and establishing a formal and transparent procedure for deciding policies on remuneration of the Directors. The Remuneration Committee meets formally at least 2 times a year.

Two Remuneration Committee meetings were held during the year ended 31 December 2008. At the meetings, the members of the Remuneration Committee discussed the policies for the remuneration of executive Directors based on their service contracts, reviewed the remuneration of all Directors which are mentioned in the note 12 to the financial statements, and reported a summary of their works to the Board for approval. Details of members of the Remuneration Committee and the attendance rate of each member are set out below:

Names of Directors	Number of Committee meetings attended in 2008	Attendance rate
Cui Ming *(Chairman)*	2/2	100%
Wang Jianli	2/2	100%
Li Li	2/2	100%

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 policies for determining the remuneration of the Directors and senior management. The objective of such policies 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 efforts, time spent and responsibilities.

When recommending the remuneration package for each individual Director, the Remuneration Committee will consider his qualification(s) 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 financial statements. Review and comparison in terms of Directors' emolument packages 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.

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, namely Mr. Cui Ming, Mr. Xie Shuisheng and Ms. Li Li. 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.

Two Audit Committee meetings were held during the year ended 31 December 2008. At the meetings, the member of the Audit Committee has executed the major duties and responsibilities which defined below. They also discussed material uncertainties which may be brought about by the global economics crisis, reviewed the internal audit function of the Company, and reported a summary of their works to the Board for discussion. Details of members of the Audit Committee and the attendance rate of each member are set out below:

Names of Directors	Number of Committee meetings attended in 2008	Attendance rate
Li Li *(Chairman)*	2/2	100%
Cui Ming	2/2	100%
Xie Shuisheng	2/2	100%

The major duties and responsibilities of the Audit Committee include the followings:

– 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 the objectivity of the Company's auditor. The Audit Committee will review the independence of the Company's auditor and 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, and seek a 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. 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 functions 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 the external auditors without the presence of the 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.

In addition, the Audit Committee is authorized:

- to investigate into any matter within the ambit of 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.

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.

Three Nomination Committee meetings were held during the year ended 31 December 2008. At the meetings, the member of the Nomination Committee discussed and reviewed which Directors should retire form their offices by rotation and their eligibility for re-election at the previous Annual General Meeting, recommended the Board to set up a Development Strategic Committee during this year, recommended the Board to increase the diversity of composition of different board committees by appointing non-executive Director(s), senior management and other suitable persons to those board committees. Details of members of the Nomination Committee and the attendance rate of each member are set out below:

Names of Directors	Number of Committee meetings attended in 2008	Attendance rate
Xie Shuisheng *(Chairman)*	3/3	100%
Cui Ming	3/3	100%
Chen Jianhua	3/3	100%

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 Chief Executive Officer).

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 which Directors shall retire, and, being eligible, shall offer themselves for re-election at the forthcoming Annual General Meeting.

Development Strategic Committee

The Development Strategic Committee was established on 17 April 2008 and comprises one independent non-executive Director, three executive Directors and one other officer, whose names are Mr. Cui Ming, Mr. Wang Jianli (Chairman), Mr. Ma Wanjun (Vice Chairman), Mr. Chen Jianhua and Mr. Chan Chung Kik, Lewis.

One Development Strategic Committee meeting was held during the year ended 31 December 2008. Details of members of the Development Strategic Committee and the attendance rate of each member are set out below:

	Number of Committee meetings attended in 2008	Attendance rate
Names of Directors		
Wang Jianli *(Chairman)*	1/1	100%
Ma Wanjun *(Vice Chairman) (Note)*	0/1	0%
Chen Jianhua	1/1	100%
Cui Ming	1/1	100%
Names of Officers		
Chan Chung Kik, Lewis *(Note)*	0/1	0%

Note: Mr. Ma Wanjun and Mr. Chan Chung Kik, Lewis were appointed as members of the Development Strategic Committee on 16 December 2008.

According to the written terms of reference of the Development Strategic Committee, the major responsibilities of the Development Strategic Committee include the followings:

Internal policies for investment and corporate strategies:

(a) receive and review the investment reports from operating subsidiaries, associated companies and operation departments;

(b) advise on the enhancement of the production technology, research and development, sales strategies and sales networks;

(c) set up the internal directions of development of the Company;

(d) advise on the improvement the operation, production and sales systems;

(e) set up a midline to long-term planning and discuss with the management;

(f) research and analyze the execution of important development plans and recommend the cessation of projects which are not contributive to the business of the Company to the management;

(g) ascertain whether there are any breach in operation of the Company; and

(h) execute all the Board's instructions from time to time.

External policies for investment and corporate strategies:

(a) review, consider and propose any potential investment for making recommendation to the Board;

(b) set up an efficiency policy based on the macroeconomic policies of the country, development of the industry and global economy to advise the Board on the possible need of altering investment strategies and policies;

(c) consider the potential investment projects worldwide and make proposals to the Board if the projects are beneficial to the business of the Company;

(d) introduce potential investors to expand the scope of business of the Company; and

(e) plan the directions and strategies for the Company's development.

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.

During the year, the Directors has reviewed the effectiveness of the internal control system, and considered the internal control system was effective and adequate.

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 responsibilities 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 various communication methods to ensure its Shareholders are kept well informed of key business imperatives. These include general meetings, 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 notices convening general meeting and the detailed procedures for conducting a poll had been read out by the chairman at general meetings.

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 are available to answer questions at the meeting.

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

AUDITORS' REMUNERATION

For the year ended 31 December 2008, fees payable to the external auditors of the Group, KPMG, for statutory audit services and non-audit services amounted to approximately HK$2,000,000 and HK$12,000 respectively.

The Directors are pleased to present their report together with the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2008.

PRINCIPAL ACTIVITIES

The principal activities of the Group are manufacturing of high precision copper plates and strips and there were no significant changes in the nature of the Group's principal activities during the year.

SUBSIDIARIES

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

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2008 are set out in the accompanying financial statements on page 40.

The Directors had declared an interim dividend of RMB4.4 cents (equivalent to HK5.0 cents) per share, totaling RMB27,318,000 (equivalent to approximately HK$31,125,000), which was paid to the Shareholders on 29 September 2008.

The Board do not recommend the payment of a final dividend in respect of the year ended 31 December 2008.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 8 May 2009 to 11 May 2009, both days inclusive, during which period no transfer of Shares will be registered. In order to determine the identity of Shareholders who are entitled to attend and vote at the forthcoming 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 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 7 May 2009.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the consolidated results and the assets and liabilities of the Group for the last five financial years is set out on page 102 to page 103.

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 2008 are set out in note 25 to the financial statements.

SHARE CAPITAL

Details of the movements in the share capital of the Group and the Company during the year are set out in note 30 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 30 to the financial statements.

CHARITABLE DONATIONS

During the year, the Group had donated a total of RMB189,000 for charitable purposes.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2008, the aggregate sales attributable to the five largest customers and the largest customer of the Group accounted for approximately 36.0% and 14.8% of the Group's aggregate turnover, while the aggregate purchases attributable to five largest suppliers and the largest supplier of the Group accounted for approximately 39.0% and 11.1% of the Group's aggregate purchases.

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

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 of members of the Group towards the growth of the Group and/or the listing of the Shares 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 (which are summarised in page 27 of this report), except that:

(i) the exercise price per Share is HK$1.19; and

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

Save for the options which had been granted under the Pre-IPO Share Option Scheme on 1 December 2007, no further options will be offered or granted under the Pre-IPO Share Option Scheme, as the right to do so has been terminated upon the listing of the Shares on the Stock Exchange pursuant to the terms of the scheme.

Set out below are details of the outstanding options granted under the Pre-IPO Share Option Scheme as at 31 December 2008:

Names of grantees	Number of Shares involved in the options Granted	Exercised during the year	Lapsed during the year	Cancelled during the year	Outstanding as at 31 December 2008	Approximate percentage of issued share capital of the Company (%)
Directors:						
Hu Changyuan	1,800,000	–	–	–	1,800,000	0.289
Chen Jianhua	1,500,000	–	–	–	1,500,000	0.241
Wang Jianli	1,200,000	–	–	–	1,200,000	0.193
Ma Wanjun	1,200,000	–	–	–	1,200,000	0.193
Subtotal:	5,700,000	–	–	–	5,700,000	0.916
Employees	12,300,000	–	360,000	–	11,940,000	1.918
Total:	18,000,000	–	360,000	–	17,640,000	2.834

Notes:

1. The exercisable period for all options granted under the Pre-IPO Share Option Scheme is from 27 December 2008 to 26 December 2011.

2. All options under the Pre-IPO Share 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 shall be entitled to exercise such options in the following manner:

   (a) a maximum of one-third of the total number of Shares under the options shall be exercised from the expiry of the first anniversary of the listing date of the Company on the Main Board of the Stock Exchange (i.e. 27 December 2007) to the date immediately before the second anniversary of the listing date;

   (b) a maximum of one-third of the total number of Shares under the options shall be exercised from the expiry of the second anniversary of the listing date to the date immediately before the third anniversary of the listing date;

   (c) a maximum of one-third of the total number of Shares under the options shall be exercised from the expiry of the third anniversary of the listing date to the date immediately before the fourth anniversary of the listing date; and

   (d) the outstanding and unexercised option at the end of each vesting period may be rolled over to the next vesting period and exercisable during the option period.

Save as disclosed above, no option had been granted, cancelled or lapsed under the Pre-IPO Share Option Scheme during the year ended 31 December 2008.

The fair value of options granted under Pre-IPO Share Option Scheme was determined using the "Black Scholes 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 to the "Black Scholes Option Pricing Model" set out above, 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 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.

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 the Group 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 early 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 year ended 31 December 2008, no option had been granted by the Company under the Share Option Scheme.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities during the year ended 31 December 2008.

DIRECTORS

The Directors who had 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 Chief Executive Officer)*
Mr. Wang Jianli
Mr. Ma Wanjun

Non-executive director

Ms. Yu Yuesu (appointed on 23 May 2008)

Independent non-executive directors

Mr. Cui Ming
Mr. Xie Shuisheng
Ms. Li Li

Pursuant to Articles 87(1) and 87(2) of the Company's Articles of Association, Mr. Wang Jianli, Mr. Ma Wanjun and Ms. Yu Yuesu shall retire from their office by rotation at the forthcoming Annual General Meeting and, being eligible, offered 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 from the Company.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors had entered into a service contract with the Company pursuant to which they shall be appointed for a term of three years commencing from 27 December 2007 until terminated in accordance with the terms of the service contracts. Under the service contracts, either party may terminate such contract by giving to the other not less than three months' prior notice in writing.

The non-executive Director had signed an appointment letter issued by the Company pursuant to which she shall be appointed for a term of 1 year effective from 23 May 2008 until terminated by either party by giving not less than two months' prior notice in writing.

Each of the independent non-executive Directors had signed an appointment letter issued by the Company pursuant to which they shall be appointed 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.

No Director proposed for re-election at the forthcoming Annual General Meeting has a service contract with the Group which is not determinable by the employer within one year without payment of compensation (other than statutory compensation) save as disclosed herein.

DISCLOSURE OF INTERESTS

Directors' and chief executive's interests in shares, underlying shares and debentures

As at 31 December 2008, 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 Issuers ("Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Name of Directors	Capacity	Number of Shares	Number of underlying Shares pursuant to share options	Aggregate interests	Approximate percentage of shareholding *(%)*
Hu Changyuan ("Mr. Hu")	Interest of a controlled corporation *(Note 1)*	330,165,000	–	330,165,000	53.039
	Beneficial owner *(Note 2)*	–	1,800,000	1,800,000	0.289
	Beneficial owner	4,190,000	–	4,190,000	0.673
Yu Yuesu ("Ms. Yu")	Interest of spouse *(Note 4)*	336,155,000	–	336,155,000	54.001
Chen Jianhua	Beneficial owner *(Note 2)*	–	1,500,000	1,500,000	0.241
Wang Jianli ("Mr. Wang")	Beneficial owner *(Note 2)*	–	1,200,000	1,200,000	0.193
	Corporate interest *(Note 3)*	26,174,000	–	26,174,000	4.205
Ma Wanjun	Beneficial owner *(Note 2)*	–	1,200,000	1,200,000	0.193
Li Li	Beneficial owner	170,000	–	170,000	0.027

Notes:

1. These 330,165,000 Shares were 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 are the underlying Shares of the options granted to the relevant Directors by the Company under the Pre-IPO Share Option Scheme.

3. These 26,174,000 Shares are held by Sun Fook Limited as a nominee for 842 employees of the Company pursuant to a declaration of trust dated 7 September 2007. Sun Fook Limited is wholly owned by Mr. Wang who is therefore deemed to be interested in these Shares by virtue of the SFO.

4. These refer to the interests held by Mr. Hu in the Company. Ms. Yu is deemed to be interested in these interests under the SFO by virtue of being the spouse of Mr. Hu.

Save as disclosed above, as at 31 December 2008, none of the Directors or chief executive of the Company 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 notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or were required to be recorded in the register required to be kept pursuant to section 352 of the SFO, or is otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than disclosed above under the section headed "Share Options Schemes", at no time during the year was the Company or its subsidiaries 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 of the Company, 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.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2008, the following persons or corporations had 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	Approximate percentage of shareholding *(%)*
Shine International Holdings Limited *(Note)*	Beneficial owner	330,165,000	53.039

Note: Shine International Holdings Limited is wholly owned by Mr. Hu Changyuan.

Save as disclosed herein, as at 31 December 2008, 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 or underlying Shares as recorded in the register required to be kept under section 336 of the SFO.

DIRECTORS' INTERESTS IN CONTRACTS

There was no contract of significance in relation to the Company's business to which the Company, any of its subsidiaries, its holding company or its fellow 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.

CONNECTED TRANSACTIONS

During the year ended 31 December 2008, the Group had not entered into any agreements which would constitute connected transactions or continuing connected transactions of the Company 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 Articles of Association or the laws of the 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 Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules during the year. Having made specific enquiries with all Directors, all Directors confirmed that they have complied with the required standards set out in the Model Code during the year ended 31 December 2008.

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 during the year ended 31 December 2008. A report on the principal corporate governance practices adopted by the Company is set out in the section headed "Corporate Governance Report" of the Annual Report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its 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.

REVIEW BY AUDIT COMMITTEE

The audit committee of the Company comprises three independent non-executive Directors, namely, Mr. Cui Ming, Mr. Xie Shuisheng and Ms. Li Li. The audit committee had reviewed the audited financial statements for the year ended 31 December 2008 and had also discussed auditing, internal control and financial reporting matters including accounting practices and principles adopted by the Group.

AUDITORS

The financial statements were audited by the auditors of the Company, KPMG. A resolution for the re-appointment of KPMG as auditors of the Company will be proposed at the forthcoming Annual General Meeting.

On behalf of the Board
Hu Changyuan
Chairman

Hong Kong, 27 March 2009

Mr. Hu Changyuan, aged 61, 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 leader 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 husband of Ms. Yu Yuesu, a non-executive Director of the Company, a father of Mr. Hu Mingda, a vice general manager of the Group and a brother-in-law of Mr. Yu Liben, a consultant of the Group.

Mr. Chen Jianhua, aged 41, is an executive Director, Deputy Chairman and Chief Executive Officer 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 Chief Executive Officer 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-one 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 37, is an executive Director of the Company. 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 the 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) of the PRC. Mr. Wang has been a vice-general manager of the Group since 2004, responsible for the sales, marketing and sourcing functions of the Group. He was the executive director of Tongtai from February 2005 to December 2006. In December 2008, Mr. Wang has been a chairman and a general manager of Xingtong, a wholly owned subsidiary of the Company. Mr. Wang has twenty years of experience in the copper plates and strips industry. Prior to joining the 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 the 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 of the PRC. He is now a vice-president of the fifth council of the China Nonferrous Metals Fabrication Industry Association (中國有色金屬加工工業協會). In 2008, Mr. Wang was awarded "Outstanding Contributions Person of Cixi City" (慈溪市突出貢獻人才獎).

Mr. Ma Wanjun, aged 42, is an executive Director of the Company. 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 the Group since 2001 and was an executive director of Xingye Electronic from February 2004 to January 2005 and has been an executive director of Shengtai since July 2003 to February 2009. Mr. Ma has been a vice-general manager of the Group since 2004, responsible for the management of technology equipment and production of the Group. Mr. Ma has more than twenty-one years' experience in the copper plates and strips industry. Prior to joining the 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) of the PRC. 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 of the PRC 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). In 2008, he has a committee member of the Chinese Non-Ferrous Metal Society of Shanghai (上海有色金屬學會理事).

Ms. Yu Yuesu, aged 60, is a non-executive Director of the Company and is the spouse of Mr. Hu, who is an executive Director and Chairman of the Company. Ms. Yu is also the mother of Mr. Hu Mingda who is a vice-general manager of the Group, and the sister of Mr. Yu Liben, who is a member of the senior management of the Group. Ms. Yu was appointed as a non-executive director of Xingye Electronic from November 1998 to December 2001. She is also a director of Shine International Holdings Limited which is a substantial shareholder (as defined in the Listing Rules) of the Company. Ms. Yu has and has brilliant contribution in the business development of the Group.

Mr. Cui Ming, aged 52, is an independent non-executive Director of our Group. He obtained a bachelor degree in finance from the Beijing Capital Economics and Business 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 64, is an independent non-executive Director of our Group. He obtained a doctorate degree in metal 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 and Doctor's adviser at the Beijing General Research Institute for Non-ferrous Metals. In recent years, he has guided the studies of more than 30 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 (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); Mr. Xie, who is an expert, can obtain the special benefit offer by government of PRC. Mr. Xie is an authoritative figure in his field of studies, he has published over 200 articles in various international and Chinese academic journals, has published 10 books and has obtained 18 patents in China.

Ms. Li Li, aged 36, 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, is the chief financial officer of our Group, and is responsible for the overall financial management functions of our Group. Prior to joining the Group, he had worked in international accounting firms for more than 8 years and served in different key roles such as chief financial officer in PRC state-owned enterprises for about 2 years. He has more than 11 years of experience in auditing, accounting and corporate finance. 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.

Mr. HU Mingda, aged 37, is a son of Mr. Hu Changyuan and Ms Yu Yuesu. 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 67, 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 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 51, 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 37, 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 34, 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 36, 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 62, 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 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 40 to 101, which comprise the consolidated and company balance sheets as at 31 December 2008, 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.

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 2008 and of the Group's loss 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

27 March 2009

Consolidated Income Statement

For the year ended 31 December 2008

	Note	2008 RMB'000	2007 RMB'000
Turnover	5	**1,758,016**	2,096,133
Cost of sales		**(1,742,133)**	(1,878,803)
Gross profit		**15,883**	217,330
Other operating income	7	**17,489**	20,533
Distribution expenses		**(8,880)**	(11,959)
Administrative expenses		**(48,389)**	(25,749)
Other operating expenses	8	**(15,767)**	(3,349)
Result from operating activities		**(39,664)**	196,806
Finance income		**10,146**	3,948
Finance expenses		**(40,835)**	(37,277)
Net finance costs	10(i)	**(30,689)**	(33,329)
Share of loss of a jointly controlled entity		**(2,756)**	–
(Loss)/profit before tax		**(73,109)**	163,477
Income tax	11	**815**	(12,632)
(Loss)/profit for the year attributable to the equity holders of the Company		**(72,294)**	150,845
Dividends payable to equity holders of the Company attributable to the year			
– Dividend declared during the year	15	**66,536**	134,436
– Final dividend proposed after the balance sheet date	15	**–**	39,218
(Loss)/earnings per share			
Basic (loss)/earnings per share (RMB)	16(a)	**(0.12)**	0.33
Diluted (loss)/earnings per share (RMB)	16(b)	**(0.12)**	0.33

The accompanying notes form part of these financial statements.

Consolidated Balance Sheet

At 31 December 2008

	Note	**2008** **RMB'000**	2007 RMB'000
Non-current assets			
Property, plant and equipment	17	**498,471**	477,897
Lease prepayments	18	**18,290**	14,885
Interest in a jointly controlled entity	20	**19,378**	–
		536,139	492,782
Current assets			
Inventories	21	**147,882**	279,282
Tax recoverable	11(iii)	**14,710**	–
Derivative financial instruments	26	**213**	–
Trade and other receivables	22	**154,916**	299,402
Pledged deposits	23	**80,655**	19,710
Cash and cash equivalents	24	**130,498**	227,927
		528,874	826,321
Current liabilities			
Interest-bearing borrowings	25	**437,362**	526,411
Derivative financial instruments	26	**–**	946
Trade and other payables	28	**110,572**	139,268
Income tax payables	11(iii)	**–**	2,484
		547,934	669,109
Net current (liabilities)/assets		**(19,060)**	157,212
Total assets less current liabilities		**517,079**	649,994
Non-current liabilities			
Interest-bearing borrowings	25	**84,000**	104,000
Deferred tax liabilities	29	**3,825**	8,013
		87,825	112,013
Net assets		**429,254**	537,981

The accompanying notes form part of these financial statements.

Consolidated Balance Sheet

At 31 December 2008

	Note	2008 *RMB'000*	2007 *RMB'000*
Capital and reserves			
Share capital	*30*	**58,268**	56,172
Reserves	*30*	**370,986**	481,809
Total equity attributable to equity holders of the Company		**429,254**	537,981
Total equity		**429,254**	537,981

Approved and authorised for issue by the board of directors on 27 March 2009.

Hu Changyuan
Director

Chen Jianhua
Director

The accompanying notes form part of these financial statements.

	Note	2008 RMB'000	2007 RMB'000
Non-current assets			
Investments in subsidiaries	19	**407,249**	407,249
Current assets			
Trade and other receivables	22	**229,751**	111,754
Cash and cash equivalents	24	**2,432**	79,258
		232,183	191,012
Current liabilities			
Trade and other payables	28	**12,563**	1,958
Net current assets		**219,620**	189,054
Net assets		**626,869**	596,303
Capital and reserves			
Share capital	30(c)	**58,268**	56,172
Reserves	30(d)	**568,601**	540,131
Total equity		**626,869**	596,303

Approved and authorised for issue by the board of directors on 27 March 2009.

Hu Changyuan
Director

Chen Jianhua
Director

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2008

	Note	2008 RMB'000	2007 RMB'000
Equity attributable to equity holders of the Company:			
Balance at 1 January		**537,981**	332,074
Issuance of share by placing and public offer		**–**	238,731
Issuance of shares under the over-allotment option related to the placement		**35,626**	–
Share issuance expenses		**(4,305)**	(48,656)
(Loss)/profit for the year		**(72,294)**	150,845
Dividend approved and paid during the year	*15*	**(66,536)**	(134,436)
Equity settled share-based payment		**6,978**	–
Exchange differences on translating foreign operations		**(8,196)**	(577)
Balance at 31 December		**429,254**	537,981
Minority interests:			
Balance at 1 January		**–**	500
Acquisition of minority interests		**–**	(500)
Balance at 31 December		**–**	–
Total equity:	*30(a)*	**429,254**	537,981

The accompanying notes form part of these financial statements.

	2008 RMB'000	2007 RMB'000
Operating activities		
(Loss)/profit for the year	**(72,294)**	150,845
Adjustments for:		
Depreciation for property, plant and equipment	**33,080**	29,255
Amortisation of lease prepayments	**329**	285
Impairment losses on property, plant and equipment	**12,099**	–
Equity-settled share-based payment transactions	**6,978**	–
Net finance costs	**30,689**	33,329
Loss on disposal of property ,plant and equipment	**129**	–
Unrealised gain/(loss) on derivative financial instruments	**213**	(946)
Share of loss of a jointly controlled entity	**2,756**	–
Income tax	**(815)**	12,632
Operating profit before changes in working capital	**13,164**	225,400
Change in inventories	**131,400**	(43,202)
Change in trade and other receivables	**144,486**	(73,209)
Change in trade and other payables	**(39,074)**	(25,186)
Interest paid	**(39,268)**	(36,308)
Income tax paid	**(20,567)**	(9,387)
Net cash generated from operating activities	**190,141**	38,108
Investing activities		
Interest received	**4,389**	1,821
Acquisition of minority interests	**–**	(500)
Acquisition of a subsidiary, net of cash acquired	**–**	(510)
Payment for investment in a jointly controlled entity	**(17,134)**	–
Payment for property, plant and equipment	**(65,882)**	(28,444)
Payment for lease prepayments	**(3,734)**	(2,824)
Net cash used in investing activities	**(82,361)**	(30,457)

The accompanying notes form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2008

	2008	2007
	RMB'000	*RMB'000*
Financing activities		
Proceeds from issuance of shares, net of issuance expense	**31,321**	190,075
Proceeds from interest-bearing borrowings	**1,077,433**	1,132,086
Repayment of interest-bearing borrowings	**(1,186,482)**	(1,114,190)
Change in pledged deposits	**(60,945)**	109,053
Dividend paid	**(66,536)**	(134,436)
Net cash (used in)/generated from financing activities	**(205,209)**	182,588
Net (decrease)/increase in cash and cash equivalents	**(97,429)**	190,239
Cash and cash equivalents at 1 January	**227,927**	37,688
Cash and cash equivalents at 31 December	**130,498**	227,927

The accompanying notes form part of these 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 Reoganisation 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 year ended 31 December 2007 include the results of the Company and its subsidiaries with effect from 1 January 2007 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 2007 and 31 December 2008 have been prepared on the basis that the current group structure was in place with effective from 1 January 2007. 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.

(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 Standards ("IASs") 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.

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.

The financial statements have been prepared on the basis that the Group will continue to operate throughout the next twelve months as a going concern. The Group's current liabilities exceeded its current assets by RMB19,060,000 as at 31 December 2008. Based on future projections of the Group's profits and cash inflows from operations, and the anticipated ability of the Group to obtain continued bank financing to finance its continuing operation, the Company's directors have prepared the financial statements on a going concern basis.

(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.

2. BASIS OF PREPARATION (continued)

(d) Use of estimates and judgments (continued)

(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.

(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.

(iii) *Jointly controlled entities*

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. Jointly controlled entities are accounted for using the equity method and are recognised initially at cost. The consolidated financial statements include the Group's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that joint control commences until the date that joint control ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

(iv) *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 equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of consolidation (continued)

(v) 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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 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.

(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, net of any tax effects.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Financial instruments (continued)

(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.

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 unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

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.

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 assessed at each reporting date to determine whether there is any objective evidence that it is impaired. 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 an 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.

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.

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. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. 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.

(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 recognised 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 recognised 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.

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

Contributions to local defined contribution retirement schemes pursuant to the relevant labour rules and regulations in the PRC and the Hong Kong Mandatory Provident Fund Scheme Ordinance 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.

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, and the amount of revenue can be measured reliably.

(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.

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.

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

(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.

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 the following new Interpretations and an amendment to IFRSs that are first effective for the current accounting period of the Group and the Company:

- IFRIC 11, IFRS 2 – Group and treasury share transactions
- IFRIC 12, Service concession arrangements
- IFRIC 14, IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction
- Amendment to IAS 39, Financial instruments: Recognition and measurement, and IFRS 7, Financial instruments: Disclosures – Reclassification of financial assets

These IFRS developments have had no material impact on the Group's financial statements as either they were consistent with accounting policies already adopted by the Group or they were not relevant to the Group's and the Company's operations.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (Note 34).

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:

	2008	2007
	RMB'000	*RMB'000*
Sales of goods	**1,657,874**	1,977,857
Processing services	**100,142**	118,276
	1,758,016	2,096,133

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.

	2008	2007
	RMB'000	*RMB'000*
Revenue		
Sales of goods	**1,657,874**	1,977,857
Processing services	**100,142**	118,276
	1,758,016	2,096,133
Segment result		
Sales of goods	**(8,873)**	177,340
Processing services	**24,756**	39,990
	15,883	217,330
Unallocated operating expenses net-off income	**(55,547)**	(20,524)
Result from operating activities	**(39,664)**	196,806
Share of loss of a jointly controlled entity	**(2,756)**	–
Net finance costs	**(30,689)**	(33,329)
Income tax	**815**	(12,632)
(Loss)/profit for the year	**(72,294)**	150,845

Impairment losses for certain property, plant and equipment amounted to RMB12,099,000 are provided for the year ended 31 December 2008.

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.

6. SEGMENT REPORTING (continued)

	2008 RMB'000	2007 RMB'000
Revenue		
The PRC	**1,323,324**	1,659,077
Overseas	**434,692**	437,056
	1,758,016	2,096,133

7. OTHER OPERATING INCOME

	2008 RMB'000	2007 RMB'000
Government grants	**14,004**	16,711
Gain on derivative financial instruments	**3,089**	655
Others	**396**	3,167
	17,489	20,533

The Group has been awarded unconditional government grants, amounted to RMB14,004,000 and RMB16,711,000 during 2008 and 2007 respectively. They were related to encouragement of the Group's development in the industry.

8. OTHER OPERATING EXPENSES

	2008 RMB'000	2007 RMB'000
Donation	**189**	317
Water conservancy fund	**2,641**	2,421
Loss on disposal of property, plant and equipment	**129**	–
Impairment losses on property, plant and equipment	**12,099**	–
Others	**709**	611
	15,767	3,349

Certain property, plant and equipment, amounting to RMB12,099,000 in total, which are obsolete and cannot generate future economic benefits are fully provided for impairment losses for the year ended 31 December 2008 (2007: Nil).

9. PERSONNEL EXPENSES

	2008 RMB'000	2007 RMB'000
Wages, salaries and other benefits	**38,984**	26,149
Contribution to defined contribution plan	**3,339**	2,863
	42,323	29,012

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.

The Group also operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees employed by the Company in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

10. (LOSS)/PROFIT BEFORE TAX

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

(i) Net finance costs

	2008 RMB'000	2007 RMB'000
Interest expenses	**39,268**	36,308
Bank charges	**1,567**	969
Finance expenses	**40,835**	37,277
Net foreign exchange gain	**(5,757)**	(2,127)
Interest income	**(4,389)**	(1,821)
Finance income	**(10,146)**	(3,948)
Net finance costs	**30,689**	33,329

10. (LOSS)/PROFIT BEFORE TAX (continued)

(ii) Other items

	2008 RMB'000	2007 RMB'000
Cost of inventories*	**1,742,133**	1,878,803
Depreciation	**33,080**	29,255
Amortisation of lease prepayments	**329**	285
Write-down of inventories to net realisable value	**79,738**	–
Auditors' remuneration-audit services	**1,813**	1,592

* *Cost of inventories includes RMB129,116,000 (2007: RMB42,131,000) relating to staff costs, depreciation expenses, amortisation of lease prepayments and write-down of inventories to net realisable value 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 in the consolidated income statements represents:

	2008 RMB'000	2007 RMB'000
Current tax expense		
Provision for PRC income tax	**2,806**	11,402
Under provided in prior years	**567**	–
	3,373	11,402
Deferred tax		
Reversal and originating of temporary differences	**(4,188)**	1,230
	(815)	12,632

(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 does not have assessable profits 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.

11. INCOME TAX (continued)

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

(c) (continued)

Pursuant to the income tax rules and regulations of the PRC ("FEIT Law"), certain subsidiaries located in the PRC ("PRC subsidiaries") including Ningbo Xingye Electronic Copper Strip Co., Ltd. ("Xingye Electronic") and Ningbo Xingye Shengtai Electronic Metal Materials Co., Ltd. ("Shengtai") are entitled to a tax holiday of a tax-free period for two years from their first profit-making year of operations and thereafter, they are subject to PRC enterprise income tax at 50% of the applicable income tax rate for the following three years ("Tax Holidays"). In 2008, Shengtai is still within the Tax Holiday period granted under the FEIT Law.

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the People's Republic of China ("New Tax Law"). According to the New Tax Law, the applicable tax rates 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 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 is subject to the unified rate of 25%.

(d) Pursuant to the New Tax Law, 5% withholding tax is levied on the foreign investor in respect of dividend distributions arising from a foreign investment enterprise's profit earned after 1 January 2008.

11. INCOME TAX (continued)

(ii) Reconciliation between income tax and accounting (loss)/profit at applicable tax rate:

	2008 *RMB'000*	2007 *RMB'000*
(Loss)/profit before tax	**(73,109)**	163,477
Computed using the Group's PRC subsidiaries applicable tax rates	**(10,041)**	12,725
Current year losses for which no deferred tax asset was recognised *(note 29(c))*	**8,766**	–
Change in tax rate	**–**	553
Non-taxable income net off non-deductible costs	**(107)**	(646)
Under provided in prior years	**567**	–
Income tax	**(815)**	12,632

(iii) (Tax recoverable)/Income tax payables in the consolidated balance sheet represents:

	2008 *RMB'000*	2007 *RMB'000*
Balance at beginning of the year	**2,484**	469
Provision for income tax for the year	**2,806**	11,402
Under provided in prior years	**567**	–
Income tax paid during the year	**(20,567)**	(9,387)
Balance at the end of the year	**(14,710)**	2,484

12. DIRECTORS' REMUNERATION

Details of directors' remuneration are as follows:

	Year ended 31 December 2008					
Name of directors	Fee *RMB'000*	Basic salaries, allowances and other bonus *RMB'000*	Contributions to retirement benefit schemes *RMB'000*	Bonus *RMB'000*	Share-based Payments *RMB'000*	Total *RMB'000*
Executive directors						
Mr. Hu Changyuan	–	1,058	2	–	698	1,758
Mr. Chen Jianhua	–	481	6	–	581	1,068
Mr. Wang Jianli	–	372	6	–	465	843
Mr. Ma Wanjun	–	372	6	–	465	843
Non-executive directors						
Ms. Yu Yuesu	–	90	–	–	–	90
Independent non-executive directors						
Mr. Cui Ming	–	120	–	–	–	120
Mr. Xie Shuisheng	–	120	–	–	–	120
Ms. Li Li	–	120	–	–	–	120
	–	2,733	20	–	2,209	4,962

	Year ended 31 December 2007					
Name of directors	Fee *RMB'000*	Basic salaries, allowances and other bonus *RMB'000*	Contributions to retirement benefit schemes *RMB'000*	Bonus *RMB'000*	Share-based Payments *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

12. DIRECTORS' REMUNERATION (continued)

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

	2008	2007
	RMB'000	*RMB'000*
Nil to RMB1,000,000	**6**	6
RMB1,000,000 to RMB5,000,000	**2**	1
Above RMB5,000,000	**–**	–

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. All executive directors agreed to waive certain remuneration amounted to RMB1,580,000 in total during the year.

Ms. Yu Yuesu was appointed as a non-executive director on 23 May 2008.

13. INDIVIDUALS WITH HIGHEST EMOLUMENTS

The five highest paid individuals of the Group during the year include four (2007: 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:

	2008	2007
	RMB'000	*RMB'000*
Basic salaries, allowances and other benefits	**1,107**	442
Contributions to retirement benefit schemes	**12**	–
Bonus	**–**	–
Share-based payments	**465**	–
	1,584	442
Number of senior management	**1**	1

The above individuals' emoluments are within the band of RMB1,000,000 to RMB5,000,000 in 2008 (2007: 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. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated loss attributable to equity holders of the Company includes a loss of RMB11,749,000 (2007: a loss of RMB1,021,000) which has been dealt with in the financial statements of the Company.

Reconciliation of the above amount to the Company's profit/(loss) for the years:

	2008	2007
	RMB'000	*RMB'000*
Amount of consolidated loss attributable to equity holders dealt with in the Company's financial statements	**(11,749)**	(1,021)
Dividends from a subsidiary attributable to the profit of the previous financial year, approved and paid during the year	**39,145**	–
Dividends from a subsidiary attributable to the profit of the six months ended 30 June 2008, approved and paid during the year	**43,996**	–
The Company's profit/(loss) for the year *(Note 30 (b))*	**71,392**	(1,021)

15. DIVIDENDS

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

	2008	2007
	RMB'000	*RMB'000*
Dividend declared and paid during the year	**66,536**	134,436
Final dividend proposed after balance sheet date: Nil (2007: RMB0.063 per share)	**–**	39,218

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

The calculation of final dividend per share in 2007 is based on 622,500,000 ordinary shares in issue as at the date of dividend declaration.

16. BASIC AND DILUTED (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to the shareholders of ordinary shares of RMB72,294,000 (2007: the profit of RMB150,845,000) and the weighted average of 621,945,205 (2007: 452,054,795) ordinary shares in issue during the year.

Weighted average number of ordinary shares

	2008 Number of shares	2007 Number of shares
Ordinary shares issued at 1 January	**600,000,000**	–
Share issued upon incorporation *(Note 30(c)(i))*	**–**	1
Issuance of shares upon the reorganisation *(Note 30(c)(ii))*	**–**	9,999
Capitalisation issue *(Note 30(c)(iii))*	**–**	449,990,000
Effect of issuance of shares for placing and public offering *(Note 30(c)(iv))*	**–**	2,054,795
Effect of issuance of shares under the over-allotment option related to the placement *((Note 30(c)(v))*	**21,945,205**	–
Weighted average number of ordinary shares at 31 December	**621,945,205**	452,054,795

(b) Diluted (loss)/earnings per share

The calculation of diluted (loss)/earnings per share for the year ended 31 December 2008 is based on the loss attributable to equity shareholders of the Company of RMB72,294,000 (2007: the profit of RMB150,845,000) and the weighted average number of 626,546,944 (2007: 452,467,562) ordinary shares (diluted).

Weighted average number of ordinary shares (diluted) for the year ended 31 December 2008 and 2007 is calculated as follows:

	2008 Number of shares	2007 Number of shares
Weighted average number of ordinary shares at 31 December	**621,945,205**	452,054,795
Effect of deemed issue of shares under the Company's Pre-IPO Share Option Scheme	**4,601,739**	412,767
Weighted average number of ordinary shares at 31 December (diluted)	**626,546,944**	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 2007	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
Additions	13	1,597	497	1,554	62,221	65,882
Transfer from construction in progress	7,700	42,663	–	–	(50,363)	–
Disposals	–	(260)	(382)	–	–	(642)
At 31 December 2008	**101,766**	**471,522**	**2,105**	**5,655**	**94,809**	**675,857**
Accumulated depreciation and impairment losses						
At 1 January 2007	(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)
Charge for the year	(4,266)	(28,129)	(307)	(378)	–	(33,080)
Disposals	–	169	344	–	–	513
Impairment losses	–	(8,057)	–	–	(4,042)	(12,099)
At 31 December 2008	**(15,619)**	**(155,367)**	**(950)**	**(1,408)**	**(4,042)**	**(177,386)**
Carrying amounts						
At 31 December 2008	**86,147**	**316,155**	**1,155**	**4,247**	**90,767**	**498,471**
At 31 December 2007	82,700	308,172	1,003	3,071	82,951	477,897

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 carrying amounts of RMB159,470,000 and RMB125,144,000 were pledged as securities for bank loans at 31 December 2008 and 2007 respectively (Note 25(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 RMB4,078,000 as at 31 December 2008 (2007: RMB4,093,000). 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 2007	12,932
Additions	2,824
At 31 December 2007	15,756
Additions	3,734
At 31 December 2008	**19,490**
Accumulated amortisation	
At 1 January 2007	(586)
Charge for the year	(285)
At 31 December 2007	(871)
Charge for the year	(329)
At 31 December 2008	**(1,200)**
Carrying amounts	
As at 31 December 2008	**18,290**
As at 31 December 2007	14,885

18. LEASE PREPAYMENTS (continued)

(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 RMB6,874,000 and RMB7,024,000 were pledged as securities for bank loans at 31 December 2008 and 2007 respectively (Note 25(i)).

19. INVESTMENT IN SUBSIDIARIES

	The Company	
	2008	2007
	RMB'000	*RMB'000*
Unlisted shares, at cost	**407,249**	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

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 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
Yingtan Xingtai Copper Co., Ltd. ("Xingtai Copper")(iv)	The PRC, April 2007	–	100%	RMB1,000,000/ RMB1,000,000	Manufacturing of semi- finished copper strips
Yingtan Xingxin Metal Waste Recycle Co., Ltd. ("Xingxin")(v)	The PRC, April 2007	–	100%	RMB1,000,000/ RMB1,000,000	Recycling of scrap metals
Ningbo Litai Alloy Materials Co., Ltd. ("Ningbo Litai")(vi)	The PRC, August 2007	–	100%	RMB3,890,000/ RMB3,890,000	Manufacturing of high precision copper plates and strips
Ningbo Xingtong Metal Materials Co., Ltd ("Ningbo Xingtong")(vii)	The PRC, August 2008	–	100%	RMB12,800,000/ RMB12,800,000	Trading of high precision copper plates and strips

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

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

20. INTERESTS IN A JOINTLY CONTROLLED ENTITY

	2008 RMB'000	2007 RMB'000
Share of net assets	**19,378**	–

As at 31 December 2008, the Group had interest in the following jointly controlled entity:

Name of company	Place of registration	Principal place of operation	Issued and fully paid-up/ registered capital	Percentage of ownership attributable to the Group	Principal activities
Yingtan Ulba Shine Metal Materials Co., Ltd. ("Yingtan Ulba")	The PRC	The PRC	USD6,200,000/ USD6,200,000	50%	Manufacturing of high precision beryllium copper plates and strips

Interest in the jointly controlled entity is indirectly held by the Company.

Summary financial information on the jointly controlled entity, not adjusted for the percentage ownership held by the Group:

	Current assets RMB'000	Non-current assets RMB'000	Current Liabilities RMB'000	Net assets RMB'000	Income RMB'000	Expenses RMB'000	Net loss RMB'000
Yingtan Ulba	53,858	14,849	29,952	38,755	8,600	(14,006)	(5,406)

21. INVENTORIES

	The Group	
	2008	2007
	RMB'000	*RMB'000*
Raw materials	**39,661**	83,517
Work in progress	**78,401**	153,352
Finished goods	**27,741**	39,937
Others	**2,079**	2,476
	147,882	279,282

21. INVENTORIES (continued)

Provisions of RMB79,738,000 was made against those inventories with net realisable value lower than carrying value as at 31 December 2008. Except for the above, none of the inventories as at 31 December 2007 and 2008 was carried at net realisable value.

Certain inventories with net book value of RMB110,794,000 and RMB256,600,000 were pledged as securities for bank loans at 31 December 2008 and 2007 respectively (Note 25(i)).

22. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade and bill receivables	**92,749**	218,477	**–**	–
Non-trade receivables	**31,813**	17,375	**–**	10
Prepayments	**10,161**	63,550	**–**	146
Amount due from a related party	**20,193**	–	**–**	–
Amount due from subsidiaries	**–**	–	**229,751**	111,598
	154,916	299,402	**229,751**	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.

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	
	2008	2007
	RMB'000	*RMB'000*
Within 3 months	**86,798**	217,077
Over 3 months but less than 6 months	**5,808**	809
Over 6 months but less than 1 year	**143**	381
Over 1 year but less than 2 years	**–**	199
Over 2 years	**–**	11
	92,749	218,477

The Group's exposure to credit and currency risks is disclosed in Note 33.

23. PLEDGED DEPOSITS

Pledged deposits can be analysed as follows:

	The Group	
	2008	2007
	RMB'000	*RMB'000*
Guarantee deposits for issuance of commercial bills and banking facilities	**80,655**	19,710

24. CASH AND CASH EQUIVALENTS

All the balances of cash and cash equivalents as at 31 December 2008 are cash at bank and in hand.

The Group's exposure to currency risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 33.

25. INTEREST-BEARING BORROWINGS

	The Group	
	2008	2007
	RMB'000	*RMB'000*
Current		
Secured bank loans	**167,000**	203,200
Unsecured bank loans	**50,000**	192,211
Other borrowings from a related party	**15,500**	–
Bank advances under discounted bills	**204,862**	131,000
	437,362	526,411
Non-current		
Secured bank and other loans	**84,000**	104,000
	521,362	630,411

25. INTEREST-BEARING BORROWINGS (continued)

(i) The secured bank and other loans as of 31 December 2008 carried interest rates ranging from 5.31% to 7.56% (31 December 2007: 6.21% to 8.22%) per annum and were secured by the following assets:

	The Group	
	2008	2007
	RMB'000	*RMB'000*
Carrying amounts of assets:		
Inventories	**110,794**	256,600
Property, plant and equipment	**159,470**	125,144
Lease prepayments	**6,874**	7,024
Pledged deposits	**50,000**	–

(ii) Unsecured bank loan as of 31 December 2008 carried an interest rate at 7.47% (31 December 2007: 5.69% to 7.88%) per annum.

(iii) Other borrowings from a related party are unsecured and repayable on demand, and carried an interest rate at 6% per annum.

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

	The Group	
	2008	2007
	RMB'000	*RMB'000*
Over 1 year but less than 2 years	**80,000**	100,000
Over 2 years	**4,000**	4,000
	84,000	104,000
	84,000	104,000

(v) 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.

The Group's exposure to interest rate, foreign currency and liquidity risk is disclosed in Note 33.

26. 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	
	2008	2007
	RMB'000	*RMB'000*
(Purchase)/Sales contracts		
Volume (tonne)	**(350)**	280
Notional contract value	**(7,946)**	15,244
Market value	**8,159**	(16,190)
Fair value	**213**	(946)
Contract maturity date	March and April 2009	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 gains/(losses) on the futures contracts remeasured at fair value were RMB213,000 and (RMB946,000) as at 31 December 2008 and 2007, and the changes in the fair value were recognised in the income statements.

27. 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 per 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 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		

27. EQUITY-SETTLED SHARE BASED PAYMENTS (continued)

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

(ii) The number and weighted average exercise prices of share options is as follows:

	Exercise price 2008 *HKD*	**Number of options 2008** *'000 shares*	Exercise price 2007 *HKD*	Number of options 2007 *'000 shares*
Outstanding at 1 January	**1.19**	**18,000**	–	–
Forfeited during the year	**1.19**	**360**	–	–
Granted during the year	**–**	**–**	1.19	18,000
Outstanding at 31 December	**1.19**	**17,640**	1.19	18,000
Exercisable at 31 December	**1.19**	**17,640**	1.19	–

No share options were exercised during the year.

The share option outstanding at 31 December 2008 had an exercise price of HKD1.19 and a weighted average remaining contractual life of 2 years (2007: 3 years).

(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%

27. 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.

28. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade and bill payables	**52,259**	63,858	**–**	–
Non-trade payables and accrued expenses	**52,321**	75,410	**12,563**	1,958
Payable due to a related party	**5,992**	–	**–**	–
	110,572	139,268	**12,563**	1,958

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

	The Group	
	2008	2007
	RMB'000	*RMB'000*
Within 3 months	**49,757**	57,592
Over 3 months but less than 6 months	**321**	5,805
Over 6 months but less than 1 year	**1,502**	2
Over 1 year but less than 2 years	**347**	147
Over 2 years	**332**	312
	52,259	63,858

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 33.

29. DEFERRED TAX ASSETS AND LIABILITIES

(a) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	The Group	
	2008	2007
	RMB'000	*RMB'000*
Inventories	**4,864**	–
Property, plant and equipment	**(8,689)**	(8,013)
Total	**(3,825)**	(8,013)

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

	The Group		
	Inventories	**Property, plant and equipment**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2008	–	(8,013)	(8,013)
Recognised in the consolidated income statement	4,864	(676)	4,188
At 31 December 2008	**4,864**	**(8,689)**	**(3,825)**

(c) Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following item:

	The Group	
	2008	2007
	RMB'000	*RMB'000*
Tax losses of subsidiaries	**35,064**	–

Deferred tax assets have not been recognised in respect of the tax losses of subsidiaries of the Group because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

30. 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	Share-based compensation reserve RMB'000 (note d(v))	Retained earnings RMB'000	Minority interests RMB'000	Total RMB'000
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

30. CAPITAL AND RESERVES (continued)

(a) The Group (continued)

	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	Share-based compensation reserve RMB'000 (note d(v))	Retained earnings RMB'000	Total RMB'000
At 1 January 2008	56,172	133,904	259,726	19,484	(577)	–	69,272	537,981
Exchange differences on translating foreign operations	–	–	–	–	(8,196)	–	–	(8,196)
Total income and expense recognised directly in equity	–	–	–	–	(8,196)	–	–	(8,196)
Loss for the year	–	–	–	–	–	–	(72,294)	(72,294)
Total recognised income and expense	–	–	–	–	–	–	(72,294)	(72,294)
Issuance of shares under the over-allotment option related to the placement	2,096	33,530	–	–	–	–	–	35,626
Share issuance expenses	–	(4,305)	–	–	–	–	–	(4,305)
Transfer to reserve	–	–	–	–	–	–	–	–
Equity settled share-based payments	–	–	–	–	–	6,978	–	6,978
Dividend approved and paid during the year	–	–	–	–	–	–	(66,536)	(66,536)
At 31 December 2008	58,268	163,129	259,726	19,484	(8,773)	6,978	(69,558)	429,254

30. CAPITAL AND RESERVES (continued)

(b) The Company

	Share capital RMB'000 (note (c))	Share premium RMB'000 (note d(i))	Translation reserve RMB'000	Share-based compensation reserve RMB'000 (note d(v))	Contributed surplus RMB'000 (note d(iii))	Accumulated (losses)/ profits 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
At 1 January 2008	**56,172**	**133,904**	**–**	**–**	**407,248**	**(1,021)**	**596,303**
Exchange differences on translating foreign operations	**–**	**–**	**(12,589)**	**–**	**–**	**–**	**(12,589)**
Total income and expense recognised directly in equity	**–**	**–**	**(12,589)**	**–**	**–**	**–**	**(12,589)**
Equity settled share-based payments	**–**	**–**	**–**	**6,978**	**–**	**–**	**6,978**
Issuance of shares under the over-allotment option related to the placement	**2,096**	**33,530**	**–**	**–**	**–**	**–**	**35,626**
Share issuance expenses	**–**	**(4,305)**	**–**	**–**	**–**	**–**	**(4,305)**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**71,392**	**71,392**
Dividend approved and paid during the year	**–**	**–**	**–**	**–**	**–**	**(66,536)**	**(66,536)**
At 31 December 2008	**58,268**	**163,129**	**(12,589)**	**6,978**	**407,248**	**3,835**	**626,869**

30. CAPITAL AND RESERVES (continued)

(c) Share capital

	The Group and the Company			
	2008		2007	
	Number of shares	**Amount**	Number of shares	Amount
		HK$'000		*HK$'000*
Ordinary shares of HKD0.10 each *(note (i)* and *(iii))*	**5,000,000,000**	**500,000**	5,000,000,000	500,000

Ordinary shares issued and fully paid

	2008			2007		
	Number of shares	**Amount**	**Amount**	Number of shares	Amount	Amount
		HK$'000	***RMB'000***		*HK$'000*	*RMB'000*
At 1 January	**600,000,000**	**60,000**	**56,172**	–	–	–
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
Issuance of shares under the over-allotment option related to the placement *(note (v))*	**22,500,000**	**2,250**	**2,096**	–	–	–
At 31 December	**622,500,000**	**62,250**	**58,268**	600,000,000	60,000	56,172

30. CAPITAL AND RESERVES (continued)

(c) Share capital (continued)

(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.

(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.

(v) On 10 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 RMB2,095,650) representing the par value, were credited to the Company's share capital. The remaining proceeds of HKD36,000,000 (equivalent to RMB33,530,400), before the share issue expenses, were credited to the share premium account.

30. CAPITAL AND RESERVES (continued)

(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.

An additional 22,500,000 ordinary shares of HKD0.10 each in the Company were issued at HKD1.70 per share on 10 January 2008 pursuant to the over-allotment option related to the Placement. The excess of the proceeds totaling HKD36,000,000 (equivalent to RMB33,530,400) over the nominal value of the total number of ordinary shares issued, less certain listing costs of HKD4,828,600 (equivalent to RMB4,305,400) incurred in connection with the issue of share capital, amounting to HKD31,171,400 (equivalent to RMB29,225,000), was credited to the share premium 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.

30. 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.

(v) *Share-based compensation reserve*

Share-based compensation reserve represents value of employee services in respect of share options granted under the Pre-IPO share option scheme as set out in note 27.

31. RELATED PARTY TRANSACTIONS

(a) Transactions with a jointly controlled entity of the Group

During the year ended 31 December 2008, the Group has transactions with Yingtan Ulba, which is jointly controlled by the Group. Particulars of significant transactions between the Group and such related party during the year are as follows:

(i) Significant related party transactions-Non-recurring

	The Group	
	2008	2007
	RMB'000	*RMB'000*
Interest-bearing borrowings provided by:		
Yingtan Ulba	**15,500**	–
Interest expense charged by:		
Yingtan Ulba	**619**	–
Purchase of goods from:		
Yingtan Ulba	**7,810**	–
Leasing income from:		
Yingtan Ulba	**193**	–

(ii) Balances with a related party

	The Group	
	2008	2007
	RMB'000	*RMB'000*
Other receivables due from:		
Yingtan Ulba	**20,193**	–
Trade and other payables due to:		
Yingtan Ulba	**5,992**	–
Interest-bearing borrowings due to:		
Yingtan Ulba	**15,500**	–

The borrowings from Yingtan Ulba carried interest rate at 6% per annum, which was determined with reference to prevailing market rate. The borrowings were unsecured and repayable on demand.

31. RELATED PARTY TRANSACTIONS (continued)

(b) Key management personnel remunerations

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including directors of the Group. The key management personnel remunerations are as follows:

	2008	2007
	RMB'000	*RMB'000*
Short-term employee benefits	**3,840**	4,362
Post-employment benefits	**32**	12
Share-based payment	**2,674**	–
	6,546	4,374

Total remuneration is included in "personnel expenses" (Note 9).

(c) Contribution to defined contribution retirement plans

Details of post-employment benefit plan for the Group's employees are disclosed in Note 9.

As at 31 December 2008 and 31 December 2007, there was no material outstanding contribution to post-employment benefit plans.

32. CAPITAL COMMITMENTS

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

	The Group	
	2008	2007
	RMB'000	*RMB'000*
Authorised but not contracted for	**86,000**	221,000
Contracted for		
– Equipment	**9,310**	324
	95,310	221,324

33. 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 analyse 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 as 19% and 10% of the total trade receivables was due from the Group's top five largest customers as at 31 December 2007 and 2008 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 22.

33. 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 Group had net current liabilities of RMB19,060,000 as at 31 December 2008. The Group had net cash generated from operating activities amounted to RMB190,141,000 during the year ended 31 December 2008. As at the date of this report, the unutilised banking facility granted to the Group amounted to RMB442,824,000.

The directors of the Company have carried out a detailed review of the cash flow forecast for the year ending 31 December 2009. Based on such forecast, the directors have determined that adequate liquidity exists to finance the working capital expenditure requirements of the Group during the year. The directors are of the opinion that the assumptions which are included in the cash flow forecast are reasonable. However, as with all assumptions in regard to future events, these are subject to inherent limitations and uncertainties and some or all of these assumptions may not be realised.

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

	2008			
	Carrying amount *RMB'000*	**Total undiscounted cash flow** *RMB'000*	**Within one year or on demand** *RMB'000*	**More than one year and less than five years** *RMB'000*
Interest-bearing borrowings	**521,362**	**542,710**	**452,890**	**89,820**
Trade and other payables	**105,161**	**105,161**	**105,161**	**–**
	626,523	**647,871**	**558,051**	**89,820**

	2007			
	Carrying amount *RMB'000*	Total undiscounted cash flow *RMB'000*	Within one year or on demand *RMB'000*	More than one year and less than five years *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

33. FINANCIAL INSTRUMENTS (continued)

Market risk

(a) Interest risk

The interest rates and terms of repayment of interesting-bearing borrowings of the Group are disclosed in Note 25.

Sensitivity analysis

As at 31 December 2008, 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 RMB2,078,000 (2007: RMB3,745,000). 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 2007.

(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.

	2008		2007	
	USD'000	***HKD'000***	*USD'000*	*HKD'000*
Trade and other receivables	**472**	**–**	6,893	–
Cash and cash equivalents	**1,138**	**5**	85	130,840
Interest-bearing borrowings	**–**	**–**	(6,881)	–
Trade and other payables	**(7,112)**	**–**	(3,188)	–
Gross balance sheet exposure	**(5,502)**	**5**	(3,091)	130,840

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

33. FINANCIAL INSTRUMENTS (continued)

Market risk (continued)

(b) *Foreign currency risk* (continued)

The following significant exchange rates applied during the years:

	Average and reporting rate	
	2008	2007
	RMB	*RMB*
USD1	**6.8346**	7.3046
HKD1	**0.8819**	0.9364

Sensitivity analysis

A 5 percent strengthening of the RMB against the following currencies at 31 December would have (decreased)/increased 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 2007.

	2008	2007
	RMB'000	*RMB'000*
Profit or (loss)		
USD	**1,880**	1,129
HKD	**–**	(6,126)
	1,880	(4,997)

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 2008. For details of the exposure of futures contracts, please refer to Note 26.

33. FINANCIAL INSTRUMENTS (continued)

Fair value

The carrying amounts of significant financial assets and liabilities approximate their respective fair values as at 31 December 2007 and 2008.

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.

33. FINANCIAL INSTRUMENTS (continued)

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 2008, the debt-to-equity ratio and the liability-to-asset ratio of the Group were 54.84% (2007: 53.69%) and 59.69% (2007: 59.22%), respectively.

The schedule of the contractual maturities of loans and commitments are disclosed in Note 33 and Note 32, respectively.

During 2008, the Group's strategy, which was unchanged from 2007, 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.

34. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ANNUAL ACCOUNTING PERIOD ENDED 31 DECEMBER 2008

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 2008 and which have not been adopted in these financial statements:

		Effective for accounting period beginning on or after
IFRIC 13	Customer loyalty programmes	July 1 2008
IFRIC 16	Hedges of a net investment in a foreign operation	October 1 2008
IFRIC 15	Agreements for the Construction of Real Estate	January 1 2009
IFRS 8	Operating segments	January 1 2009
Revised IAS 1	Presentation of financial statements	January 1 2009
Revised IAS 23	Borrowing costs	January 1 2009
Amendment to IFRS 1	First-time adoption of International Financial Standards	January 1 2009
Amendment to IFRS 2	Share-based payment – vesting conditions and cancellations	January 1 2009
Amendments to IAS 32	Financial instruments: Presentation and IAS 1, Presentation of financial statements – puttable financial instruments and obligations arising on liquidation	January 1 2009
Revised IFRS 3	Business combinations	July 1 2009
Amendment to IAS 27	Consolidated and separate financial statements	July 1 2009
Amendment to IAS39	Financial instruments: Recognition and measurement	July 1 2009
Improvements to IFRSs		January 1 2009 or July 1 2009
Revised IFRS1	First-time adoption of International Financial Reporting Standards	1 July 2009
IFRIC 17	Distributions of non-cash assets to owners	1 July 2009

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 them is unlikely to have a significant impact on the Group's results of operations and financial position.

35. PARENT AND ULTIMATE HOLDING COMPANY

As at 31 December 2008, the directors consider the ultimate holding company of the Group to be Shine International, a company incorporated in Bermuda.

RESULTS

	2008 RMB'000	2007 RMB'000	2006 RMB'000	2005 RMB'000	2004 RMB'000
Turnover	**1,758,016**	2,096,133	1,512,430	641,164	468,607
Gross profit	**15,883**	217,330	183,399	82,690	73,153
Result from operating activities	**(39,664)**	196,806	135,677	74,082	55,852
(Loss)/profit attributable to equity holders of the Company	**(72,294)**	150,845	106,696	48,437	32,588

EARNINGS PER SHARE

	2008	2007	2006	2005	2004
Basic (loss)/earnings per share *(RMB)*	**(0.12)**	0.33	0.24	0.11	0.07
Diluted (loss)/earnings per share *(RMB)*	**(0.12)**	0.33	N/A	N/A	N/A

ASSETS, LIABILITIES AND EQUITY

	2008 RMB'000	2007 RMB'000	2006 RMB'000	2005 RMB'000	2004 RMB'000
Non-current assets	**536,139**	492,782	491,054	495,862	428,446
Current assets	**528,874**	826,321	547,724	330,208	214,819
Total assets	**1,065,013**	1,319,103	1,038,778	826,070	643,265
Non-current liabilities	**87,825**	112,013	10,783	31,766	62,014
Current liabilities	**547,934**	669,109	695,421	483,047	256,266
Total liabilities	**635,759**	781,122	706,204	514,813	318,280
Net current assets/(liabilities)	**(19,060)**	157,212	(147,697)	(152,839)	(41,447)
Total assets less current liabilities	**517,079**	649,994	343,357	343,023	386,999
Capital and reserves attributable to equity holders of the Company	**429,254**	537,981	332,074	311,257	303,575
Minority interests	**–**	–	500	–	21,410

FINANCIAL RATIOS AND OTHER FINANCIAL INFORMATION

	2008	2007	2006	2005	2004
EBITDA *(RMB'000)*	**(6,255)**	226,346	165,165	99,063	67,606
Profitability ratios:					
Gross profit margin(1) (%)	**0.9%**	10.4%	12.1%	12.9%	15.6%
Operating (loss)/profit margin(2) (%)	**(2.3)%**	9.4%	9.0%	11.6%	11.9%
Net (loss)/profit margin(3) (%)	**(4.1)%**	7.2%	7.1%	7.6%	7.0%
EBITDA margin(4) (%)	**(0.4)%**	10.8%	10.9%	15.5%	14.4%
Rate of return on equity(5) (%)	**(16.8)%**	28.0%	32.1%	15.6%	10.7%
Liquidity ratios:					
Current ratio(6) (times)	**1.0**	1.2	0.8	0.7	0.8
Quick ratio(7) (times)	**0.7**	0.8	0.4	0.5	0.5
Inventory turnover(8) (days)	**42**	34	35	46	53
Trade receivable turnover(9) (days)	**32**	26	15	24	25
Trade payable turnover(10) (days)	**12**	15	17	19	17
Capital adequacy ratios:					
Gearing ratio(11) (%)	**49.0%**	47.8%	51.2%	50.8%	39.1%
Net borrowings to equity(12) (%)	**72.3%**	71.2%	109.9%	88.2%	72.1%
Interest coverage ratio(13) (times)	**(0.2)**	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 (loss)/profit margin is equal to operating (loss)/profit divided by turnover times 100%.

(3) Net (loss)/profit margin is equal to (loss)/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 (loss)/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.

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
"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
"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 Xingye Shengtai Electronic Metal Materials Co., Ltd. (寧波興業盛泰電子金屬材料有限公司) (formerly known as 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
"Xingtong"	Ningbo Xingtong Metal Materials Co., Ltd. (寧波興銅金屬材料有限公司), a Company established in the PRC on 11 August 2008 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