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 **2009**

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

Non-Executive Director

Ms. YU Yuesu

Independent Non-Executive Directors

Mr. HE Changming (appointed on 11 May 2009)
Mr. CUI Ming
Mr. XIE Shuisheng
Mr. CHAI Chaoming (appointed on 11 May 2009)
Ms. LI Li

Audit Committee

Ms. LI Li *(Chairman)*
Mr. HE Changming (appointed on 11 May 2009)
Mr. CUI Ming
Mr. XIE Shuisheng
Mr. CHAI Chaoming (appointed on 11 May 2009)

Remuneration Committee

Mr. CUI Ming *(Chairman)*
Mr. HE Changming (appointed on 11 May 2009)
Ms. LI Li
Mr. WANG Jianli

Nomination Committee

Mr. XIE Shuisheng *(Chairman)*
Mr. CUI Ming
Mr. CHAI Chaoming (appointed on 11 May 2009)
Mr. CHEN Jianhua

COMPANY SECRETARY

Mr. CHAN Chung Kik, Lewis

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

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 Fulcrum Group (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
Wanchai, Hong Kong

PRINCIPAL BANKERS

Agricultural Bank of China
China Construction Bank

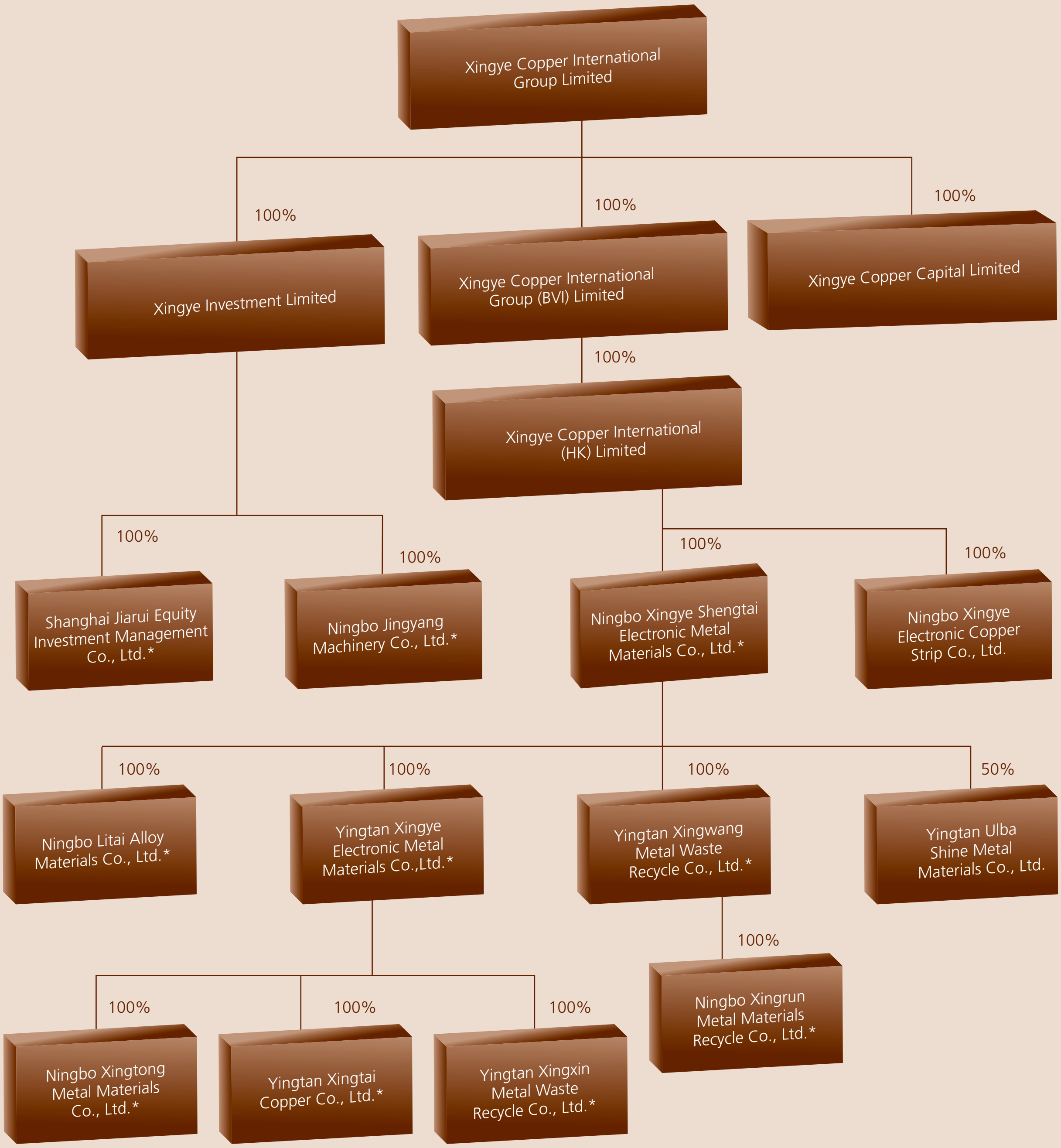
COMPANY WEBSITE

www.xingyecopper.com

STOCK CODE

505

Corporate Structure



* For identification purpose only.

Chairman's Statement

Dear shareholders,

On behalf of the Board of Directors (the "Board"), I am pleased to present the annual report of Xingye Copper International Group Limited (the "Company") for the year ended 31 December 2009.

The Company and it subsidiaries (collectively the "Group") has been paving its way towards the international capital market since the listing of its shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") to seize more opportunities for further development. During the year under review, the Group achieved excellent results. Profits attributable to equity shareholders of the Company increased significantly as compared with the previous year.

During the time when the global financial tsunami stormed the world in 2009, Chinese government has introduced many measures to stimulate the economy, leading China to become the forerunner in economic recovery and prosperity.

The Group has captured every opportunity and implemented a series of measures through innovations of its products, operation, management and mindset, in order to consolidate the strengths of the Group and create a larger room for profit generation.

The Group has devoted much effort to strengthen and upgrade its four existing product series, namely high precision tin phosphorous bronze plates and strips, high precision brass plates and strips, high precision lead frame strips and high precision nickel silver plates and strips, with a focus on the development of high precision beryllium copper plates and strips and high precision red copper plates and strips product series. We will secure our leading position by product upgrade through product and technological innovation and equipment innovation; strengthen the Company by trading and project investment; explore more opportunities to realize our growth in order to reward our shareholders.

As one of the leading producers of high precision copper plates and strips, the Group capitalized on the advantage of its competitive cost structure and steadily growing business model, continue to capture more market shares in the domestic and global market of copper plates and strips.

PROSPECTS

The considerable market demand in 2009 continues to support the sustainable development of the copper processing industry in China. With the implementation of the stimulus plan in 2009 and the continuous enforcement in 2010, we believe that the demand for copper plates and strips in 2010 will continue to grow.

The Group has devoted continuous effort and has taken an active role in developing new products including automobiles and micro-electronic accessories to enhance the value chain. In particular, the success of the pilot run of high precision beryllium copper plates and strips has made the Group the first enterprise of producing large fold high-precision beryllium copper plates and strips in China and is expected to become the top three high-precision beryllium copper plates strips producers in the world.

The Group continues to strengthen the integration of domestic and foreign resources, recruits creative hi-tech talents, promotes technological enhancement and forms a market-oriented, sustainable and innovative mechanism with an emphasis on R&D.

Chairman's Statement

The Group has commenced the adjustments to its internal structure and has improved the construction of its internal systems. The Group has also optimized work flow, established a new performance assessment mechanism, and in particular, according to the Company's development needs, set up a marketing headquarters, which has already commenced operation, in order to establish a foundation for its development in 2010.

The Group will continue to concentrate on the implementation of its core strategies for expanding its market position, and maintaining its competitive cost structure through its successful and stable business model.

In view of this, the Company will continue to regard the following as their major business objectives: (i) upgrading the R&D on new products; (ii) actively extending trades to consolidate a leading position in the market for our main products; (iii) optimizing the enterprise's internal structure and management organization system; and (iv) actively seeking for investment opportunities.

APPRECIATION

I, on behalf of the Board, would like to express my sincere gratitude to our shareholders, local governments, our clients, suppliers and banks for their continued support and to our excellent management team and staff for their commitment, loyalty and contributions.

Hu Changyuan
Chairman

Hong Kong, 29 March 2010

Management Discussion and Analysis

Revenue and gross profit

The Group's revenue was mainly derived from sales of high precision copper plates and strips, processing services and trading of raw materials. For the year ended 31 December 2009, the Group recorded revenues slightly increased by 2.1% to RMB1,795.2 million as compared to prior year.

The following table sets forth revenue, cost of sales, gross profit, sales volume and average gross profit per ton by business segments for each of the periods indicated:

	Year ended 31 December									
	2009					2008				
	Revenue (RMB'000)	Cost of sales (RMB'000)	Gross profit (RMB'000)	Sales volume (tonnes)	Average gross profit (RMB'000/ton)	Revenue (RMB'000)	Cost of sales (RMB'000)	Gross profit (RMB'000)	Sales volume (tonnes)	Average gross profit (RMB'000/ton)
Sales of copper products	1,465,324	(1,387,736)*	77,588	36,195	2.1	1,657,874	(1,587,009)*	70,865	28,923	2.5
Processing services	82,064	(55,215)	26,849	15,444	1.7	100,142	(75,386)	24,756	15,464	1.6
Trading of raw materials	247,796	(245,034)	2,762	N/A	N/A	–	–	–	–	–
Total	1,795,184	(1,687,985)	107,199	51,639		1,758,016	(1,662,395)	95,621	44,387	

* In order to analyse the actual cost of sales incurred in 2008 and 2009, the provision for diminution in value of inventories of RMB79.7 million provided in 2008 and utilised and reversed in 2009 has been excluded.

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

The revenue generated from sales of high precision copper plates and strips accounted for 81.6% of the total revenue for the year under review. Benefiting from the continuing recovery of the overall macro-economic environment and improvement in market confidence, high precision copper plates and strips business gradually picked up in 2009, the sales volume increased by 25.1% to 36,195 tonnes as compared to the previous year. The revenue from sales of high precision copper plates and strips decreased by 11.6% to RMB1,465.3 million as compared to prior year whilst the sales volume increased in 2009 was mainly attributable to the lower in average market price of copper in 2009 as compared to 2008.

Management Discussion and Analysis

Since the price of sales of high precision copper plates and strips is being calculated by cost-plus pricing model, we generally charge to our customers the market price of the raw materials (in particular copper) plus processing fees, therefore, analysis of the average gross profit per ton can exclude the impact of fluctuation of market price of the raw materials. The average gross profit per ton of sales of high precision copper plates and strips decreased from RMB2,450 in 2008 to RMB2,140 in 2009, it is due to the change in the products mix. We increased in sales of medium-end products in order to maintain the market share and the steady production under the poor economy.

The revenue generated from processing services accounted for 4.6% of the total revenue for the year under review. The processing services volume remained almost the same as that of 2008. The revenue from processing services decreased by 18.1% to RMB82.1 million as compared to the previous year was attributable to the decrease in average processing-service fees. Through the technological reform, improving product quality, promoting equipment efficiency, improving high energy consumption equipment and reducing production costs, the impact of the decrease in processing service fees was off-set by reduction in production costs, hence there was no material fluctuation in the average gross profit per ton of processing services in 2008 and 2009.

During the year under review, the Group commences trading of raw materials such as cathode copper and zinc in order to widen the Group's source of revenue and enhances profitability. The revenue generated from trading accounted for 13.8% of the Group's revenue for the year under review with gross profit of RMB2.8 million.

Other operating income

During the year, the Group's other operating income was approximately RMB81.3 million, representing an increase of 364.6% from RMB17.5 million for the previous year. Such increase was mainly attributable to (i) a value-added tax refund of RMB59.5 million recorded during the year benefiting from renewable resource recycling and utilization of related value-added tax policy with effect from 1 January 2009; and (ii) a gain of RMB12.3 million (2008: gain RMB3.1 million) from hedging activities involving copper futures contracts were recorded in the year under review, which reflected increases in the forward prices for copper during the year.

Distribution expenses

The Group's distribution expenses increased from RMB8.9 million in the previous year to RMB12.5 million in 2009 which was mainly due to increase in transportation expenses, sales commission and insurance as a result of increase in sales volume and fuel expenses.

Administrative expenses

During the year, the Group's administrative expenses were approximately RMB55.4 million, representing an increase of approximately 14.5% from RMB48.4 million in prior year. This increase was primarily attributed to the increase in staff costs as a result of the staff salaries restored to the level before the financial tsunami and increase in staff training.

Management Discussion and Analysis

Other operating expenses

The Group's other operating expenses decreased from RMB15.8 million in the previous year to RMB2.7 million in 2009, which was primarily attributed to the fact that no impairment losses on equipment were made in 2009 (2008: RMB12.1 million).

Net finance costs

The Group's net finance costs decreased from RMB30.7 million in the previous year to RMB16.4 million in 2009. This decrease was primarily due to (i) a decrease in interest expense of RMB15.2 million as a result of a decrease in the loan interest rate and Group's borrowings and discounted bills and a gain on investment in bonds of RMB7.9 million, which was partially offset by a decrease in bank interest income of RMB2.0 million; and (ii) a decrease in net foreign exchange gain of RMB5.7 million arising from converting the loans of subsidiaries denominated in Hong Kong dollar into the reported currency of Renminbi. The loans had been repaid in the second half of 2008.

Income tax

The Group recorded a tax expense of RMB28.7 million in 2009 whilst recorded a tax credit of RMB0.8 million in 2008, which was because the Group recorded profit in 2009 but made a loss in 2008.

Profit attributable to equity shareholders of the Company

As a result of the factors discussed above, the Group recorded profit attributable to equity shareholders of the Company of RMB152.4 million in 2009 whilst recorded a loss attributable to equity shareholders of the Company of RMB72.3 million in 2008.

Liquidity and financial resources

The working capital of the Group during the year under review was primarily satisfied by the Group's operating cash flows and borrowings.

The Group recorded a net cash used in operating activities of RMB44.2 million for 2009 whereas a net cash generating from operating activities of RMB190.1 million for 2008. This was mainly due to increase in operating profit from RMB13.2 million for 2008 to RMB243.0 million for 2009, which was offset by increase in inventories and trade and other receivables. The Group's net cash used in investing activities decreased from RMB82.4 million for 2008 to RMB61.6 million for 2009. This decrease was attributable primarily to decrease in capital expenditure of RMB26.7 million and no investment in a jointly controlled entity was paid in 2009 (2008: RMB17.1 million), which was partially offset by net investment in trading securities of RMB27.7 million. The Group recorded a net cash generated from financing activities of RMB96.7 million for 2009 whereas a net used cash in financing activities of RMB205.2 million for 2008. This was mainly due to proceeds from bank borrowings, increase in pledged deposits and no dividend was paid to shareholders in year 2009.

As at 31 December 2009, the Group had outstanding bank loans and other borrowings of approximately RMB618.3 million, of which approximately RMB614.3 million shall be repaid within 1 year and approximately RMB4.0 million shall be repaid over 2 years. The gearing ratio as at 31 December 2009 was 45% (2008: 49%), which is calculated by dividing the total borrowings over the total assets.

Management Discussion and Analysis

Charge on assets

As at 31 December 2009, the Group pledged assets with aggregate carrying value of RMB259.7 million (31 December 2008: RMB327.1 million) to secure bank loans facilities of the Group.

Capital expenditure

For the year ended 31 December 2009, the Group invested RMB39.2 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 2009, the future capital expenditure for which the Group had authorised but not contracted for and contracted but not provided for amounted to approximately RMB60.5 million and RMB11.5 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	**Amount utilised up to 31 December 2009**	**Balance as at 31 December 2009**
	RMB'million	*RMB'million*	*RMB'million*
Expansion in production capacity	119.4	70.7	48.7
Development in large-scale production of new products	29.6	25.1	4.5
Research and development	12.6	7.9	4.7
General working capital purposes	59.8	59.8	–
	221.4	163.5	57.9

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

Management Discussion and Analysis

MARKET RISK

The Group is exposed to various types of market risks, including fluctuation in copper price and other commodities' prices 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 of the Group. Therefore, fluctuations in the prices of 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 2009, the Group recorded a gain on futures contracts of RMB12.3 million (2008: RMB3.1 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 relates 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 undertaking new debts. The Group has not entered into any interest rate swaps arrangements 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 were denominated in foreign currencies, primarily U.S. dollars. Therefore, fluctuations in the exchange rate may have an impact on the Group's operating results. The Group has not entered into any foreign exchange contract to hedge against exposure to foreign exchange rate risks. For the year ended 31 December 2009, the Group recorded a net foreign exchange loss of RMB16,000 (2008: gain of RMB5.8 million).

Employees

As at 31 December 2009, the Group had 1,011 employees. Remuneration policies are reviewed regularly to ensure that the Group is offering competitive employment packages to employees. Benefits of the employees include 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 a competitive industry and has devoted resources to training employees. The Group has established an annual training program for our employees so that new employees can master the basic skills required to perform their functions and existing employees can upgrade or improve their production skills.

Corporate Governance Report

The Board is committed to promote good corporate governance to safeguard the interests of the shareholders of the Company (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 2009, 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 of the Company (the "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 2009.

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 five independent non-executive Directors, namely, Mr. He Changming, Mr. Cui Ming, Mr. Xie Shuisheng, Mr. Chai Chaoming 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 this Annual Report.

More than one-third of the members of the Board are independent non-executive Directors, which exceeds the minimum requirement of the Listing Rules. 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 has received annual confirmation of independence from the five 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 interests 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.

Corporate Governance Report

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 2009, the Board convened a total of six Board meetings and the individual attendance record of the Directors is tabulated as follows:

Name of Director	Number of meetings held while being a Director	Number of meetings attended
Executive Directors		
Mr. Hu Changyuan *(Chairman)*	6	6
Mr. Chen Jianhua *(Deputy Chairman and Chief Executive Officer)*	6	6
Mr. Wang Jianli	6	6
Mr. Ma Wanjun	6	6
Non-executive Director		
Ms. Yu Yuesu	6	3
Independent Non-executive Directors		
Mr. He Changming *(Note)*	4	1
Mr. Cui Ming	6	6
Mr. Xie Shuisheng	6	6
Mr. Chai Chaoming *(Note)*	4	3
Ms. Li Li	6	5

Note: Mr. He Changming and Mr. Chai Chaoming have become independent non-executive Directors since 11 May 2009.

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 5 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 confirmed 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, Shareholders' interests shall prevail.

Corporate Governance Report

Directors have free access to the management for enquiries and to obtain further information so as to facilitate the decision-making process. The 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 Board 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 put forward by the Directors.

A week's time will be available to all the Directors and the Board 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 Board 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 are responsible for ensuring and advising on compliance of all procedures in connection with the Board and all applicable rules and regulations.

The Board and Board 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 Directors 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 Company and 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 2009, 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 39 to 40 this Annual Report.

Corporate Governance Report

DIRECTORS' APPOINTMENT, RE-ELECTION AND REMOVAL

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

According to Articles 87 (1) and (2) of the Company's 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 an initial term of three years commencing from 27 December 2007 until terminated in accordance with the term of the service contracts. Under the service contracts, 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 Article 87 of the Articles of Association.

The non-executive Director, Ms. Yu Yuesu, has been appointed for a term of 3 year commencing from 24 May 2009 pursuant to her appointment letter, provided that either she 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. Ms. Yu 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.

Independent non-executive Directors, Mr. Cui Ming, Mr. Xie Shuisheng and Ms. Li Li have each been appointed for a term of three years commencing from 1 December 2007 and Mr. He Changming and Mr. Chai Chaoming have each been appointed for a term of three years commencing from 11 May 2009 pursuant to their appointment letters, provided that either the independent 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. 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 Article 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 five 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.

Corporate Governance Report

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 and currently comprises three independent non-executive Directors and one executive Director, namely Mr. Cui Ming (Chairman), Mr. He Changming, 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. When recommending the remuneration package for each individual Director, the Remuneration Committee will consider his/her qualification(s) and experience, specific duties and the prevailing market packages available for similar position. The Remuneration Committee meets formally at least 2 times a year.

Two Remuneration Committee meetings were held during the year ended 31 December 2009. At the meetings, the Remuneration Committee reviewed remuneration policy and packages of the Directors and senior management and oversaw the operation of Pre-IPO Share Option Scheme and the Share Option Scheme of the Company. The individual attendance record of each member of the Remuneration Committee is tabulated as follows:

Name of Director	Number of meetings held while being a Director	Number of meetings attended
Mr. Cui Ming *(Chairman)*	2	2
Mr. He Changming	1	–
Ms. Li Li	2	2
Mr. Wang Jianli	2	2

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. Currently, the Audit Committee comprises five independent non-executive Directors, namely Mr. He Changming, Mr. Cui Ming, Mr. Xie Shuisheng, Mr. Chai Chaoming 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.

Corporate Governance Report

Two Audit Committee meetings were held during the year ended 31 December 2009. At the meetings, the member of the Audit Committee has executed the major duties and responsibilities which defined below. The individual attendance record of each member of the Audit Committee is tabulated as follows:

Name of Director	Number of meetings held while being a Director	Number of meetings attended
Ms. Li Li *(Chairman)*	2	2
Mr. He Changming	1	–
Mr. Cui Ming	2	2
Mr. Xie Shuisheng	2	2
Mr. Chai Chaoming	1	1

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 resignation or dismissal of auditors; and

– 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.

Corporate Governance Report

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 Audit Committee has free access to the accountants 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 currently comprises three independent non-executive Directors and one executive Director, namely Mr. Xie Shuisheng (Chairman), Mr. Cui Ming, Mr. Chai Chaoming and Mr. Chen Jianhua.

Two Nomination Committee meetings were held during the year ended 31 December 2009. At the meetings, the members of the Nomination Committee discussed and reviewed which Directors should retire from their offices by rotation and their eligibility for re-election at the previous annual general meeting, 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. The individual attendance record of each member of the Nomination Committee is tabulated as follows:

Name of Director	**Number of meetings held while being a Director**	**Number of meetings attended**
Mr. Xie Shuisheng *(Chairman)*	2	2
Mr. Cui Ming	2	2
Mr. Chai Chaoming	1	1
Mr. Chen Jianhua	2	2

Corporate Governance Report

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 an annual basis;

– be responsible for identifying and nominating appropriate candidate(s) 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.

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.

INTERNAL CONTROL

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.

Corporate Governance Report

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 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 and annual and interim reports.

AUDITORS' REMUNERATION

For the year ended 31 December 2009, fees payable to the external auditors of the Group, KPMG, for statutory audit services and non-audit services amounted to approximately HK$1,600,000 and HK$12,000 respectively.

Report of the Directors

The Directors are pleased to present their report together with the audited financial statements of the Group for the year ended 31 December 2009.

PRINCIPAL ACTIVITIES

The Company is an investment holding company with its principal subsidiaries engaged in manufacturing and sales of high precision copper plates and strips, trading of raw materials and provision of processing services.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 14 to the financial statements.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 17 to the financial statements.

RESULTS

The results of the Group for the year ended 31 December 2009 are set out in the accompanying financial statements on page 41.

DIVIDENDS

The Board recommended the payment of a final dividend of HK10.0 cents per Share for the year ended 31 December 2009, which is expected to be payable on or about 20 May 2010 subject to the approval at the forthcoming annual general meeting. The dividend will be payable to Shareholders of the Company whose names appear on the register of members of the Company on 12 May 2010.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 10 May 2010 to 12 May 2010, both days inclusive, during which period no transfer of Shares will be registered. In order to qualify for the proposed final dividend and to determine the identity of 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 2010.

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 112 to page 113.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment during the year are set out in note 15 to the financial statements.

INTEREST-BEARING BORROWINGS

Particulars of interest-bearing borrowings of the Group as at 31 December 2009 are set out in note 24 to the financial statements.

Report of the Directors

SHARE CAPITAL AND RESERVES

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

During the year under review, bonus issue of 63,209,000 units of warrants ("Warrants") had been carried out by the Company on the basis of 1 Warrant for every 10 Shares held by the Shareholders, whose names appeared on the register of members of the Company on 27 October 2009. Each Warrant entitled the holder to subscribe for one new Share at the subscription price of HK$0.93 per Share, subject to adjustments in case of, amongst others, capital alteration. The Warrants are exercisable at any time for a period of 24 months commencing on 3 November 2009, being the date of the issue of the Warrants.

As at 31 December 2009, there were 63,184,200 units of outstanding Warrants.

CHARITABLE DONATIONS

During the year, the Group had donated a total of RMB157,000 for charitable purposes.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2009, the aggregate sales attributable to the five largest customers and the largest customer of the Group accounted for approximately 20.9% and 7.0% 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 34.4% and 12.7% 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 22 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.

Report of the Directors

Share Option Scheme

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

The following shows the particulars of the share options of the Company granted to directors of the Company and employees of the Group under the Share Option Scheme during the year:

				Number of share options					
Name or type of grantee	**Date of grant**	**Exercisable period**	**Exercise price** *HK$*	**Outstanding as at 1 January 2009**	**Granted during the period**	**Exercised during the period**	**Lapsed during the period**	**Outstanding as at 31 December 2009**	**Approximate percentage of issued share capital of the Company**
Directors									
Hu Changyuan	1-12-2007	27-12-2008 to 26-12-2011	1.19	600,000	–	(600,000)	–	–	–
	1-12-2007	27-12-2009 to 26-12-2011	1.19	600,000	–	–	–	600,000	0.09%
	1-12-2007	27-12-2010 to 26-12-2011	1.19	600,000	–	–	–	600,000	0.09%
				1,800,000	–	(600,000)	–	1,200,000	0.18%

Report of the Directors

Name or type of grantee	Date of grant	Exercisable period	Exercise price HK$	Number of share options: Outstanding as at 1 January 2009	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding as at 31 December 2009	Approximate percentage of issued share capital of the Company
Chen Jianhua	1-12-2007	27-12-2008 to 26-12-2011	1.19	500,000	–	(500,000)	–	–	–
	1-12-2007	27-12-2009 to 26-12-2011	1.19	500,000	–	–	–	500,000	0.08%
	1-12-2007	27-12-2010 to 26-12-2011	1.19	500,000	–	–	–	500,000	0.08%
	11-5-2009	12-5-2009 to 26-12-2011	0.82	–	400,000	(400,000)	–	–	–
				1,500,000	400,000	(900,000)	–	1,000,000	0.16%
Wang Jianli	1-12-2007	27-12-2008 to 26-12-2011	1.19	400,000	–	(400,000)	–	–	–
	1-12-2007	27-12-2009 to 26-12-2011	1.19	400,000	–	–	–	400,000	0.06%
	1-12-2007	27-12-2010 to 26-12-2011	1.19	400,000	–	–	–	400,000	0.06%
	11-5-2009	12-5-2009 to 26-12-2011	0.82	–	200,000	(200,000)	–	–	–
				1,200,000	200,000	(600,000)	–	800,000	0.12%
Ma Wanjun	1-12-2007	27-12-2008 to 26-12-2011	1.19	400,000	–	(400,000)	–	–	–
	1-12-2007	27-12-2009 to 26-12-2011	1.19	400,000	–	–	–	400,000	0.06%
	1-12-2007	27-12-2010 to 26-12-2011	1.19	400,000	–	–	–	400,000	0.06%
	11-5-2009	12-5-2009 to 26-12-2011	0.82	–	200,000	(200,000)	–	–	–
				1,200,000	200,000	(600,000)	–	800,000	0.12%

Report of the Directors

Name or type of grantee	Date of grant	Exercisable period	Exercise price HK$	Number of share options: Outstanding as at 1 January 2009	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding as at 31 December 2009	Approximate percentage of issued share capital of the Company
He Changming	11-5-2009	12-5-2009 to 26-12-2011	0.82	–	120,000	–	–	120,000	0.02%
Cui Ming	11-5-2009	12-5-2009 to 26-12-2011	0.82	–	120,000	(120,000)	–	–	–
Xie Shuisheng	11-5-2009	12-5-2009 to 26-12-2011	0.82	–	120,000	–	–	120,000	0.02%
Chai Chaoming	11-5-2009	12-5-2009 to 26-12-2011	0.82	–	120,000	(120,000)	–	–	–
Li Li	11-5-2009	12-5-2009 to 26-12-2011	0.82	–	120,000	(120,000)	–	–	–
Employees	1-12-2007	27-12-2008 to 26-12-2011	1.19	3,980,000	–	(2,430,000)	–	1,550,000	0.25%
	1-12-2007	27-12-2009 to 26-12-2011	1.19	3,980,000	–	–	(100,000)	3,880,000	0.61%
	1-12-2007	27-12-2010 to 26-12-2011	1.19	3,980,000	–	–	(100,000)	3,880,000	0.61%
	11-5-2009	12-5-2009 to 26-12-2011	0.82	–	4,980,000	(4,260,000)	–	720,000	0.12%
				11,940,000	4,980,000	(6,690,000)	(200,000)	10,030,000	1.59%
				17,640,000	6,380,000	(9,750,000)	(200,000)	14,070,000	2.21%

Notes:

1. As at 31 December 2009, the total number of issued shares of the Company was 632,274,800.

2. The vesting period of the share options is from the date of grant until the commencement of the exercisable period.

3. During the period, no share options mentioned above were cancelled.

Report of the Directors

The fair value of options granted on 11 May 2009 under Share Option Scheme was determined using the "Black-Scholes-Merton Option Pricing model". The significant inputs into the model were:

• Exercise price *(HK$)*	0.82
• Risk-free rate *(%)*	0.292
• Expected Option Period *(Years)*	1.27
• Expected Volatility *(%)*	61.88
• Expected Dividend *(%)*	0

Based on the inputs above to the Black-Scholes-Merton Option Pricing Model, the total fair value of the outstanding options as at the grant date was HKD1,421,086.

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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 2009.

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

Independent non-executive directors

Mr. He Changming (appointed on 11 May 2009)
Mr. Cui Ming
Mr. Xie Shuisheng
Mr. Chai Chaoming (appointed on 11 May 2009)
Ms. Li Li

Pursuant to Articles 87(1) and 87(2) of the Company's Articles of Association, Mr. Chen Jianhua, Mr. Cui Ming Mr. Xie Shuisheng and Ms. Li Li shall retire from their office by rotation at the forthcoming annual general meeting and, being eligible, offered themselves for re-election.

Report of the Directors

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 an initial 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, Ms. Yu Yuesu, had signed an appointment letter issued by the Company pursuant to which she shall be appointed for a term of 3 year effective from 24 May 2009 until terminated by either party by giving not less than two months' prior notice in writing.

Independent non-executive Directors, Mr. Cui Ming, Mr. Xie Shuisheng and Ms. Li Li have each been appointed for a term of three years commencing from 1 December 2007 and Mr. He Changming and Mr. Chai Chaoming have each been appointed for a term of three years commencing from 11 May 2009 pursuant to their appointment letters, provided that either the independent 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.

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 2009, 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 were as follows:

Report of the Directors

(i) Interest in Shares of HK$0.10 each of the Company

Name of Directors	Capacity	Number of Shares held	Approximate percentage of shareholding*
Hu Changyuan	Interest of a controlled corporation	330,165,000 *(Note 1)*	52.22%
	Beneficial owner	600,000	0.09%
Yu Yuesu	Interest of spouse	330,765,000 *(Note 2)*	52.31%
Chen Jianhua	Beneficial owner	900,000	0.14%
Wang Jianli	Beneficial owner	600,000	0.09%
	Interest of a controlled corporation	24,263,800 *(Note 3)*	3.84%
Ma Wanjun	Beneficial owner	600,000	0.09%
Cui Ming	Beneficial owner	220,000	0.03%
Chai Chaoming	Beneficial owner	120,000	0.02%
Li Li	Beneficial owner	290,000	0.05%

Notes:

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

2. These refer to the Shares held by Mr. Hu Changyuan in the Company. Ms. Yu Yuesu was deemed to be interested in these Shares under the SFO by virtue of being the spouse of Mr. Hu Changyuan.

3. These 24,263,800 Shares were 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 was wholly owned by Mr. Wang Jianli who was therefore deemed to be interested in these Shares by virtue of the SFO.

* The percentages are calculated based on total number of issued Shares of 632,274,800 as at 31 December 2009.

Report of the Directors

(ii) Interests in share options of the Company

Name of Directors	Capacity	Number of share options	Exercisable Period	Exercise price per share *HK$*	Approximate percentage of shareholding*
Hu Changyuan	Beneficial owner	600,000 *(Note 1)*	27 December 2009 to 26 December 2011	1.19	0.09%
		600,000 *(Note 1)*	27 December 2010 to 26 December 2011	1.19	0.09%
Yu Yuesu	Interest of spouse	600,000 *(Note 2)*	27 December 2009 to 26 December 2011	1.19	0.09%
	Interest of spouse	600,000 *(Note 2)*	27 December 2010 to 26 December 2011	1.19	0.09%
Chen Jianhua	Beneficial owner	500,000 *(Note 1)*	27 December 2009 to 26 December 2011	1.19	0.08%
	Beneficial owner	500,000 *(Note 1)*	27 December 2010 to 26 December 2011	1.19	0.08%
Wang Jianli	Beneficial owner	400,000 *(Note 1)*	27 December 2009 to 26 December 2011	1.19	0.06%
	Beneficial owner	400,000 *(Note 1)*	27 December 2010 to 26 December 2011	1.19	0.06%
Ma Wanjun	Beneficial owner	400,000 *(Note 1)*	27 December 2009 to 26 December 2011	1.19	0.06%
	Beneficial owner	400,000 *(Note 1)*	27 December 2010 to 26 December 2011	1.19	0.06%
He Changming	Beneficial owner	120,000 *(Note 3)*	12 May 2009 to 26 December 2011	0.82	0.02%
Xie Shuisheng	Beneficial owner	120,000 *(Note 3)*	12 May 2009 to 26 December 2011	0.82	0.02%

Report of the Directors

Notes:

1. These were the underlying Shares of the options granted to the relevant Directors by the Company under the Pre-IPO Option and such share options remained outstanding as at 31 December 2009. All options under the Pre-IPO Option were granted on 1 December 2007 at an exercise price of HK$1.19 per share.

2. These refer to the interests in the underlying Shares of the options granted to Mr. Hu Changyuan by the Company. Ms. Yu Yuesu was deemed to be interested in these interests under the SFO by virtue of being the spouse of Mr. Hu Changyuan.

3. These are the underlying Shares of the options granted to the relevant Directors by the Company under the Share Option Scheme and such share options remained outstanding as at 31 December 2009. The exercise price is the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant.

* The percentages are calculated based on total number of issued Shares of 632,274,800 as at 31 December 2009.

(iii) Interests in Warrants of the Company

Name of Directors	Capacity	Number of Warrants	Approximate percentage of shareholding*
Hu Changyuan	Interest of a controlled corporation	33,016,500 *(Note 1)*	5.222%
	Beneficial owner	60,000	0.009%
Yu Yuesu	Interest of spouse	33,076,500 *(Note 2)*	5.231%
Chen Jianhua	Beneficial owner	90,000	0.014%
Wang Jianli	Beneficial owner	60,000	0.009%
	Interest of a controlled corporation	1,013,800 *(Note 3)*	0.160%
Ma Wanjun	Beneficial owner	60,000	0.009%
Cui Ming	Beneficial owner	22,000	0.003%
Chai Chaoming	Beneficial owner	12,000	0.002%
Li Li	Beneficial owner	29,000	0.005%

Report of the Directors

Notes:

1. These 33,016,500 Warrants (entitling the holder thereof to subscribe for 33,016,500 Shares) were held by Shine International Holdings Limited which was wholly owned by Mr. Hu Changyuan. Mr. Hu was deemed to be interested in these Warrants by virtue of the SFO.

2. These refer to the interests in the Warrants of Mr. Hu Changyuan. Ms. Yu Yuesu was deemed to be interested in these interests under the SFO by virtue of being the spouse of Mr. Hu. Changyuan.

3. These 1,013,800 Warrants (entitling the holder thereof to subscribe for 1,013,800 Shares) were 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 was wholly owned by Mr. Wang Jianli who was therefore deemed to be interested in these Warrants by virtue of the SFO.

4. The Warrants may be exercised at any time during the period commencing on 3 November 2009 and expiring on 2 November 2011 at an initial subscription price of HK$0.93 per (subject to adjustments).

* The percentages are calculated based on total number of issued Shares of 632,274,800 as at 31 December 2009.

Save as disclosed above, as at 31 December 2009, 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, 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.

Report of the Directors

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2009, 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:

(i) Interest in Shares of HK$0.10 each of the Company

Name of Shareholder	Capacity	Number of Shares	Approximate percentage of shareholding*
Shine International Holdings Limited *(Note)*	Beneficial owner	330,165,000	52.22%

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

* The percentages are calculated based on total issued number of Shares as at 31 December 2009.

(ii) Interests in Warrants of the Company

Name of Shareholder	Capacity	Number of Warrants	Approximate percentage of shareholding*
Shine International Holdings Limited *(Note)*	Beneficial owner	33,016,500	5.22%

Note: Shine International Holdings Limited was wholly owned by Mr. Hu Changyuan. Shine International Holdings Limited was holding 33,016,500 units of Warrants which entitled it to subscribe for 33,016,500 Shares at the subscription price of HK$0.93 per Share (subject to adjustments).

* The percentages are calculated based on total issued number of Shares as at 31 December 2009.

Save as disclosed herein, as at 31 December 2009, 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.

Report of the Directors

CONNECTED TRANSACTIONS

During the year ended 31 December 2009, 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 2009.

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 2009. Please refer to the Corporate Governance Report set out in this 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 7(b) to the financial statements.

REVIEW BY AUDIT COMMITTEE

The audit committee of the Company comprises five independent non-executive Directors, namely, Mr. He Changming, Mr. Cui Ming, Mr. Xie Shuisheng, Mr. Chai Chaoming and Ms. Li Li. The audit committee had reviewed the audited financial statements for the year ended 31 December 2009 and had also discussed auditing, internal control and financial reporting matters including accounting practices and principles adopted by the Group.

Report of the Directors

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, 29 March 2010

Biographical details of the Directors and Senior Management

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-one years of experience in the copper plates and strips industry. 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, the non-executive Director of the Company and a brother-in-law of Mr. Yu Liben, a consultant of the Group.

Mr. Chen Jianhua, aged 42, 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. 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 38, is an executive Director and Chief Operating Officer of our Group. He obtained a diploma in urban planning and management from Hangzhou University in 1996. He graduated from an executive management program in business administration organized by Zhejiang University in 2003 and 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. He has been working for the Group since 1998. Mr. Wang has been a vice-general manager of the Group since 2004, responsible for the sales, marketing and sourcing functions of the Group. Mr. Wang was appointed as the Chief Operating Officer of our Group in January 2010. Mr. Wang has twenty-one years of experience in the copper plates and strips industry. 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).

Biographical details of the Directors and Senior Management

Mr. Ma Wanjun, aged 43, is an executive Director. 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 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 was appointed as general manager of Shanghai in December 2009. Mr. Ma has more than twenty-one years' experience in the copper plates and strips industry. 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). In 2009, he was recognized as a senior engineer by Human Resources Department of Jiangxi Province.

Ms. Yu Yuesu, aged 61, 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 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 brilliant contribution in the business development of the Group.

Mr. HE Changming, aged 68, is a professor-grade Senior Engineer. From May 1993 to December 2006, Mr. He was the chairman, executive director and general manager of Jiangxi Copper Company Limited, a company listed on the Stock Exchange (stock code: 358). He was a standing committee member of the People's Congress of Jiangxi Province, the Vice President of China Non-ferrous Metals Industry Association, the President of the 1st Administrative Committee of China Copper Development Centre, a member of the Administrative Committee of China Futures Industry Association and the Shanghai Futures Exchange, Vice Chairman of China Mining Industry Association and a committee of Listing Company Committee of Jiangxi Province. From January 1990 to May 1993, he was the director of the Guixi Smelter. From May 1993 to December 2006, Mr. He has been the manager of Jiangxi Copper Corporation Limited. Mr. He has extensive experience in corporate management and is a technical expert in smelting and refining. Mr. He graduated from University of Guizhou Industrial specialising in smelting. Mr. He was named as one of the 30 most influential people during the 30 years of reform of non-ferrous industry in the PRC in late 2008.

Mr. Cui Ming, aged 53, 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, a 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.

Biographical details of the Directors and Senior Management

Mr. Xie Shuisheng, aged 65, 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.

Mr. CHAI Chaoming, aged 40. He graduated and obtained a Bachelor in economics from Shanghai University of Finance & Economics and a Master degree in business administration from Guanghua School of Management of Beijing University, respectively. He is the Managing Director of Raystone Capital, a venture capital firm focuses on investments in China. He has also become a non-executive director of Zhejiang Zhengyuan Electric Co., Ltd. Since 2003, Mr. Chai is also an independent non-executive director of each of Guangdong Gosun Telecommunications Co., Ltd, Western Securities Limited and Shanxi Aerospace Power Hi-Tech Co., Ltd., which is a company listed on the Shanghai Stock Exchange (stock code: 600343). Mr. Chai has extensive experience in corporate management.

Ms. Li Li, aged 37, 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 and has been promoted to financial controller of Asia Pacific of Springs Global on January 2010.

SENIOR MANAGEMENT

Mr. CHAN Chung Kik, Lewis, aged 37, is the chief financial officer and the Company Secretary 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 13 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 of Australia.

Biographical details of the Directors and Senior Management

Mr. CHENG Zhenkang, aged 68, 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 (中南礦治學院) (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. YU Liben, aged 63, is brother-in-law of Mr. Hu Changyuan. Mr. Yu is a consultant 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.

Ms. CHEN Yajun, aged 37, is a Vice President of our Group. She is responsible for the treasury 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 his appointment as a vice president of our Group, she has been the financial manager of our Group since January 2007. Prior to joining our Group, Ms. Chen worked in the financial management department of a private company.

Mr. CHEN Junjie, aged 38, is a Vice President 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 a vice president 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 and general manager of Shengtai. 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 35, is a Vice President of our Group and is responsible for the management of subsidiaries located in Yingtan. 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 a vice president of our Group, he was the assistant to the manager and the department head of the quality control department of our Group.

Biographical details of the Directors and Senior Management

Mr. MA Huafa, aged 52, is an assistant to the Chief Executive Officer of our Group and is responsible for the customer services functions of our Group. Mr. Ma joined our Group in 2002. Prior to his appointment as an assistant to the Chief Executive Officer 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.

Mr. YUAN Hefeng, aged 29, an assistant to the Chief Executive Officer of our Group and is responsible for the development of technical process and system standardization of our Group. Mr. Yuan graduated from Wuhan Polytechnic (武漢職業技術學院) in 2004 majored in mechatronics technology and obtained the qualifications as an economist and an assistant engineer. Mr. Yuan joined our Group in 2003. Prior to his appointment as an assistant to the Chief Executive Officer of our Group, he was the head of the quality assurance department and the innovative technology department of our Group.

Mr. ZHENG Juliang, aged 42, an assistant to the Chief Executive Officer of our Group and is responsible for the operation of the trading company of our Group. Mr. Zheng studied heating ventilation at Mechanical Department of China Textile University of Shanghai(上海中國紡織大學)in 1992. Mr. Zheng joined our Group in 1998. Prior to his appointment as an assistant to the Chief Executive Officer of our Group, he was the deputy head and head the planning development department, the head of the secretary department of our Group, and the vice-general manager of Xingtong. Prior to joining our Group, he was an assistant to the director of a thermal power plant and provided futures trading and consulting service at a futures brokerage firm.

Mr. LU Xufeng, aged 40, an assistant to the Chief Executive Officer of our Group and is responsible for the operation of the equipment company of our Group. Mr. Lu graduated from Mechanical and Electronic Engineering Department of Zhejiang University (浙江大學)in 2004 and obtained the qualifications as an electrical engineer and a mechanical engineer. Mr. Lu joined our Group in 1998. Prior to his appointment as an assistant to the Chief Executive Officer of our Group, he was the head of the equipment department and the research and development department of our Group. Prior to joining our Group, Mr. Lu was a technician of a company.

Ms. CHEN Nongbo, aged 40, the chief internal controller of our Group. She graduated from Accounting Department of Hangzhou College of Commerce (杭州商學院) in 1992 and has been working with our Group since 1998. Prior to her appointment as the chief internal controller of our Group, Ms. Chen was the head of the finance department and the audit department of our Group. She is now a member of the Cixi Tax Bureau Association of Tax Officers(慈溪市國税局辦税員協會)and the Hangzhou Bay Economic Development Zone Association of Accountants(杭州灣經濟開發區會計協會).

Ms. ZHU Youjun, aged 38, is the head of the finance department of our Group reporting to the chief financial officer of our Group. She is responsible for the financial management function of our Group. Ms. Zhu obtained a diploma in finance from the University of Ningbo Broadcast Television (寧波廣播電視大學) in 2007. Ms. ZHU joined our Group in 1998. Prior to her appointment as the head of the finance department of our Group, Ms. Zhu was the chief accountant and the deputy head of the finance department of our Group. Prior to joining our Group, Ms. Zhu had been working at a company and responsible for accounting matters.

Auditor's Report

Independent auditor's 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 41 to 111, which comprise the consolidated and company statements of financial position as at 31 December 2009, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flow 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.

AUDITOR'S 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 auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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.

Auditor's Report

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2009 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

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

29 March 2010

Consolidated Income Statement

For the year ended 31 December 2009

	Note	2009 RMB'000	2008 RMB'000
Turnover	4	**1,795,184**	1,758,016
Cost of sales		**(1,608,247)**	(1,742,133)
Gross profit		**186,937**	15,883
Other operating income	5	**81,255**	17,489
Distribution expenses		**(12,533)**	(8,880)
Administrative expenses		**(55,387)**	(48,389)
Other operating expenses	6	**(2,699)**	(15,767)
Result from operating activities		**197,573**	(39,664)
Finance income		**10,205**	10,146
Finance expenses		**(26,596)**	(40,835)
Net finance costs	7(a)	**(16,391)**	(30,689)
Share of loss of a jointly controlled entity		**(79)**	(2,756)
Profit/(loss) before tax		**181,103**	(73,109)
Income tax	8	**(28,748)**	815
Profit/(loss) for the year attributable to the equity shareholders of the Company		**152,355**	(72,294)
Earnings/(loss) per share			
Basic earnings/(loss) per share (RMB)	13(a)	**0.24**	(0.12)
Diluted earnings/(loss) per share (RMB)	13(b)	**0.24**	(0.12)

The notes on pages 50 to 111 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 29(d).

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009

	Note	**2009** **RMB'000**	2008 RMB'000
Profit/(loss) for the year		**152,355**	(72,294)
Other comprehensive income for the year (after tax and reclassification adjustment):			
Exchange differences on translation of financial statements of overseas subsidiaries	*12*	**(58)**	(8,196)
Total comprehensive income for the year – attributable to equity shareholders of the Company		**152,297**	(80,490)

The notes on pages 50 to 111 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2009

	Note	2009 RMB'000	2008 RMB'000
Non-current assets			
Property, plant and equipment	15	**498,754**	498,471
Lease prepayments	16	**17,901**	18,290
Interest in a jointly controlled entity	18	**19,299**	19,378
		535,954	536,139
Current assets			
Inventories	19	**344,179**	147,882
Tax recoverable	8(c)	**–**	14,710
Derivative financial instruments	25	**–**	213
Trade and other receivables	20	**250,259**	154,916
Pledged deposits	21	**88,813**	80,655
Trading securities	22	**33,835**	–
Cash and cash equivalents	23	**121,430**	130,498
		838,516	528,874
Current liabilities			
Interest-bearing borrowings	24	**614,269**	437,362
Derivative financial instruments	25	**5,214**	–
Trade and other payables	27	**138,025**	110,572
Income tax payables	8(c)	**5,463**	–
		762,971	547,934
Net current assets/(liabilities)		**75,545**	(19,060)
Total assets less current liabilities		**611,499**	517,079
Non-current liabilities			
Interest-bearing borrowings	24	**4,000**	84,000
Deferred tax liabilities	28	**14,240**	3,825
		18,240	87,825
Net assets		**593,259**	429,254

The notes on pages 50 to 111 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2009

	Note	**2009** *RMB'000*	2008 *RMB'000*
Capital and reserves			
Share capital	*29(b)*	**59,129**	58,268
Reserves	*29(c)*	**534,130**	370,986
Total equity attributable to equity shareholders of the Company		**593,259**	429,254
Total equity		**593,259**	429,254

Approved and authorised for issue by the board of directors on 29 March 2010.

Hu Changyuan
Director

Chen Jianhua
Director

The notes on pages 50 to 111 form part of these financial statements.

Company Statement of Financial Position

At 31 December 2009

	Note	2009 RMB'000	2008 RMB'000
Non-current assets			
Investment in subsidiaries	*17*	**407,249**	407,249
Current assets			
Trade and other receivables	*20*	**232,621**	229,751
Cash and cash equivalents	*23*	**1,626**	2,432
		234,247	232,183
Current liabilities			
Trade and other payables	*27*	**11,384**	12,563
Net current assets		**222,863**	219,620
Net assets		**630,112**	626,869
Capital and reserves			
Share capital	*29(b)*	**59,129**	58,268
Reserves		**570,983**	568,601
Total equity		**630,112**	626,869

Approved and authorised for issue by the board of directors on 29 March 2010.

Hu Changyuan
Director

Chen Jianhua
Director

The notes on pages 50 to 111 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2009

		Attributable to equity shareholders of the Company							
	Note	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	PRC statutory reserve RMB'000	Translation reserve RMB'000	Share-based compensation reserve RMB'000	(Accumulated loss)/retained earnings RMB'000	Total RMB'000
At 1 January 2008		56,172	133,904	259,726	19,484	(577)	–	69,272	537,981
Total comprehensive income for the year		–	–	–	–	(8,196)	–	(72,294)	(80,490)
Dividends approved and paid during the year	*29(d)*	–	–	–	–	–	–	(66,536)	(66,536)
Issuance of shares under the over-allotment option related to the placement	*29(b)*	2,096	33,530	–	–	–	–	–	35,626
Equity settled share-based payments	*26*	–	–	–	–	–	6,978	–	6,978
Share issuance expenses		–	(4,305)	–	–	–	–	–	(4,305)
At 31 December 2008 and 1 January 2009		58,268	163,129	259,726	19,484	(8,773)	6,978	(69,558)	429,254

The notes on pages 50 to 111 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2009

		Attributable to equity shareholders of the Company							
	Note	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	PRC statutory reserve RMB'000	Translation reserve RMB'000	Share-based compensation reserve RMB'000	(Accumulated loss)/retained earnings RMB'000	Total RMB'000
At 31 December 2008 and at 1 January 2009		58,268	163,129	259,726	19,484	(8,773)	6,978	(69,558)	429,254
Total comprehensive income for the year		–	–	–	–	(58)	–	152,355	152,297
Share options exercised	29(b) & (c)	859	11,209	–	–	–	(3,610)	–	8,458
Equity settled share-based payments	26	–	–	–	–	–	3,777	–	3,777
Share issuance expenses-warrants		–	(547)	–	–	–	–	–	(547)
Warrants exercised	29(b) & (c)	2	18	–	–	–	–	–	20
Transfer to reserve	29(c)(iv)	–	–	–	8,517	–	–	(8,517)	–
At 31 December 2009		59,129	173,809	259,726	28,001	(8,831)	7,145	74,280	593,259

The notes on pages 50 to 111 form part of these financial statements.

Consolidated Statement of Cash Flow

For the year ended 31 December 2009

	Note	2009 RMB'000	2008 RMB'000
Operating activities			
Profit/(loss) for the year		**152,355**	(72,294)
Adjustments for:			
Depreciation for property, plant and equipment	7(c)	**36,151**	33,080
Amortisation of lease prepayments	7(c)	**389**	329
Impairment losses on property, plant and equipment	6	**–**	12,099
Equity-settled share-based payment transactions	7(b)	**3,777**	6,978
Net finance costs	7(a)	**16,391**	30,689
(Gain) /loss on disposal of property, plant and equipment	5&6	**(90)**	129
Unrealised fair value change on derivative financial instruments		**5,214**	213
Share of loss of a jointly controlled entity		**79**	2,756
Income tax expense	8(a)	**28,748**	(815)
Operating profit before changes in working capital		**243,014**	13,164
Change in inventories		**(196,297)**	131,400
Change in trade and other receivables		**(95,343)**	144,486
Change in trade and other payables		**26,661**	(39,074)
Interest paid		**(24,066)**	(39,268)
Income tax received/(paid)		**1,840**	(20,567)
Net cash (used in)/generated from operating activities		**(44,191)**	190,141
Investing activities			
Interest received		**4,098**	4,389
Proceeds from sale of property, plant and equipment		**1,236**	–
Proceeds from sale of trading securities		**34,471**	–
Payment for investment in a jointly controlled entity		**–**	(17,134)
Payment for property, plant and equipment		**(39,163)**	(65,882)
Payment for lease prepayments		**–**	(3,734)
Payment for purchase of trading securities		**(62,199)**	–
Net cash used in investing activities		**(61,557)**	(82,361)

The notes on pages 50 to 111 form part of these financial statements.

Consolidated Statement of Cash Flow

For the year ended 31 December 2009

	Note	2009 RMB'000	2008 RMB'000
Financing activities			
Proceeds from issuance of shares, net of issuance expense		**7,931**	31,321
Proceeds from interest-bearing borrowings		**835,402**	1,077,433
Repayment of interest-bearing borrowings		**(738,495)**	(1,186,482)
Change in pledged deposits		**(8,158)**	(60,945)
Dividend paid	*29(d)*	**–**	(66,536)
Net cash generated from/(used in) financing activities		**96,680**	(205,209)
Net decrease in cash and cash equivalents		**(9,068)**	(97,429)
Cash and cash equivalents at 1 January		**130,498**	227,927
Cash and cash equivalents at 31 December		**121,430**	130,498

The notes on pages 50 to 111 form part of these financial statements.

Notes to the Financial Statements

1. GENERAL INFORMATION

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. The Company's shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 27 December 2007. The principal activities of the Company and its subsidiaries (collectively referred to as the "Group") are the manufacturing and sales of high precision copper plates, trading of raw materials and strips and the provision of processing services.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The financial statements of the Group have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards (IASs) and related Interpretations, promulgated by the International Accounting Standards Board ("IASB"), and the applicable disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

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 3 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.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2009 comprise the Company and its subsidiaries and the Group's interest in jointly controlled entities.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

- financial instruments classified as trading securities (see note 2(f)(i)); and
- derivative financial instruments (see note 2(f)(iv)).

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of preparation of the financial statements (continued)

The preparation of financial statements in conformity with IFRSs requires management to make judgements, 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.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the financial statements and major sources of estimation uncertainty 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 collectability. A considerable level of judgement 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 comprehensive income in future years.

(ii) Depreciation

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

(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 reporting date.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of preparation of the financial statements (continued)

(iv) Recognition of income taxes and deferred tax assets

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The management 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 in respect of 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 judgement 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.

(c) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating 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.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

In the Company's statement of financial position, an investment in subsidiary is stated at cost less impairment losses (see note 2(j)).

(d) Jointly controlled entities

A jointly control entity is an entity which operates under a contractual arrangement between the Group or Company and other parties, where the contractual arrangement establishes that the Group or Company and one or more of the other parties share joint control over the economic activity of the entity.

An investment in a jointly controlled entity is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the jointly controlled entity's net assets. The consolidated statement of comprehensive income includes the Group's share of post-acquisition, post-tax results of the jointly controlled entity for the year, including any impairment loss relating to the investment in jointly controlled entities recognised for the year (see note 2(j)).

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Jointly controlled entities (continued)

When the Group's share of losses exceeds its interest in the jointly controlled entity, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the jointly controlled entity.

Unrealised profits and losses resulting from transactions between the Group and its jointly controlled entities are eliminated to the extent of the Group's interest in the jointly controlled entity, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in the consolidated income statement.

(e) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the reporting date. Exchange gains and losses are recognised in consolidated income statement.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rate ruling at the dates the fair value was determined.

The results of foreign operations are translated into Renminbi at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items are translated into Renminbi at the closing foreign exchange rates at the reporting date. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Financial instruments

(i) Non-derivative financial assets

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial assets: financial assets at fair value through profit or loss and loans and receivables.

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Upon initial recognition attributable transaction costs are recognized in consolidated income statement as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in consolidated income statement.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise trade and other receivables.

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Financial instruments (continued)

(ii) Non-derivative financial liabilities

All financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contactual obligations are discharged or cancelled or expired.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial liabilities: loans and borrowings and trade and other payables.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

(iii) Share capitals

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

(iv) Derivative financial instruments

The Group holds 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.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Financial instruments (continued)

(iv) Derivative financial instruments (continued)

Derivative financial instruments are recognised initially at fair value; attributable transaction costs are recognised in consolidated income statement as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

When a derivative financial instruments is not held for trading, and is not designated in a qualifying hedge relationship, all changes in its fair value are recognised immediately in consolidated income statement.

(g) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses (see note 2(j)).

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.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised in the consolidated income statement.

(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 carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in the consolidated income statement as incurred.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Property, plant and equipment (continued)

(iii) Depreciation

Depreciation is calculated over the depreciable amount which is the cost of an asset less its residual value.

Depreciation is recognised in consolidated income statement 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 each financial year-end and adjusted if appropriate.

(iv) Assets under construction

Assets under construction represent primarily machinery and equipment, which are stated at cost less accumulated impairment losses (see note 2(j)). Cost includes all direct costs relating to the construction of the assets and acquisition.

(h) Lease prepayments

Lease prepayments in the consolidated statement of financial position represent cost of land use rights paid to the PRC's governmental authorities. Lease prepayments are carried at cost less accumulated amortisation and impairment losses (see note 2(j)). Amortisation is charged to the consolidated income statement on a straight-line basis over the respective periods of the rights.

(i) Inventories

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

The cost of inventories is calculated 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 the estimated costs necessary to make the sale.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Inventories (continued)

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period 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 period 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 period in which the reversal occurs.

(j) Impairment of assets

(i) Financial assets

A financial asset not carried at fair value through consolidated income statement is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Group considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

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 asset's original effective interest rate. Losses are recognised in consolidated income statement and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through consolidated income statement.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Impairment of assets (continued)

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, inventories and deferred tax assets, 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. For intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

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 that cannot be tested individually 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, or CGU").

The Group's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in consolidated income statement. Impairment losses recognised in respect of CGUs are allocated to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

In respect of the assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(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 available-for-sale equity securities and unquoted equity securities carried at cost are not reversed in a subsequent period. 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. Consequently, if the fair value of an available-for-sale equity security increases in the remainder of the annual period, or in any other period subsequently, the increase is recognised in other comprehensive income and not profit or loss.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Employee benefits

(i) Short-term employee benefits

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

(ii) Defined contribution retirement plan

Obligation for contributions to PRC local government defined contribution retirement schemes pursuant to the relevant labour rules and regulations in the PRC and the Hong Kong Mandatory Provident Fund Scheme Ordinance are recognised as an expense in the consolidated income statement 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 consolidated income statement 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).

(l) Provisions and contingent liabilities

Provision are 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.

(m) Revenue recognition

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 the consolidated income statement as follows:

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Revenue recognition (continued)

(i) Sales of goods

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates and excludes value added tax or other sales taxes. 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 the consolidated income statement on a systematic basis in the same periods in which the expenses are recognised. Grants that compensate the Group for the cost of an asset are recognised in the consolidated income statement on a systematic basis over the useful life of the asset.

(n) Finance income and expenses

Finance income comprises interest income, changes in the fair value of financial assets at fair value through consolidated income statement and foreign currency gains. Interest income is recognised as it accrues in consolidated income statement, using the effective interest method.

Finance expenses comprise interest expenses 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 the consolidated income statement using the effective interest method.

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

(o) Research and development

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads and borrowing costs, where applicable (see note 2(r)). Other development expenditure is recognised as an expense in the period in which it is incurred.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Income tax expense

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in consolidated income statement except to the extent that they relate to items recognised directly in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

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 assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assests also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same periods as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assests arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each reporting date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognized when the liability to pay the related dividends is recognised.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Income tax expense (continued)

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(q) Dividends

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

(r) Borrowing costs

Borrowing costs are expensed in the consolidated income statement 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 period of time to get ready for its intended use or sale.

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

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) 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 and warrants.

(t) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

(u) 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.

Notes to the Financial Statements

3. CHANGES IN ACCOUNTING POLICIES

IASB has issued one new IFRS, a number of amendments to IFRSs and new Interpretations that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- IFRS 8 — Operating segments
- Revised IAS 1 — Presentation of financial statements
- Improvements to IFRSs 2008
- Amendment to IFRS 7 — Financial instruments: Disclosures – Improving disclosures about financial instruments
- Amendment to IAS 27 — Consolidated and separate financial statements – Cost of an investment in a subsidiary, jointly controlled entity or associate
- Revised IAS 23 — Borrowing costs
- Amendment to IFRS 2 — Share-based payment – vesting conditions and cancellations

The amendments to IAS 27 and IFRS 2, Revised IAS 23 and Improvements to IFRSs (2008) have had no material impact on the Group's financial statements as the amendments and interpretations were consistent with policies already adopted by the Group. In addition, the amendment to IFRS 7 does not contain any additional disclosure requirements specifically applicable to these financial statements. The impact of the remainder of these developments on the financial statement is as follows:

- IFRS 8 requires segment disclosure to be based on the way that the Group's chief operating decision maker regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group's chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. The adoption of IFRS 8 has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the Group's most senior executive management (see note 14). Corresponding amounts have been provided on a basis consistent with the revised segment information.

- As a result of the adoption of Revised IAS 1, details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated income statement, if they are recognised as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

Notes to the Financial Statements

4. 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 turnover during the year is as follows:

	2009	2008
	RMB'000	*RMB'000*
Turnover		
Sales of copper products	**1,465,324**	1,657,874
Trading of raw materials	**247,796**	–
Processing services	**82,064**	100,142
	1,795,184	1,758,016

Further details regarding the Group's principal activities are disclosed in note 14 to these financial statements.

5. OTHER OPERATING INCOME

	2009	2008
	RMB'000	*RMB'000*
Government grants	**68,178**	14,004
Gain on derivative financial instruments	**12,297**	3,089
Gain on disposal of property, plant and equipment	**90**	–
Others	**690**	396
	81,255	17,489

The Group has been awarded unconditional government grants, amounted to RMB68,178,000 and RMB14,004,000 during 2009 and 2008 respectively. They were related to recognition of the Group's development in the industry.

Notes to the Financial Statements

6. OTHER OPERATING EXPENSES

	2009 RMB'000	2008 RMB'000
Donation	**157**	189
Water conservancy fund	**2,016**	2,641
Loss on disposal of property, plant and equipment	**–**	129
Impairment losses on property, plant and equipment	**–**	12,099
Others	**526**	709
	2,699	15,767

Certain property, plant and equipment, amounting to RMB12,099,000, which are obsolete and cannot generate future economic benefits were fully provided for impairment losses for the year ended 31 December 2008.

7. PROFIT/(LOSS) BEFORE INCOME TAX

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

(a) Net finance costs

	2009 RMB'000	2008 RMB'000
Interest expenses	**24,066**	39,268
Net foreign exchange loss	**16**	–
Bank charges	**2,514**	1,567
Finance expenses	**26,596**	40,835
Net foreign exchange gain	**–**	(5,757)
Interest income on bank deposits	**(2,347)**	(4,389)
Interest income on investment in trading securities	**(1,751)**	–
Net change in fair value of trading securities	**(6,107)**	–
Finance income	**(10,205)**	(10,146)
Net finance costs	**16,391**	30,689

Notes to the Financial Statements

7. PROFIT/(LOSS) BEFORE INCOME TAX (continued)

(b) Personnel costs

	2009 RMB'000	2008 RMB'000
Wages, salaries and other benefits	**45,111**	38,984
Contribution to defined contribution plan	**3,251**	3,339
Equity-settled share-based payment expenses *(note 26)*	**3,777**	6,978
	52,139	49,301

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 year. 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.

(c) Other items

	2009 RMB'000	2008 RMB'000
Cost of inventories*	**1,608,247**	1,742,133
Depreciation	**36,151**	33,080
Amortisation of lease prepayments	**389**	329
(Reversal of write-down)/write-down of inventories to net realisable value	**(5,682)**	79,738
Net realised and unrealised gains on trading securities	**(6,107)**	–
Net realised and unrealised gains on derivative financial instruments	**(12,297)**	(3,089)
Auditor's remuneration-audit services	**1,410**	1,813
Research and development costs	**2,507**	–

* *Cost of inventories includes RMB44,318,000 (2008: RMB129,116,000) relating to staff costs, depreciation expenses, amortisation of lease prepayments and reversal of write-down of inventories to net realisable value which amounts are also included in the respective total amounts disclosed separately above for each type of expenses.*

Notes to the Financial Statements

8. INCOME TAX

(a) Income tax in the consolidated income statement represents:

	2009	2008
	RMB'000	*RMB'000*
Current tax expense		
Provision for PRC income tax	**18,333**	2,806
Under provided in prior years	**–**	567
	18,333	3,373
Deferred tax		
Reversal and originating of temporary differences	**10,415**	(4,188)
	28,748	(815)

(i) 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.

(ii) 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.

(iii) 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.

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 2009, 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%.

Notes to the Financial Statements

8. INCOME TAX (continued)

(a) Income tax in the consolidated income statement represents: (continued)

(iv) 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. Deferred tax liabilities have been recognised for undistributed retained earnings of the Group's PRC subsidiaries to the extent that the earnings would be distributed in the foreseeable future.

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

	2009	2008
	RMB'000	*RMB'000*
Profit/(loss) before tax	**181,103**	(73,109)
Computed using the Group's PRC subsidiaries applicable tax rates	**24,312**	(10,041)
Current year losses for which no deferred tax asset was recognised *(note 28(c))*	**548**	8,766
Non-deductible expenses	**(720)**	(107)
Under provided in prior years	**–**	567
Withholding tax on undistributed profits of PRC subsidiaries	**4,608**	–
Income tax	**28,748**	(815)

(c) Income tax payables/(tax recoverable) in the statement of financial position represents:

	2009	2008
	RMB'000	*RMB'000*
Balance at beginning of the year	**(14,710)**	2,484
Provision for income tax for the year	**18,333**	2,806
Under provided in prior years	**–**	567
Income tax received/(paid) during the year	**1,840**	(20,567)
Balance at the end of the year	**5,463**	(14,710)

Notes to the Financial Statements

9. DIRECTORS' REMUNERATION

Details of directors' remuneration are as follows:

	Year ended 31 December 2009					
Name of directors	Directors' fee RMB'000	Basic salaries, allowances and other bonus RMB'000	Contributions to retirement benefit schemes RMB'000	Discretionary bonus RMB'000	Share-based Payments RMB'000	Total RMB'000
Executive directors						
Mr. Hu Changyuan	–	631	–	469	262	1,362
Mr. Chen Jianhua	–	361	5	590	297	1,253
Mr. Wang Jianli	–	241	5	460	214	920
Mr. Ma Wanjun	–	241	5	460	214	920
Non-executive directors						
Ms. Yu Yuesu	73	–	–	–	–	73
Independent non-executive directors						
Mr. Cui Ming	73	–	–	–	24	97
Mr. Xie Shuisheng	73	–	–	–	24	97
Ms. Li Li	73	–	–	–	24	97
Mr. He Changming	42	–	–	–	24	66
Mr. Chai Chaoming	42	–	–	–	24	66
	376	1,474	15	1,979	1,107	4,951

	Year ended 31 December 2008					
Name of directors	Directors' fee RMB'000	Basic salaries, allowances and other bonus RMB'000	Contributions to retirement benefit schemes RMB'000	Discretionary 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
	450	2,283	20	–	2,209	4,962

Notes to the Financial Statements

9. DIRECTORS' REMUNERATION (continued)

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

	2009 RMB'000	2008 RMB'000
Nil to HKD1,000,000	**6**	6
HKD1,000,001 to HKD1,500,000	**3**	1
HKD1,500,001 to HKD2,000,000	**1**	1

There were no amounts paid during the year to the directors in connection with their retirement from employment with the Group, or inducement to join. There were no agreement under which a director waived or agreed to waive any remuneration during the year (2008: RMB1,580,000).

Mr He Changming and Mr. Chai Chaoming were appointed as independent non-executive directors on 11 May 2009.

10. INDIVIDUALS WITH HIGHEST EMOLUMENTS

The five highest paid individuals of the Group during the year include four (2008: 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:

	2009 RMB'000	2008 RMB'000
Basic salaries, allowances and other benefits	**1,261**	1,107
Contributions to retirement benefit schemes	**12**	12
Share-based payments	**175**	465
	1,448	1,584
Number of senior management	**1**	1

The above individual's emoluments are within the band of HKD1,500,001 to HKD2,000,000 in 2009 (2008: HKD1,500,001 to HKD2,000,000).

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.

Notes to the Financial Statements

11. PROFIT/(LOSS) ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a loss of RMB8,108,000 (2008: loss of RMB11,749,000) which has been dealt with in the financial statements of the Company.

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

	2009 *RMB'000*	2008 *RMB'000*
Amount of consolidated loss attributable to equity shareholders dealt with in the Company's financial statements	**(8,108)**	(11,749)
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 year, approved and paid during the year	**–**	43,996
The Company's (loss)/profit for the year *(note 29 (a))*	**(8,108)**	71,392

12. OTHER COMPREHENSIVE INCOME

Tax effect relating to each component of other comprehensive income

	2009			2008		
	Before-tax amount *RMB'000*	**Tax (expense)/ benefit** *RMB'000*	**Net-of-tax amount** *RMB'000*	Before-tax amount *RMB'000*	Tax (expense)/ benefit *RMB'000*	Net-of-tax amount *RMB'000*
Exchange difference on translation of financial statements of overseas subsidiaries	**(58)**	**–**	**(58)**	(8,196)	–	(8,196)
Other comprehensive income	**(58)**	**–**	**(58)**	(8,196)	–	(8,196)

Notes to the Financial Statements

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

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit attributable to the equity shareholders of ordinary shares of RMB152,355,000 (2008: loss of RMB72,294,000) and the weighted average of 625,781,285 (2008: 621,945,205) ordinary shares in issue during the year.

Weighted average number of ordinary shares

	2009 Number of shares	2008 **Number of shares**
Ordinary shares issued at 1 January	**622,500,000**	600,000,000
Effect of issuance of shares under the over-allotment option related to the placement *((note 29(b)(ii))*	**–**	21,945,205
Effect of share option exercised *((note 29(b)(iii))*	**3,279,203**	–
Effect of warrants exercised *((note 29(b)(iv))*	**2,082**	–
Weighted average number of ordinary shares at 31 December	**625,781,285**	621,945,205

(b) Diluted earnings/(loss) per share

The calculation of diluted earnings/(loss) per share is based on the profit attributable to equity shareholders of the Company of RMB152,355,000 (2008: loss of RMB72,294,000) and the weighted average number of 637,518,150 (2008: 626,546,944) ordinary shares (diluted).

Weighted average number of ordinary shares (diluted) for the year ended 31 December 2009 is calculated as follows:

	2009 Number of shares	2008 **Number of shares**
Weighted average number of ordinary shares at 31 December	**625,781,285**	621,945,205
Effect of deemed issue of shares option	**283,837**	4,601,739
Effect of deemed issue of warrants	**11,453,028**	–
Weighted average number of ordinary shares at 31 December (diluted)	**637,518,150**	626,546,944

Notes to the Financial Statements

14. SEGMENT REPORTING

The Group's turnover and operating results are entirely generated from the manufacturing and sales of high precision copper plates and strips products, trading of raw materials and the provision of processing services. In accordance with IFRS 8, segment information disclosed in the consolidated financial statements has been prepared in a manner consistent with the way in which is reported internally to the Group's most senior executive management for the purpose of resource allocation and performance assessment. The Group's most senior executive management have identified the following three reportable segments.

- Sales of copper products: this segment reports sales of high precision copper plates and strips products.

- Trading of raw materials: this segment reports trading of raw materials.

- Processing services: this segment reports provision of processing services to customers who provide raw materials to the Group for processing.

(a) Segment results

In accordance with IFRS 8, segment information disclosed in the financial statements has been prepared in a manner consistent with the information used by the Group's most senior executive management for the purpose of assessing segment performance and allocating resources between segments. In this regard, the Group's senior executive management monitors the results attributable to each reportable segment on the following bases:

Segment turnover represents revenue derived from the sales of copper products, trading of raw materials and the provision of processing services to external customers.

The measure used for reporting segment profit is gross profit. To arrive at reporting segment profit, the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as distribution expenses, corporate administrative and other operating expenses.

The Group's senior executive management are of the view that the Group's assets and liabilities are jointly used and shared by these three segments, the allocation would be arbitrary and not understandable, and accordingly, no analysis on segment assets and liabilities is provided.

Notes to the Financial Statements

14. SEGMENT REPORTING (continued)

(a) Segment results (continued)

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purpose of resource allocation and assessment of segment performance for the year is set out as follows:

For the year ended 31 December 2009:

	Sales of copper products *RMB'000*	**Trading of raw materials** *RMB'000*	**Processing services** *RMB'000*	**Total** *RMB'000*
Turnover from external customers	**1,465,324**	**247,796**	**82,064**	**1,795,184**
Inter-segment turnover	**654,492**	**510,167**	**5,888**	**1,170,547**
Reportable segment turnover	**2,119,816**	**757,963**	**87,952**	**2,965,731**
Reportable segment profit	**157,326**	**2,762**	**26,849**	**186,937**

For the year ended 31 December 2008:

	Sales of copper products *RMB'000*	Trading of raw materials *RMB'000*	Processing services *RMB'000*	Total *RMB'000*
Turnover from external customers	1,657,874	–	100,142	1,758,016
Inter-segment turnover	1,365,574	531,518	28,437	1,925,529
Reportable segment turnover	3,023,448	531,518	128,579	3,683,545
Reportable segment (loss)/profit	(8,873)	–	24,756	15,883

Notes to the Financial Statements

14. SEGMENT REPORTING (continued)

(b) Reconciliation of reportable segment turnover and profit

	2009	2008
	RMB'000	*RMB'000*
Turnover		
Reportable segment turnover	**2,965,731**	3,683,545
Elimination of inter-segment turnover	**(1,170,547)**	(1,925,529)
Consolidated turnover	**1,795,184**	1,758,016

	2009	2008
	RMB'000	*RMB'000*
Profit		
Reportable segment profit	**186,937**	15,883
Distribution expenses	**(12,533)**	(8,880)
Administrative expenses	**(55,387)**	(48,389)
Other operating income net of expenses	**78,556**	1,722
Net finance costs	**(16,391)**	(30,689)
Share of loss of a jointly controlled entity	**(79)**	(2,756)
Consolidated profit/(loss) before income tax	**181,103**	(73,109)

(c) Geographic information

The following table sets out information about the geographical location of the Group's revenue from external customers. The geographical location of customers is based on the location at which the services were provided or the goods delivered.

	2009	2008
	RMB'000	*RMB'000*
Turnover		
PRC	**1,517,519**	1,323,324
Others	**277,665**	434,692
	1,795,184	1,758,016

Notes to the Financial Statements

15. 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 2008	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
Additions	186	882	1,313	201	34,975	37,557
Transfer from construction in progress	11,064	74,797	66	–	(85,927)	–
Disposals	–	–	(5)	(1,658)	–	(1,663)
At 31 December 2009	**113,016**	**547,201**	**3,479**	**4,198**	**43,857**	**711,751**
Accumulated depreciation and impairment losses						
At 1 January 2008	(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)
Charge for the year	(4,670)	(30,485)	(380)	(616)	–	(36,151)
Disposals	–	–	–	540	–	540
At 31 December 2009	**(20,289)**	**(185,852)**	**(1,330)**	**(1,484)**	**(4,042)**	**(212,997)**
Carrying amounts						
At 31 December 2009	**92,727**	**361,349**	**2,149**	**2,714**	**39,815**	**498,754**
At 31 December 2008	86,147	316,155	1,155	4,247	90,767	498,471

Notes to the Financial Statements

15. 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 RMB247,988,000 and RMB159,470,000 were pledged as securities for bank loans at 31 December 2009 and 2008 respectively (see note 24(i)).

(iii) Up to the date of issue of these financial statements, the Group was in process of applying for the certificate of certain of its properties with an aggregate carrying value of approximately RMB4,004,000 as at 31 December 2009 (2008: RMB4,078,000). The directors of the Company are of the opinion that the Group is entitled to lawfully occupy and use the above mentioned properties.

16. LEASE PREPAYMENTS

The Group

	RMB'000
Cost	
At 1 January 2008	15,756
Additions	3,734
At 31 December 2008	19,490
Additions	–
At 31 December 2009	**19,490**
Accumulated amortisation	
At 1 January 2008	(871)
Charge for the year	(329)
At 31 December 2008	(1,200)
Charge for the year	(389)
At 31 December 2009	**(1,589)**
Carrying amounts	
As at 31 December 2009	**17,901**
As at 31 December 2008	18,290

Notes to the Financial Statements

16. 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 at the date of grant.

(ii) Certain land use rights with the carrying amount of RMB11,681,000 and RMB6,874,000 were pledged as securities for bank loans at 31 December 2009 and 2008 respectively (see note 24(i)).

17. INVESTMENT IN SUBSIDIARIES

	The Company	
	2009	2008
	RMB'000	*RMB'000*
Unlisted shares, at cost	**407,249**	407,249

All of the following entities are subsidiaries as defined under note 2(c) 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 establishment/ incorporation	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company 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 Investment Limited ("Xingye Investment")	Hong Kong SAR, October 2009	100%	–	HKD-/HKD1	Investment holding
Xingye Copper Capital Limited ("Xingye Capital")	British Virgin Islands, August 2009	100%	–	USD1/USD1	Investment holding
Xingye Electronic(ii)/(iii)	the PRC, November 1998	–	100%	USD13,800,000/ USD13,800,000	In liquidation
Shengtai(ii)	the PRC, November 2001	–	100%	USD33,864,393/ USD50,000,000	Manufacturing and sales of high precision copper plates and strips

Notes to the Financial Statements

17. INVESTMENT IN SUBSIDIARIES (continued)

Name of company	Place and date of establishment/ incorporation	Percentage of equity attributable to the Company Direct	Indirect	Issued and fully paid-up/ registered capital	Principal activities
Yingtan Xingye[i] Electronic Metal Materials Co., Ltd. ("Yingtan Xingye")	the PRC, November 2006	–	100%	RMB80,000,000/ RMB80,000,000	Manufacturing and sales of high precision copper plates and strips
Yingtan Xingtai[i]/[iii] Copper Co., Ltd. ("Xingtai Copper")	the PRC, April 2007	–	100%	RMB1,000,000/ RMB1,000,000	In liquidation
Yingtan Xingxin[i]/[iii] Metal Waste Recycle Co., Ltd. ("Xingxin")	the PRC, April 2007	–	100%	RMB1,000,000/ RMB1,000,000	In liquidation
Ningbo Litai[i] Alloy Materials Co., Ltd. ("Ningbo Litai")	the PRC, August 2007	–	100%	RMB3,890,000/ RMB3,890,000	Manufacturing and sales of high precision copper plates and strips
Ningbo Xingtong[i] Metal Materials Co., Ltd. ("Ningbo Xingtong")	the PRC, August 2008	–	100%	RMB12,800,000/ RMB12,800,000	Trading of high precision copper plates and strips
Yingtan Xingwang[i] Metal Waste Recycle Co., Ltd. ("Xingwang")	the PRC, August 2009	–	100%	RMB20,000,000/ RMB20,000,000	Recycling and sales of scrap metals
Ningbo Jingyang[ii] Machinery Co., Ltd. ("Jingyang")	the PRC, December 2009	–	100%	HKD34,999,950/ HKD70,000,000	Machinery repair and maintenance
Ningbo Xingrun[i] Metal Materials Recycle Co., Ltd. ("Xingrun")	the PRC, December 2009	–	100%	RMB3,000,000/ RMB3,000,000	Not yet commenced operation
Shanghai Jiarui[ii] Equity Investment Management Co., Ltd. ("Jiarui")	the PRC, December 2009	–	100%	HKD-/ HKD22,800,000	Not yet commenced operation

Notes to the Financial Statements

17. INVESTMENT IN SUBSIDIARIES (continued)

Notes:

(i) These entities were established in the PRC as domestic companies.

(ii) These entities were established in the PRC as wholly foreign-owned enterprises.

(iii) Pursuant to the relevant board resolutions in 2009, the business of Xingye Electronic, Xingtai Copper and Xingxin have been transferred to the other companies of the Group. As at 31 December 2009, Xingye Electronic, Xingtai Copper and Xingxin were in the process of liquidation.

18. INTEREST IN A JOINTLY CONTROLLED ENTITY

	2009 *RMB'000*	2008 *RMB'000*
Share of net assets	**19,299**	19,378

As at 31 December 2009, 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, is as follows:

	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	32,661	20,467	14,530	38,598	9,763	(9,921)	(158)

Notes to the Financial Statements

19. INVENTORIES

	The Group	
	2009	2008
	RMB'000	*RMB'000*
Raw materials	**115,099**	39,661
Work in progress	**157,692**	78,401
Finished goods	**63,873**	27,741
Others	**7,515**	2,079
	344,179	147,882

Provisions of RMB79,738,000 were 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 2008 and 2009 was carried at net realisable value.

No inventories were pledged as securities for bank loans at 31 December 2009 (2008: RMB110,794,000) (see note 24(i)).

20. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade and bill receivables	**181,807**	92,749	**–**	–
Non-trade receivables	**38,668**	31,813	**–**	–
Prepayments	**28,492**	10,161	**–**	–
Amount due from a related party	**1,292**	20,193	**–**	–
Amount due from subsidiaries	**–**	–	**232,621**	229,751
	250,259	154,916	**232,621**	229,751

Most 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 customer's relationship with the Group, its creditworthiness and settlement record.

Notes to the Financial Statements

20. TRADE AND OTHER RECEIVABLES (continued)

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

	The Group	
	2009	2008
	RMB'000	*RMB'000*
Within 3 months	**149,409**	86,798
Over 3 months but less than 6 months	**32,398**	5,808
Over 6 months but less than 1 year	**–**	143
	181,807	92,749

The Group's exposure to credit and currency risks is disclosed in note 30.

21. PLEDGED DEPOSITS

Pledged deposits can be analysed as follows:

	The Group	
	2009	2008
	RMB'000	*RMB'000*
Guarantee deposits for issuance of commercial bills and banking facilities	**88,813**	80,655

22. TRADING SECURITIES

	The Group	
	2009	2008
	RMB'000	*RMB'000*
Quoted debentures	**33,396**	–
Others	**439**	–
	33,835	–

The fair values are determined based on quoted prices by financial institutions which are publicly available.

Notes to the Financial Statements

23. CASH AND CASH EQUIVALENTS

All the balances of cash and cash equivalents as at 31 December 2009 are cash at banks and in hand.

The Group's exposure to currency risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 30.

24. INTEREST-BEARING BORROWINGS

	The Group	
	2009	2008
	RMB'000	*RMB'000*
Current		
Secured bank loans	**176,524**	167,000
Unsecured bank loans	**141,921**	50,000
Other borrowings from a related party	**–**	15,500
Current portion of non-current secured bank loans	**60,000**	–
Bank advances under discounted bills	**235,824**	204,862
	614,269	437,362
Non-current		
Secured bank and other loans	**4,000**	84,000
	618,269	521,362

Notes to the Financial Statements

24. INTEREST-BEARING BORROWINGS (continued)

(i) The secured bank and other loans as of 31 December 2009 bear interest at rates ranging from 4.86% to 6.37% (31 December 2008: 5.31% to 7.56%) per annum and were secured by the following assets:

	The Group	
	2009	2008
	RMB'000	*RMB'000*
Carrying amounts of assets:		
Inventories	**–**	110,794
Property, plant and equipment	**247,988**	159,470
Lease prepayments	**11,681**	6,874
Pledged deposits	**–**	50,000

(ii) Unsecured bank loans as of 31 December 2009 bear interest at rates ranging from 4.37% to 5.35% (31 December 2008: 7.47%) per annum.

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

	The Group	
	2009	2008
	RMB'000	*RMB'000*
Over 1 year but less than 2 years	**–**	80,000
Over 2 years	**4,000**	4,000
	4,000	84,000

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

The Group's exposure to interest rate, foreign currency and liquidity risk is disclosed in note 30.

Notes to the Financial Statements

25. DERIVATIVE FINANCIAL INSTRUMENTS

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

	The Group	
	2009	2008
	RMB'000	*RMB'000*
Sales contracts		
Volume (tonne)	**2,535**	–
Notional contract value	**112,478**	–
Market value	**(120,175)**	–
Fair value	**(7,697)**	–
Purchase contracts		
Volume (tonne)	**(1,095)**	(350)
Notional contract value	**(37,555)**	(7,946)
Market value	**40,038**	8,159
Fair value	**2,483**	213
	(5,214)	213
Contract maturity date	January, February March, April, May and August 2010	March and April 2009

The market value of futures contracts is based on quoted market price at the reporting date. The unrealised change in fair value on the futures contracts remeasured at fair value was RMB5,214,000 as at 31 December 2009, and the changes in fair value were recognised in the consolidated income statement.

Notes to the Financial Statements

26. EQUITY-SETTLED SHARE BASED PAYMENTS

(a) Pre-IPO Share Option Scheme

Pursuant to the shareholders' written resolution passed on 1 December 2007, the Company adopted a Pre-IPO Share Option Scheme ("the Pre-IPO Option") whereby four directors, eight senior management and 21 employees of the Company were given the rights to subscribe for shares of the Company. The subscription price 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 are as follows:

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

Notes to the Financial Statements

26. EQUITY-SETTLED SHARE BASED PAYMENTS (continued)

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

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

	Exercise price 2009 *HKD*	**Number of options 2009 *'000 shares***	Exercise price 2008 *HKD*	Number of options 2008 *'000 shares*
Outstanding at 1 January	**1.19**	**17,640**	1.19	18,000
Forfeited during the year	**1.19**	**200**	1.19	360
Exercised during the year	**1.19**	**4,330**	1.19	–
Outstanding at 31 December	**1.19**	**13,110**	1.19	17,640
Exercisable at 31 December	**1.19**	**13,110**	1.19	17,640

During the year ended 31 December 2009, 4,330,000 share options under the Pre-IPO Option were exercised for the same amount of shares at an exercise price of HKD1.19 per share.

The share option outstanding at 31 December 2009 had an exercise price of HKD1.19 and a weighted average remaining contractual life of 1 year (2008: 2 years).

(iii) Fair value of share options and assumptions

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

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

Notes to the Financial Statements

26. EQUITY-SETTLED SHARE BASED PAYMENTS (continued)

(b) Share Option Scheme

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

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

An option under the Share Option Scheme may be exercised in accordance with the terms of the Share Option 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.

On 11 May 2009, a total of 6,380,000 share options were granted to 56 eligible employees of the Company with an exercise price of HKD0.82 per share pursuant to the Share Option Scheme. The options are exercisable during the period from 12 May 2009 to 26 December 2011.

(i) The number and weighted average exercise prices of share options are as follows:

	Exercise price *HK$*	**Number of options** *('000 shares)*
Outstanding at the beginning of the year	–	–
Granted during the year	0.82	6,380
Exercised during the year	0.82	5,420
Outstanding at the end of the year	0.82	960
Exercisable at the end of the year	0.82	960

During the year ended 31 December 2009, 5,420,000 share options under the Share Option Scheme were exercised for the same amount of shares at an exercise price of HKD0.82 per share.

The share option outstanding at 31 December 2009 had an exercise price of HKD0.82.

Notes to the Financial Statements

26. EQUITY-SETTLED SHARE BASED PAYMENTS (continued)

(b) Share Option Scheme (continued)

(ii) Fair value of share options and assumptions

The fair value of service received in return for share options granted under the Share Option Scheme 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.

	Granted in May 2009
Fair value at grant date	HKD1,421,086
Share price	HKD0.82
Exercise price	HKD0.82
Expected volatility	61.88%
Expected Option life	1.27 years
Expected dividend yield rate	–
Risk-free interest rate	0.292%

(c) Warrants

On 3 November 2009, the Company issued 63,209,000 warrants to the shareholders of ordinary shares of the Company on the basis of one warrant for every 10 ordinary shares held on 27 October 2009 at an initial subscription price of HKD0.93 per ordinary share (subject to adjustment) at any time during the period commencing 3 November 2009 and expiring on 2 November 2011 (both dates inclusive).

During the year ended 31 December 2009, 24,800 warrants have been exercised for the same amount of shares at a subscription price of HKD0.93 per share. As at 31 December 2009, the Company had 63,184,200 warrants remained outstanding.

Notes to the Financial Statements

27. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade and bill payables	**78,647**	52,259	**–**	–
Non-trade payables and accrued expenses	**56,531**	52,321	**11,384**	12,563
Payable due to a related party	**2,847**	5,992	**–**	–
	138,025	110,572	**11,384**	12,563

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

	The Group	
	2009	2008
	RMB'000	*RMB'000*
Within 3 months	**53,735**	49,757
Over 3 months but less than 6 months	**21,486**	321
Over 6 months but less than 1 year	**1,180**	1,502
Over 1 year but less than 2 years	**2,148**	347
Over 2 years	**98**	332
	78,647	52,259

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 30.

28. DEFERRED TAX ASSETS AND LIABILITIES

(a) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	The Group	
	2009	2008
	RMB'000	*RMB'000*
Inventories	**–**	4,864
Property, plant and equipment	**(11,583)**	(8,689)
Withholding tax on undistributed profits of PRC subsidiaries	**(4,608)**	–
Accrued expenses	**1,119**	–
Change in fair value of derivative financial instruments	**832**	–
Total	**(14,240)**	(3,825)

Notes to the Financial Statements

28. DEFERRED TAX ASSETS AND LIABILITIES (continued)

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

	The Group					
	Inventories	Property, plant and equipment	Withholding tax on undistributed profits of PRC subsidiaries	Accrued expenses	Change in fair value of derivative financial instruments	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2009	4,864	(8,689)	–	–	–	(3,825)
Recognised in consolidated income statement	(4,864)	(2,894)	(4,608)	1,119	832	(10,415)
At 31 December 2009	**–**	**(11,583)**	**(4,608)**	**1,119**	**832**	**(14,240)**

(c) Unrecognised deferred tax assets

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

	The Group	
	2009	2008
	RMB'000	*RMB'000*
Tax losses of subsidiaries	**2,191**	35,064

Deferred tax assets have not been recognised in respect of the tax losses of certain 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.

Notes to the Financial Statements

29. CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

	Share capital RMB'000 (note (b))	Share premium RMB'000 (note c(i))	Translation reserve RMB'000	Share-based compensation reserve RMB'000 (note c(v))	Contributed surplus RMB'000 (note c(iii))	(Accumulated losses)/ retained earnings RMB'000	Total RMB'000
At 1 January 2008	56,172	133,904	–	–	407,248	(1,021)	596,303
Total comprehensive income for the year	–	–	(12,589)	–	–	71,392	58,803
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)
Dividend approved and paid during the year	–	–	–	–	–	(66,536)	(66,536)
At 31 December 2008 and 1 January 2009	58,268	163,129	(12,589)	6,978	407,248	3,835	626,869
Total comprehensive income for the year	–	–	(357)	–	–	(8,108)	(8,465)
Equity settled share-based payments	–	–	–	3,777	–	–	3,777
Share option exercised	859	11,209	–	(3,610)	–	–	8,458
Share issuance expenses – warrants	–	(547)	–	–	–	–	(547)
Warrants exercised	2	18	–	–	–	–	20
At 31 December 2009	**59,129**	**173,809**	**(12,946)**	**7,145**	**407,248**	**(4,273)**	**630,112**

Notes to the Financial Statements

29. CAPITAL, RESERVES AND DIVIDENDS (continued)

(b) Share capital

	The Group and the Company			
	2009		2008	
	Number of shares	**Amount**	Number of shares	Amount
		HK$'000		*HK$'000*
Ordinary shares of HKD0.10 each *(note (i))*	**5,000,000,000**	**500,000**	5,000,000,000	500,000

Ordinary shares issued and fully paid

	2009			2008		
	Number of shares	**Amount**	***RMB'000***	Number of shares	Amount	*RMB'000*
		HK$'000	**equivalent**		*HK$'000*	equivalent
At 1 January	**622,500,000**	**62,250**	**58,268**	600,000,000	60,000	56,172
Issuance of shares under the over-allotment option related to the placement *(note (ii))*	**–**	**–**	**–**	22,500,000	2,250	2,096
Exercise of share options *(note (iii))*	**9,750,000**	**975**	**859**	–	–	–
Exercise of warrant *(note (iv))*	**24,800**	**2**	**2**	–	–	–
At 31 December	**632,274,800**	**63,227**	**59,129**	622,500,000	62,250	58,268

(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.

Pursuant to a reorganisation (the "Reorganisation"), 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.

Notes to the Financial Statements

29. CAPITAL, RESERVES AND DIVIDENDS (continued)

(b) Share capital (continued)

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 shares on the Stock Exchange.

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.

(ii) 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.

(iii) During the year ended 31 December 2009, 4,330,000 share options under the Pre-IPO Option (see note 26(a)) (2008: Nil) were exercised for the same amount of shares at an exercise price of HKD1.19 per share and 5,420,000 share options under the Share Option Scheme (see note 26(a)) (2008: Nil) were exercised for the same amount of shares at an exercise price of HKD0.82 per share respectively. The proceeds of HKD977,480 (equivalent to RMB859,000) representing the par value, were credited to the Company's share capital. The remaining proceeds of HKD8,643,000 (equivalent to RMB7,599,000) were credited to the share premium account.

(iv) During the year ended 31 December 2009, 24,800 warrants were exercised for the same amount of shares at an exercise price of HKD0.93 per share. The proceeds of HKD2,500 (equivalent to RMB2,000) representing the par value, were credited to the Company's share capital. The remaining proceeds of HKD20,600 (equivalent to RMB18,000) were credited to the share premium account.

Notes to the Financial Statements

29. CAPITAL, RESERVES AND DIVIDENDS (continued)

(c) 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 shares 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.

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 totalling 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.

4,330,000 shares of HKD0.10 each in the Company were issued at HKD1.19 per share and 5,420,000 shares of HKD0.10 each in the Company were issued at HKD0.82 per share as the result of the exercise of vested options arising from the Pre-IPO Option (see note 26(a)) (2008: Nil) and Share Option Scheme (see note 26(b)) (2008: Nil) respectively. The excess of the proceeds totalling HKD8,622,000 (equivalent to RMB7,599,000) was credited to the share premium of the Company. HKD4,096,000 (equivalent to RMB3,610,000) has been transferred from the capital reserve to the share premium account in accordance with the accounting policy set out in note 2(k)(iii).

24,800 shares HKD0.10 each in the Company were issued at HKD0.93 per share as a result of the exercise of warrants (see note 26(c)) (2008: Nil). The remaining proceeds of HKD20,600 (equivalent to RMB18,000) were credited to the share premium account.

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.

Notes to the Financial Statements

29. CAPITAL, RESERVES AND DIVIDENDS (continued)

(c) Reserves (continued)

(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 Reorganisation, amounting to RMB259,726,000, over the consideration paid by the Company of HKD1,000 (equivalent to RMB968), representing the nominal value of the shares issued by the Company in exchange thereof.

(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

Statutory surplus reserves were established in accordance with the relevant PRC rules and regulations and the articles of association of the companies comprising the Group which are established in the PRC. Appropriations to the reserves were approved by the respective boards of directors.

For the entity concerned, statutory surplus reserves can be used to make good previous years' losses, if any, and may be converted into capital in proportion to the existing equity interests of investors, provided that the balance after such conversion is not less than 25% of the registered capital.

(v) Share-based compensation reserve

Share-based compensation reserve represents value of employee services in respect of share options granted under the Pre-IPO Option and the Share Option Scheme as set out in note 26.

(d) Dividends

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

	2009	2008
	RMB'000	*RMB'000*
Dividend declared and paid during the year	**–**	66,536
Final dividend proposed after the reporting date of HK10 cents per share (2008: Nil)	**56,043**	–
	56,043	66,536

The final dividend proposed after the reporting date has not been recognised as a liability at the reporting date.

Notes to the Financial Statements

30. 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
- equity price 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 reporting date, the Group has a certain concentration of credit risk as 12% and 19% of the total trade receivables was due from the Group's top five largest customers as at 31 December 2009 and 2008 respectively.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position. 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 20.

Notes to the Financial Statements

30. FINANCIAL INSTRUMENTS (continued)

Liquidity risk

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

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

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

	2009			
	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	**618,269**	**628,315**	**622,568**	**5,747**
Trade and other payables	**138,025**	**138,025**	**138,025**	**–**
	756,294	**766,340**	**760,593**	**5,747**

	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	110,572	110,572	110,572	–
	631,934	653,282	563,462	89,820

Notes to the Financial Statements

30. FINANCIAL INSTRUMENTS (continued)

Market risk

(a) Interest risk

The Group's interest rate risk arises primarily from bank loans. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group adopts a policy of ensuring that over 50% of its interest-bearing borrowings are effectively on a fixed rate basis through the contractual terms of the interest-bearing borrowings. The Group's interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate profile

The following table details the interest rate profile of the Group's interest-bearing borrowings at the reporting date:

	2009		2008	
	Effective interest rate	**Carrying value *RMB'000***	Effective interest rate	Carrying value *RMB'000*
Fixed rate borrowings:				
Bank loans	**1.99%~6.37%**	**447,348**	4.44%-7.56%	351,362
		447,348		351,362
Variable rate borrowings:				
Bank loans	**1.65%~5.35%**	**170,921**	4.54%-7.47%	170,000
		170,921		170,000
Total net borrowings		**618,269**		521,362
Net fixed rate borrowings as a percentage of total net borrowings		**72%**		67%

Notes to the Financial Statements

30. FINANCIAL INSTRUMENTS (continued)

Market risk (continued)

(a) *Interest risk* (continued)

(ii) Sensitivity analysis

As at 31 December 2009, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's net profit after tax for the year and consolidated equity by approximately RMB1,714,000 (2008: RMB2,078,000).

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax and consolidated equity that would arise assuming that the change in interest rates had occurred at the reporting date and had been applied to re-measure those floating rate non-derivative instruments held by the Group which expose the Group to cash flow interest rate risk at the reporting date. The impact on the Group's profit after tax and consolidated equity is estimated as an annualised impact on interest expense of such a change in interest rates. The analysis is performed on the same basis for 2008.

(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 reporting date to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

Notes to the Financial Statements

30. FINANCIAL INSTRUMENTS (continued)

Market risk (continued)

(b) *Foreign currency risk* (continued)

	2009			2008		
	USD '000	***HKD '000***	***EUR '000***	*USD '000*	*HKD '000*	*EUR '000*
Trade and other receivables	**2,670**	**–**	**–**	472	–	–
Cash and cash equivalents	**3,264**	**18,467**	**–**	1,138	5	–
Interest-bearing borrowings	**(8,365)**	**–**	**–**	–	–	–
Trade and other payables	**(339)**	**–**	**(160)**	(7,112)	–	–
Gross balance sheet exposure	**(2,770)**	**18,467**	**(160)**	(5,502)	5	–

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

The following significant exchange rates applied during the year:

	Average and reporting rate	
	2009	2008
USD1	**6.8282**	6.8346
HKD1	**0.8805**	0.8819
EUR 1	**9.7971**	9.6590

Notes to the Financial Statements

30. FINANCIAL INSTRUMENTS (continued)

Sensitivity analysis

A 5 percent strengthening of the RMB against the following currencies at 31 December would have 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 2008.

	2009	2008
	RMB'000	*RMB'000*
Profit or (loss)		
USD	**946**	1,880
HKD	**(813)**	–
EUR	**78**	–

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 the reporting date and the corresponding unrealised holding gains/losses are recorded in the consolidated income statement for the year ended 31 December 2009. For details of the exposure of futures contracts, please refer to note 25.

Equity price risk

The Group is exposed to equity price changes arising from equity investments classified as trading securities (see note 22). All of these investments are publicly quoted.

Decisions to buy or sell trading securities are based on daily monitoring of the performance of individual securities and changes in the securities market, as well as the Group's liquidity needs.

Sensitivity analysis

At 31 December 2009, it is estimated that an increase/(decrease) of 1% in the respective quoted prices of these securities, with all other variables held constant, would have increased/decreased the Group's profit after tax for the year and consolidated equity by approximately RMB338,000 (2008: Nil).

The sensitivity analysis indicates the instantaneous change in the Group's profit after tax that would arise assuming that the changes in the respective quoted prices had occurred at the reporting date and had been applied to re-measure those financial instruments held by the Group which expose the Group to equity price risk at the reporting date.

Notes to the Financial Statements

30. FINANCIAL INSTRUMENTS (continued)

Fair value

The carrying amounts of significant financial assets and liabilities approximate their respective fair values as at 31 December 2009 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) Trading securities

The trading securities are stated at their fair value based on quoted market price.

(iii) 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.

(iv) Derivative financial instruments

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

(v) Share-based payment transactions

The fair value of share options under the Share Option Scheme/Pre-IPO Option 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.

Notes to the Financial Statements

30. 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 2009, the debt-to-equity ratio and the liability-to-asset ratio of the Group were 51.03% (2008: 54.84%) and 56.84%(2008: 59.69%), respectively.

The schedule of the contractual maturities of loans and commitments are disclosed in notes 24 and 31, respectively.

During 2009, the Group's strategy, which was unchanged from 2008, 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.

31. CAPITAL COMMITMENTS

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

	The Group	
	2009	2008
	RMB'000	*RMB'000*
Authorised but not contracted for	**60,500**	86,000
Contracted for equipment	**11,544**	9,310
	72,044	95,310

Notes to the Financial Statements

32. RELATED PARTY TRANSACTIONS

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

During the year ended 31 December 2009, 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	
	2009	2008
	RMB'000	*RMB'000*
Interest-bearing borrowings provided by:		
Yingtan Ulba	**–**	15,500
Interest expense charged by:		
Yingtan Ulba	**640**	619
Sales of goods to:		
Yingtan Ulba	**4,803**	–
Purchase of goods from:		
Yingtan Ulba	**4,150**	7,810
Leasing income from:		
Yingtan Ulba	**582**	193

Notes to the Financial Statements

32. RELATED PARTY TRANSACTIONS (continued)

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

(ii) Balances with a related party

	The Group	
	2009	2008
	RMB'000	*RMB'000*
Trade and other receivables due from:		
Yingtan Ulba	**1,292**	20,193
Trade and other payables due to:		
Yingtan Ulba	**2,847**	5,992
Interest-bearing borrowings due to:		
Yingtan Ulba	**–**	15,500

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

(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:

	2009	2008
	RMB'000	*RMB'000*
Short-term employee benefits	**5,090**	3,840
Post-employment benefits	**26**	32
Share-based payment	**1,280**	2,674
	6,396	6,546

Total remuneration is included in "personnel costs" (note 7(b)).

Notes to the Financial Statements

32. RELATED PARTY TRANSACTIONS (continued)

(c) Contribution to defined contribution retirement plans

Details of post-employment benefit plan for the Group's employees are disclosed in note 7(b).

As at 31 December 2009 and 31 December 2008, there was no material outstanding contribution to post-employment benefit plans.

33 SUBSEQUENT EVENTS

After the reporting date, the directors proposed a final dividend on 29 March 2010. Further details are disclosed in note 29(d).

34 COMPARATIVE FIGURES

As a result of the application of Revised IAS 1, Presentation of financial statements and IFRS 8, Operating segments, certain comparative figures have been adjusted to conform to the current year's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2009. Further details of these developments are disclosed in note 3.

35 PARENT AND ULTIMATE HOLDING COMPANY

As at 31 December 2009, the directors consider the ultimate holding company of the Group to be Shine International, a company incorporated in Bermuda. This entity does not produce financial statements available for public use.

Notes to the Financial Statements

36 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ANNUAL ACCOUNTING PERIOD ENDED 31 DECEMBER 2009

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 year ended 31 December 2009 and which have not been adopted in these financial statements.

	Effective for accounting period beginning on or after
IFRS 1 (Revised), First-time adoption of International Financial Reporting Standards	1 July 2009
IFRS 3 (Revised), Business combinations	1 July 2009
IFRIC 17, Distributions of non-cash assets to owners	1 July 2009
IAS 27 (Revised), Consolidated and separate financial statements	1 July 2009
IAS 39 (Amendment), Financial instruments: recognition and measurement – eligible hedged items	1 July 2009
IFRSs (Amendments), Improvements to IFRSs 2009	1 July 2009 or 1 January 2010

Notes to the Financial Statements

36 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ANNUAL ACCOUNTING PERIOD ENDED 31 DECEMBER 2009 (continued)

	Effective for accounting period beginning on or after
IFRS 1 (Amendment), Additional exemptions for first-time adopters	1 January 2010
IFRS 2 (Amendment), Group cash-settled share-based payment transactions	1 January 2010
IAS 32 (Amendment), Financial instruments: presentation – classification of rights issues	1 February 2010
Amendment to IFRS 1, First-time adoption of International Financial Reporting Standards - Limited exemption from comparative IFRS 7 disclosure for first-time adopters	1 July 2010
IFRIC 19, Extinguishing financial liabilities with equity instruments	1 July 2010
IFRIC 14 and IAS 19 (Amendment), Prepayments of a minimum funding requirement	1 January 2011
IAS 24 (Revised), Related party disclosures	1 January 2011
IFRS 9, Financial instruments	1 January 2013

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.

Five Years Financial Summary

RESULTS

	2009	2008	2007	2006	2005
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Turnover	**1,795,184**	1,758,016	2,096,133	1,512,430	641,164
Gross profit	**186,937**	15,883	217,330	183,399	82,690
Result from operating activities	**197,573**	(39,664)	196,806	135,677	74,082
Profit/(loss) attributable to equity shareholders of the Company	**152,355**	(72,294)	150,845	106,696	48,437

EARNINGS PER SHARE

	2009	2008	2007	2006	2005
Basic earnings/(loss) per share[1] *(RMB)*	**0.24**	(0.12)	0.33	0.24	0.11
Diluted earnings/(loss) per share[1] *(RMB)*	**0.24**	(0.12)	0.33	N/A	N/A

ASSETS, LIABILITIES AND EQUITY

	2009	2008	2007	2006	2005
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets	**535,954**	536,139	492,782	491,054	495,862
Current assets	**838,516**	528,874	826,321	547,724	330,208
Total assets	**1,374,470**	1,065,013	1,319,103	1,038,778	826,070
Non-current liabilities	**18,240**	87,825	112,013	10,783	31,766
Current liabilities	**762,971**	547,934	669,109	695,421	483,047
Total liabilities	**781,211**	635,759	781,122	706,204	514,813
Net current assets/(liabilities)	**75,545**	(19,060)	157,212	(147,697)	(152,839)
Total assets less current liabilities	**611,499**	517,079	649,994	343,357	343,023
Total equity attributable to equity shareholders of the Company	**593,259**	429,254	537,981	332,074	311,257
Minority interests	**–**	–	–	500	–

Five Years Financial Summary

FINANCIAL RATIOS AND OTHER FINANCIAL INFORMATION

	2009	2008	2007	2006	2005
EBITDA *(RMB'000)*	**234,113**	(6,255)	226,346	165,165	99,063
Profitability ratios:					
Gross profit margin(2) (%)	**10.4%**	0.9%	10.4%	12.1%	12.9%
Operating profit/(loss) margin(3) (%)	**11.0%**	(2.3)%	9.4%	9.0%	11.6%
Net profit/(loss) margin(4) (%)	**8.5%**	(4.1)%	7.2%	7.1%	7.6%
EBITDA margin(5) (%)	**13.0%**	(0.4)%	10.8%	10.9%	15.5%
Rate of return on equity(6) (%)	**25.7%**	(16.8)%	28.0%	32.1%	15.6%
Liquidity ratios:					
Current ratio(7) (times)	**1.1**	1.0	1.2	0.8	0.7
Quick ratio(8) (times)	**0.6**	0.7	0.8	0.4	0.5
Inventory turnover(9) (days)	**34**	42	34	35	46
Trade receivable turnover(10) (days)	**28**	32	26	15	24
Trade payable turnover(11) (days)	**15**	12	15	17	19
Capital adequacy ratios:					
Gearing ratio(12) (%)	**45.0%**	49.0%	47.8%	51.2%	50.8%
Net gearing ratio(13) (%)	**68.8%**	72.3%	71.2%	109.9%	88.2%
Interest coverage ratio(14) (times)	**9.7**	(0.2)	6.2	8.6	7.0

Notes:

(1) The basis earnings/(loss) per share and diluted earnings/(loss) per share is equal to the profit/(loss) attributable to equity shareholders of the Company divided by the weighted average number of ordinary share in issue during the year and weighted average number of ordinary share (diluted), respectively.

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

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

(4) Net profit/(loss) margin is equal to profit/(loss) attributable to equity shareholders of the Company divided by turnover times 100%.

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

(6) Rate of return on equity is equal to profit/(loss) attributable to equity shareholders of the Company divided by total equity attributable to equity shareholders of the Company times 100%.

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

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

(9) 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.

(10) 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.

(11) 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.

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

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

(14) 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
"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