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

2010

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 *(resigned on 18 March 2011)*

Independent Non-Executive Directors

Mr. HE Changming
Mr. CUI Ming
Mr. XIE Shuisheng
Mr. CHAI Chaoming
Ms. LI Li

Audit Committee

Ms. LI Li *(Chairman)*
Mr. HE Changming
Mr. CUI Ming
Mr. XIE Shuisheng
Mr. CHAI Chaoming

Remuneration Committee

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

Nomination Committee

Mr. XIE Shuisheng *(Chairman)*
Mr. CUI Ming
Mr. CHAI Chaoming
Mr. CHEN Jianhua *(ceased w.e.f. 18 March 2011)*
Mr. MA Wanjun *(commenced w.e.f. 18 March 2011)*

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

No. 1 Linfang Road
Baliangquiao, Zonghan
Cixi City
Ningbo City, Zhejiang Province
315301, 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
Bank of China

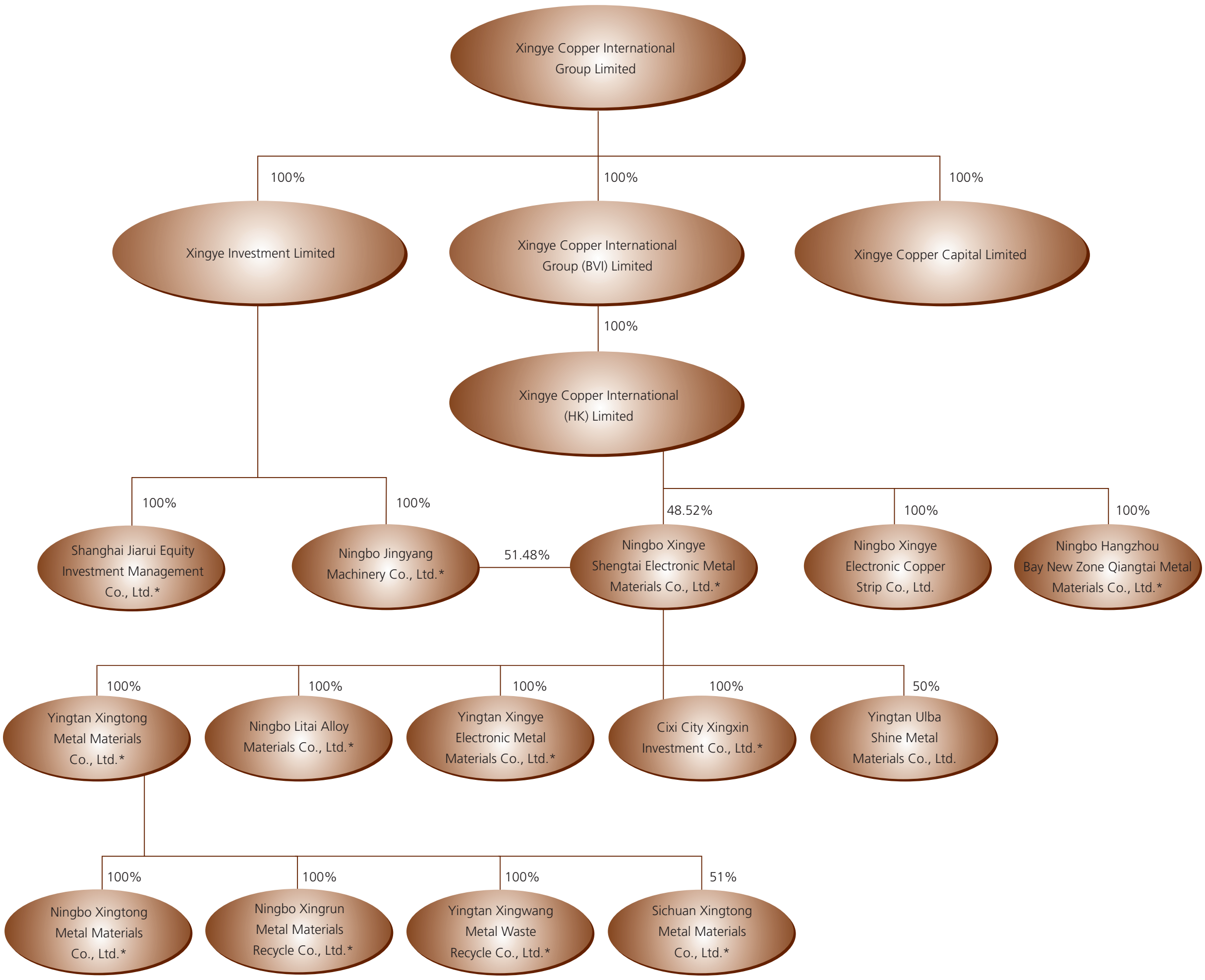
COMPANY WEBSITE

www.xingyecopper.com

STOCK CODE

505

Corporate Structure



Ningbo Kairui Investment Partnership* — The Group effective held 40% interest in this partnership.

Ningbo Ruiju Investment Partnership* — The Group effective held 15% interest in this partnership.

* For identification purpose only.

Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present the annual report of Xingye Copper International Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2010.

During 2010, governments in the world maintained moderate economic stimulus measures to overcome the turmoil after the financial crisis. Due to the steady rebound of economy in the PRC, the market of high precision copper plates and strips recovered quickly. The Group captured the opportunities and managed to achieve satisfactory results in all respects.

In accordance with the overall development plan "to reinforce industry, to expand trading, to advance R&D and to secure investments", and by implementation of the measures "to integrate resources, to improve strengths, to innovate and to accelerate developments", the Group enhanced its strengths steadily to ensure the orderly development of the Group.

Profits of the Group for the first half of the year grew steadily, with both production volume and profits in line with expectations. The volume of sales and processing services for copper plates and strips grew continuously in the second half of the year, enabling the Group to achieve the expected target on production and sales volume on the whole.

As part of the business operation, the Group entered into copper future contracts to hedge its exposure against copper price fluctuation of raw materials. As the price of copper surged in the second half of 2010, a loss was recorded for the copper futures, while profits to be derived from our inventories would only be realised upon actual sales of copper products is made.

As a leading manufacturer of high precision copper plates and strips in the PRC, the Group was committed to enhance the quality of high precision copper plates and strips, and to further expand the market share of our copper plates and strips in domestic and foreign markets by fully capitalising on our steady business growth model and the advantage of its cost structure.

PROSPECTS

In view of the recovery of global and the PRC's economy in 2010, it is expected that the uptrend of demands for copper and copper products will continue in 2011.

The Group will enhance its strength by "standardising management, breeding talents, expanding investments and innovating developments".

With the goal to improve the quality of its current six series of product, the Group plans to achieve quality standards of international high-end products. By resources integration, channels development and market strategies, the Group will continue to expand trading of plates, strips and materials and to expand trading of other materials. With the plan for industry development, the Group will expand its research and development in the areas such as copper used in automobiles, galvanised strips and shaped strips actively, to achieve extension of industry chain.

Chairman's Statement

While implementing the above plans, and with the aim to increase its market capitalisation, the Group will conduct capital operations and industry facilities effectively, and expand both upstream and downstream products actively, and at the same time, by capturing the opportunities of mergers and acquisitions in the industry, to seek business opportunities and to promote its core strategies, so as to maintain the Group's rapid development and strength improvement.

APPRECIATION

Going forward, the Group will continue to take effective measures to foster sustainable growth opportunities, with the aim to increase the return to shareholders. Lastly, on behalf of the Board of Directors, I would like to express my sincere gratitude to our dedicated staff for their outstanding services throughout the year, and to our shareholders for their continued support.

Hu Changyuan
Chairman

Hong Kong, 18 March 2011

Management Discussion and Analysis

Revenue and gross profit

The Group's revenue was derived from sales of high precision copper plates and strips, processing services and trading of raw materials which accounted for 84.7%, 4.1% and 11.2% of the total revenue for the year ended 31 December 2010, respectively. The Group's revenue for the year under review increased by 61.2% to RMB2,894.0 million as compared to the prior year was mainly due to increase in the sales volume and increase in market price of copper. The volume of sales and processing services for high precision copper plates and strips had increased by 25.5% and 44.0% to 45,415 tonnes and 22,234 tonnes compared to prior year, respectively, with strong demand in the market.

The average gross profit per ton of sales of high precision copper plates and strips decreased from RMB4,350 in 2009 to RMB4,000 in 2010, which is due to the provision for diminution in value of inventories of RMB79.7 million provided in 2008 and utilised and reversed in 2009. If such provision for diminution in value of inventories was excluded, the average gross profit per ton of sales of high precision copper plates and strips were increased from RMB2,140 in 2009 to RMB4,000 in 2010. Such increase was mainly attributable to increase in market price of raw materials.

The average gross profit per ton of processing services slightly increased from RMB1,740 in 2009 to RMB1,860 in 2010. There was no material fluctuation in the average gross profit per ton of processing services in 2009 and 2010.

The revenue generated from trading accounted for 11.2% of the Group's revenue for the year under review with gross profit of RMB4.5 million (2009: RMB2.8 million).

Other operating income

The Group's other operating income increased by 4.6% to RMB85.0 million in 2010 from RMB81.3 million in the prior year. During the year under review, the Group recorded a value-added tax refund of RMB78.5 million (2009: RMB59.5 million) recorded benefiting from renewable resource recycling and utilization of related value-added tax policy with effect from 1 January 2009 and expired at 31 December 2010. For the purpose of taking the advantage of such policy, the Group increased the purchase of scrap copper for reserve in second half of 2010. The Group recorded a gain of RMB12.3 million (2010: a loss of RMB63.8 million) from hedging activities involving copper futures contracts.

Distribution expenses

Consistent with the prior year, the Group's distribution expenses represented 0.7% of the Group's revenue.

Administrative expenses

During the year, the Group's administrative expenses were approximately RMB59.2 million, representing an increase of approximately 7.0% from RMB55.4 million in the prior year. This increase was primarily attributed to the increase in staff costs and office expenses.

Management Discussion and Analysis

Other operating expenses

The Group's other operating expenses increased from RMB2.7 million in the previous year to RMB70.5 million in 2010, which was primarily attributed to the loss on the copper futures contracts of RMB63.8 million recognized in the year under review (2009: a gain RMB12.3 million). As part of the business operation, the Group entered into copper future contracts to hedge its exposure against copper price fluctuation of raw materials. Because of the changes of the business environment, the inventories increased largely in the second half of 2010, leading to the increase of futures contracts used for hedging. As the price of copper surged substantially, a loss was recorded for the copper futures contracts, while profits to be derived from our inventories would only be realised upon actual sales of copper products is made. The increase in inventories and futures contracts was mainly attributable to (1) change in scrap metal materials recycling policy. The previous policy on scrap metal materials recycling was expired on 31 December 2010. For the purpose of taking the advantage of the previous policy which was more preferential than the one implemented in 2011, the Group contemporarily enlarged its purchase for reserve; and (2) the Group conducted a 25-day repair and maintenance for walking beam furnace during the 2011 Spring Festival. In order not to impact the delivery of order in February 2011, the inventory related to the production of semi-finished products should be carried out during January 2011, the purchase volume at the end of 2010 was therefore increased.

Of the RMB63.8 million loss on futures contracts recognized in 2010, RMB34.5 million was unrealized loss incurred in respect of inventories designated as hedged items as at 31 December 2010. The profits embedded in the Group's physical inventories would only be realized subsequent to 31 December 2010 when the actual sale of the Group's copper products is made.

Net finance costs

The Group's net finance costs increased by 61.1% to RMB26.4 million in 2010 from RMB16.4 million in the prior year. The increase in the financial costs was primarily due to increase in interest expense of RMB13.6 million as a result of increase in bank borrowings and discounted bills and bank charges of RMB1.8 million, which were partially offset by increase in interest income of RMB7.4 million generated from a loan of RMB100 million advanced to a third party and pledged deposits for issuing bills.

Income tax

The corporation income tax expenses increased by 22.7% to RMB35.3 million in 2010 from RMB28.7 million in 2009 and the effective tax rate increased to 26.3% in 2010 from 15.9% in 2009. Such increase was due to (i) increase in profit generated by Ningbo Xingtong Metal Materials Co., Ltd. and Yingtan Xingye Electronic Metal Materials Co., Ltd., which were subject to full tax charge; whereas the Group's profit for the corresponding period of last year was mainly generated by Ningbo Xingye Shengtai Electronic Metal Materials Co., Ltd. which enjoyed a 50% tax reduction and (ii) non-deductible loss of RMB43 million on the copper futures contracts recoded by Xingye Copper Capital Limited.

Profit attributable to equity shareholders of the Company

As a result of the factors mentioned above, the Group's profit attributable to equity shareholders of the Company for 2010 decreased by 35.2% to RMB98.7 million from RMB152.4 million for the previous year.

Excluding the provision for diminution in value of inventories of RMB79.7 million provided in 2008 and utilised and reversed in 2009, the Group's profit attributable to equity shareholders of the Company for 2010 would be increased by 35.9% to RMB98.7 million from RMB72.6 million for previous year.

Management Discussion and Analysis

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 bank borrowings.

The Group's net cash used in operating activities increased from RMB44.2 million for 2009 to RMB248.6 million for 2010. This was mainly due to the increase in inventories and trade and other receivables, which was partially offset by increase in trade and other payables. The Group's net cash used in investing activities decreased from RMB61.6 million for 2009 to RMB59.0 million for 2010. There was no significant change in the net cash used in investing activities. The Group's net cash generated from financing activities increased from RMB96.7 million for 2009 to RMB266.4 million for 2010. This was mainly due to the increase in net proceeds from issuance of shares and interest-bearing borrowings, which was partially offset by increase in pledged deposits and dividend paid.

As at 31 December 2010, the Group had outstanding bank loans and other borrowings of approximately RMB1,001.4 million, of which approximately RMB997.4 million shall be repaid within 1 year and approximately RMB4.0 million shall be repaid over 2 years. As at 31 December 2010, 28.4% of the Group's debts were on secured basis.

The gearing ratio as at 31 December 2010 was 50.4% (31 December 2009: 45.0%), which is calculated by dividing the total borrowings by the total assets.

Charge on assets

As at 31 December 2010, the Group pledged assets with an aggregate carrying value of RMB427.2 million (31 December 2009: RMB259.7 million) to secure bank loan facilities of the Group.

Capital expenditure

For the year ended 31 December 2010, the Group had invested RMB59.4 million for the purchase of property, plant and equipment. These capital expenditures were fully financed by internal resources and net proceeds from shares issuance.

Capital commitments

As at 31 December 2010, the future capital expenditures, for which the Group had authorised but not contracted for and contracted but not provided for, amounted to approximately RMB44.0 million and RMB11.8 million, respectively.

Contingent liabilities

As at 31 December 2010, the Group did not have any significant contingent liabilities.

Management Discussion and Analysis

Use of net proceeds from the issue of new shares

The net proceeds from the issue of new shares from the initial public offering of the shares of the Company in December 2007 amounted to approximately RMB221.4 million. Part of the net proceeds was applied as follows:

	Planned Amount *RMB'million*	amount utilised up to 31 December 2010 *RMB'million*	Balance as at 31 December 2010 *RMB'million*
Expand production capacity	119.4	110.4	9.0
Develop large-scale production of new products	29.6	25.1	4.5
Research and development	12.6	10.2	2.4
General working capital purposes	59.8	59.8	–
	221.4	205.5	15.9

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

MARKET RISK

The Group exposed to various types of market risks, including fluctuation in copper prices and other commodities' price and changes in interest rates and foreign exchange rates, please refer to 2010 Annual report for details.

Employees

As at 31 December 2010, the Group had 1,167 employees. Remuneration policies are reviewed regularly to ensure that the Group is offering competitive employment packages to our 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 the 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 the new employees can master the basic skills required to perform their functions and the 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 2010, 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 2010.

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 (resigned on 18 March 2011), 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 2010, the Board convened a total of seven 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)*	7	6
Mr. Chen Jianhua *(Deputy Chairman and Chief Executive Officer)*	7	6
Mr. Wang Jianli	7	7
Mr. Ma Wanjun	7	7
Non-executive Director		
Ms. Yu Yuesu *(resigned on 18 March 2011)*	7	3
Independent Non-executive Directors		
Mr. He Changming	7	3
Mr. Cui Ming	7	6
Mr. Xie Shuisheng	7	7
Mr. Chai Chaoming	7	6
Ms. Li Li	7	6

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 2010, 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 40 to 41 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. Ms. Yu resigned from her directorship on 18 March 2011.

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 2010 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 the majority members of each of the Remuneration Committee and the 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 2010. 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	2	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 2010. 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	2	1
Mr. Cui Ming	2	2
Mr. Xie Shuisheng	2	2
Mr. Chai Chaoming	2	2

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 review internal control matters with the external auditors;

- to review the external auditors' statutory audit plan and letters to the management;

- 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. As at 18 March 2011, the Nomination Committee comprises three independent non-executive Directors and one executive Director, namely Mr. Xie Shuisheng (Chairman), Mr. Cui Ming, Mr. Chai Chaoming and Mr. Ma Wanjun. On 18 March 2011, Mr. Chen Jianhua ceased to be a member of the Nomination Committee, and Mr. Ma Wanjun was appointed as a member of the Nomination Committee.

Two Nomination Committee meetings were held during the year ended 31 December 2010. 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 and independence of independent non-executive Directors. 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)*	1	1
Mr. Cui Ming	1	1
Mr. Chai Chaoming	1	1
Mr. Chen Jianhua	1	1

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 2010, fees payable to the external auditors of the Group, KPMG, for statutory audit services and non-audit services amounted to approximately RMB1,612,000 and RMB865,000 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 2010.

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.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2010 are set out in the accompanying financial statements on page 42.

The Board recommended the payment of a final dividend of HK5 cents per Share for the year ended 31 December 2010, which is expected to be payable on or about 20 May 2011 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 2011.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 9 May 2011 to 12 May 2011, 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 6 May 2011.

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 118 to page 119.

SUBSIDIARIES

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

PROPERTY, PLANT AND EQUIPMENT

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

INTEREST-BEARING BORROWINGS

Particulars of interest-bearing borrowings of the Group as at 31 December 2010 are set out in note 25 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 30 to the financial statements.

CHARITABLE DONATIONS

During the year, the Group had donated a total of RMB133,000 for charitable purposes.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2010, the aggregate sales attributable to the five largest customers and the largest customer of the Group accounted for approximately 19.5% and 5.7% 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 36.2% and 11.9% 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 the Pre-IPO Share Option Scheme and the 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 21 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 table discloses movements in the Company's share options 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 2010	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31 December 2010	Approximate percentage of issued share capital of the Company
Directors									
Hu Changyuan	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%
				1,200,000	–	–	–	1,200,000	0.18%
Chen Jianhua	1-12-2007	27-12-2009 to 26-12-2011	1.19	500,000	–	(500,000)	–	–	–
	1-12-2007	27-12-2010 to 26-12-2011	1.19	500,000	–	–	–	500,000	0.07%
				1,000,000	–	(500,000)	–	500,000	0.07%

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 2010	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31 December 2010	Approximate percentage of issued share capital of the Company
Wang Jianli	1-12-2007	27-12-2009 to 26-12-2011	1.19	400,000	–	(400,000)	–	–	–
	1-12-2007	27-12-2010 to 26-12-2011	1.19	400,000	–	–	–	400,000	0.06%
				800,000	–	(400,000)	–	400,000	0.06%
Ma Wanjun	1-12-2007	27-12-2009 to 26-12-2011	1.19	400,000	–	(400,000)	–	–	–
	1-12-2007	27-12-2010 to 26-12-2011	1.19	400,000	–	–	–	400,000	0.06%
				800,000	–	(400,000)	–	400,000	0.06%
He Changming	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)	–	–	–
Employees	1-12-2007	27-12-2008 to 26-12-2011	1.19	1,550,000	–	(1,550,000)	–	–	–
	1-12-2007	27-12-2009 to 26-12-2011	1.19	3,880,000	–	(3,450,000)	(320,000)	110,000	0.02%
	1-12-2007	27-12-2010 to 26-12-2011	1.19	3,880,000	–	–	(320,000)	3,560,000	0.53%
	11-5-2009	12-5-2009 to 26-12-2011	0.82	720,000	–	(440,000)	(200,000)	80,000	0.01%
				10,030,000	–	(5,440,000)	(840,000)	3,750,000	0.56%
				14,070,000	–	(6,980,000)	(840,000)	6,250,000	0.93%

Notes:

1. As at 31 December 2010, the total number of issued shares of the Company was 670,927,100.
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

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 2010.

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 *(resigned on 18 March 2011)*

Independent non-executive directors

Mr. He Changming
Mr. Cui Ming
Mr. Xie Shuisheng
Mr. Chai Chaoming
Ms. Li Li

Pursuant to Articles 87(1) and 87(2) of the Company's Articles of Association, Mr. Hu Changyuan, Mr. Wang Jianli, and Mr. Ma Wanjun shall retire from their office by rotation at the forthcoming annual general meeting and, being eligible, offered themselves for re-election.

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

Report of the Directors

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. Ms. Yu resigned from her directorship on 18 March 2011.

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 2010 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 2010, 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	Corporation interest	210,000,000 *(Note 1)*	31.30%
	Beneficial owner	42,600,000	6.35%
Yu Yuesu	Interest of spouse	252,600,000 *(Note 2)*	37.65%
Chen Jianhua	Beneficial owner	1,480,000	0.22%
Wang Jianli	Beneficial owner	1,000,000	0.15%
Ma Wanjun	Beneficial owner	1,000,000	0.15%
He Changming	Beneficial owner	120,000	0.02%
Cui Ming	Beneficial owner	220,000	0.03%
Xie Shuisheng	Beneficial owner	80,000	0.01%
Chai Chaoming	Beneficial owner	140,000	0.02%
Li Li	Beneficial owner	300,000	0.04%

Notes:

1. These 210,000,000 Shares were held by Luckie Strike Limited and Come Fortune International Limited which are wholly owned by Mr. Hu. Mr. Hu was deemed to be interested in these Shares by virtue of Part XV of the SFO.

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

* The percentages are calculated based on total issued number of Shares of 670,927,100 as at 31 December 2010.

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 2010 to 26 December 2011	1.19	0.07%
Wang Jianli	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 2010 to 26 December 2011	1.19	0.06%

Notes:

1. These are the underlying shares of the options granted to the relevant Directors by the Company under the Pre-IPO Option Scheme and such share options remained outstanding as at 31 December 2010. All options under the Pre-IPO Option Scheme 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 under the Pre-IPO Option Scheme. Ms. Yu Yuesu was deemed to be interested in these interests under Part XV of the SFO by virtue of being the spouse of Mr. Hu Changyuan.

* The percentages are calculated based on total number of issued Shares of 670,927,100 as at 31 December 2010.

Report of the Directors

(iii) Interests in Warrants of the Company

Name of Directors	Capacity	Number of Warrants	Approximate percentage of shareholding*
Hu Changyuan	Corporation interest	10,000,000 *(Note 1)*	1.49%
	Beneficial owner	1,400,000	0.21%
Yu Yuesu	Interest of spouse	11,400,000 *(Note 2)*	1.70%
Chen Jianhua	Beneficial owner	90,000	0.013%
Wang Jianli	Beneficial owner	60,000	0.009%
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	12,000	0.002%

Notes:

1. These 10,000,000 Warrants (entitling the holder thereof to subscribe for 10,000,000 Shares) were held by Come Fortune International Limited which is wholly owned by Mr. Hu Changyuan. Mr. Hu was deemed to be interested in these Warrants by virtue of Part XV 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 Part XV of the SFO by virtue of being the spouse of Mr. Hu. Changyuan.

3. 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 670,927,100 as at 31 December 2010.

Report of the Directors

Save as disclosed above, as at 31 December 2010, 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.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2010, the following persons or corporations had interests or short positions in the Shares and underlying Shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Name of Shareholder	Capacity	Number of shares	Approximate percentage of shareholding*
Luckie Strike Limited *(Note)*	Beneficial owner	110,000,000	16.40%
Come Fortune International Limited *(Note)*	Beneficial owner	110,000,000 *(Note)*	16.40%

Note: Each of Luckie Strike Limited and Come Fortune International Limited was wholly-owned companies of Mr. Hu Changyuan. The interests of Come Fortune International Limited comprises 100,000,000 Shares and 10,000,000 underlying Shares under the 10,000,000 Warrants held by it.

* The percentages are calculated based on total number of issued Shares of 670,927,100 as at 31 December 2010.

Save as disclosed herein, as at 31 December 2010, 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.

Report of the Directors

DIRECTORS' INTERESTS IN CONTRACTS

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

CONNECTED TRANSACTION AND FINANCIAL ASSISTANCE

During the year ended 31 December 2010, the Group had entered into the following transactions which are required to be disclosed in this Annual Report in accordance with Chapter 14A of the Listing Rules:

Property Management Agreement

Date	:	1 January 2010
Parties	:	(1) Ningbo Xingye Ningbo Xingye Electronic Metal Materials Co., Ltd ("Ningbo Xingye"), a wholly-owned subsidiary of the Company, to which property management services are provided (2) Cixi Xingye Investment Co., Ltd. ("Cixi Xingye"), a connected person of the Company, as the provider of property management services
Property management fee	:	RMB166,000 per month payable by Ningbo Xingye to Cixi Xingye
Term	:	Commencing on 1 January 2010 and expiring on 31 December 2010
Nature of transaction	:	Provision of services including without limitation, security management, cleaning and maintenance, sustainable development, transportation, canteen management, the provision and management of facilities and services for employees and recycling of office materials

On 1 July 2010, a termination agreement was entered into between Ningbo Xingye and Cixi Xingye, pursuant to which the Property Management Agreement, effective as of 1 July 2010, was terminated and became null, void and of no further legal effect.

Accordingly, the total amount of money received by Cixi Xingye from Ningbo Xingye pursuant to the Property Management Agreement and before its termination was RMB996,000 (approximately HK$1,154,962).

As at the date of the Property Management Agreement, 49% of the equity capital of Cixi Xingye was owned by Mr. Hu, a Director, and 21% by Mr. Yu Liben ("Mr. Yu"), an associate of Mr. Hu by virtue of being Mr. Hu's brother-in-law. Accordingly, Cixi Xingye was an associate of both of Mr. Hu and Mr. Yu.

Please also refer to note 33 to the financial statement.

Report of the Directors

RMB15 Million Loan Agreement

Date	:	16 March 2010
Parties	:	(1) Ningbo Xingye, a wholly-owned subsidiary of the Company, as the lender (2) Cixi Xingye, a connected person of the Company, as the borrower (3) Bank of Shanghai Co., Ltd. ("Bank of Shanghai"), as Ningbo Xingye's attorney
Loan amount	:	RMB15 million available in one drawing
Loan term	:	Commencing on 16 March 2010 and maturing on 16 September 2010
Interest	:	Interest is payable quarterly on the 21st day of the last month of the quarter and charged upon drawing and to accrue daily starting on the date of drawdown until it is repaid in full at the rate of 5.346% per annum and which may be varied by the lender and the borrower by mutual agreement from time to time
Repayment date	:	The loan amount together with all interest accrued thereon to be repaid by Cixi Xingye in full to Ningbo Xingye upon maturity of the loan term
Use of proceeds	:	The proceeds of the loan to be used by Cixi Xingye as working capital
Security	:	No security was provided
Nature of transaction	:	Loan

Pursuant to the RMB15 Million Loan Agreement, Ningbo Xingye appointed Bank of Shanghai as its attorney to a grant the loan using funds owned by and deposited with Bank of Shanghai under the name of Ningbo Xingye to Cixi Xingye.

On 9 June 2010, the principal of the loan, together with accrued interest, being RMB189,338 (approximately HK$219,556) was repaid by Cixi Xingye to Ningbo Xingye and effective as of such date, all rights and obligations of Ningbo Xingye and Cixi Xingye under the loan agreement was released.

As at the date of the above loan agreement, 49% of the equity capital of Cixi Xingye was owned by Mr. Hu, a Director and 21% by Mr. Yu, an associate of Mr. Hu by virtue of being Mr. Hu's brother-in-law. Accordingly, Cixi Xingye was an associate of both of Mr. Hu and Mr. Yu.

Report of the Directors

RMB5 Million Loan Agreement

Date	:	20 April 2010
Parties	:	(1) Ningbo Xingye, a wholly-owned subsidiary of the Company, as the lender
		(2) Cixi Xingye, a connected person of the Company, as the borrower
		(3) Bank of Shanghai, as Ningbo Xingye's attorney
Loan amount	:	RMB5 million available in one drawing
Loan term	:	Commencing on 20 April 2010 and maturing on 20 October 2010
Interest	:	Interest is payable quarterly on the 21st day of the last month of the quarter and charged upon drawing and to accrue daily starting on the date of drawdown until it is repaid in full at the rate of 5.346% per annum and which may be varied by the lender and the borrower by mutual agreement from time to time
Repayment date	:	The loan amount together with all interest accrued thereon to be repaid by Cixi Xingye in full to Ningbo Xingye upon maturity of the loan term
Use of proceeds	:	The proceeds of the loan to be used by Cixi Xingye as working capital
Security	:	No security was provided
Nature of transaction	:	Loan

Pursuant to the RMB5 Million Loan Agreement, Ningbo Xingye appointed Bank of Shanghai as its attorney to a grant the loan using funds owned by and deposited with Bank of Shanghai under the name of Ningbo Xingye to Cixi Xingye.

On 9 June 2010, the principal of the loan, together with accrued interest, being RMB37,125 (approximately HK$43,050) was repaid by Cixi Xingye to Ningbo Xingye and effective as of such date, all rights and obligations of Ningbo Xingye and Cixi Xingye under the loan agreement was released.

As at the date of the above loan agreement, 49% of the equity capital of Cixi Xingye was owned by Mr. Hu. Accordingly, Cixi Xingye was as at such date an associate of Mr. Hu.

Please refer to the announcement of the Company dated 5 November 2010 for details of the Property Management Agreement, the RMB15 million Loan Agreement and the RMB5 Million Loan Agreement.

Report of the Directors

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 2010.

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 2010. 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 has reviewed the audited financial statements for the year ended 31 December 2010 and has 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, 18 March 2011

Biographical details of the Directors and Senior Management

DIRECTORS

Mr. HU Changyuan, aged 62, is an executive Director and Chairman of the Board of the Company. 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 Municipal Personnel Bureau of Zhejiang Province (浙江省人事廳) in 1995. He is the founder of the Group. Mr. Hu has more than 22 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. 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. 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. 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 (resigned on 18 March 2011) and a brother-in- law of Mr. Yu Liben, a consultant of the Group. Mr. Hu is dedicated to charities.

Mr. CHEN Jianhua, aged 43, is an executive Director and Deputy Chairman of the Board of the Company and Chief Executive Officer of the 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 the 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 the Group. Mr. Chen has more than 22 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. In December 2009, he was recognized as a senior economist by Ningbo Municipal Personnel Bureau.

Biographical details of the Directors and Senior Management

Mr. WANG Jianli, aged 39, is an executive Director of the Company and Chief Operating Officer of the 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 the Group in January 2010. Mr. Wang has 22 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. In 2008, Mr. Wang was awarded "Outstanding Contributions Person of Cixi City" (慈溪市突出貢獻人才獎). Mr. Wang completed the chief marketing officer program organized by China Europe International Business School in October 2010. He is now a vice-president of the sixth council of the China Nonferrous Metals Fabrication Industry Association (中國有色金屬加工工業協會第六屆理事會副理事長).

Mr. MA Wanjun, aged 44, is an executive Director of the Company. He graduated from an executive management program in business administration organized by Shanghai Fudan University and Hong Kong University Continuing Education Institute (上海港大－復旦專業繼續教育學院) in 2004. He has been working for the Group since 2001 and 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 22 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 Municipal Personnel Bureau of Jiangxi Province. Mr. Ma has been a member of the sixth committee 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第六屆委員會委員) since July 2010.

Ms. YU Yuesu, aged 62, 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. Ms. Yu has brilliant contribution in the business development of the Group. Mr. Yu resigned from her directorship on 18 March 2011.

Biographical details of the Directors and Senior Management

Mr. HE Changming, aged 69, is an independent non-executive Director of the Company. Mr. He is a professor-grade Senior Engineer, graduated from University of Guizhou Industrial specializing in smelting. From May 1993 to December 2006, Mr. He was the general manager of Jiangxi Copper Group Limited. From June 1997 to December 2006, Mr. He was the chairman of Jiangxi Copper Company Limited, a company dual listed on the Shanghai Stock Exchange (stock code: 600362) and The Stock Exchange of Hong Kong Limited (stock code: 358). He was the Vice President of China Non-ferrous Metals Industry Association, a member of the Administrative Committee of the Shanghai Futures Exchange, Vice Chairman of China Mining Industry Association and a standing committee member of the People's Congress of Jiangxi Province. Mr. He has extensive experience in corporate management and is a technical expert in smelting and refining. 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 54, is an independent non-executive Director of the Company. 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., a investment banking company in US which is controlled by Guotai J&A Securities, a brokerage and investment banking firm in the PRC, and has been its CEO for seven years. From May, 2004 to December 2010, Mr. Cui was the managing director of China Vision SME, LP, a private equity fund established in the Bahamas. Mr. Cui is the CEO of Oriental Financial Management Ltd, a financial management firm with offices in Beijing and Hong Kong, and also the founder aforesaid company.

Mr. XIE Shuisheng, aged 66, is an independent non-executive Director of the Company. 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 enjoy the special benefit offer by government of PRC. Mr. Xie is an authoritative figure in his field of studies, he has published over 280 articles in various international and Chinese academic journals, has published 14 books and has obtained 22 patents in China.

Biographical details of the Directors and Senior Management

Mr. CHAI Chaoming, aged 41. is an independent non-executive Director of the Company. 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. Mr. Chai is a partner of Raystone Capital Management,LLP, a fund which focuses on private equity investment in China. Since 2003, Mr. Chai is an independent non-executive director of Guangdong Gosun Telecommunications Co., Ltd, a company listed on the Shenzhen Stock Exchange (stock code: 300098), and Western Securities Limited. Mr. Chai has extensive experience in corporate management.

Ms. LI Li, aged 38, is an independent non-executive Director of the Company. 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.

Mr. CHAN Chung Kik, Lewis, aged 38, is the chief financial officer and the Company Secretary of the Group, and is responsible for the overall financial management functions of the 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 14 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.

Mr. CHENG Zhenkang, aged 69, is the chief engineer of the Group responsible for the engineering function of the Group. Mr. Cheng is a senior engineer obtained a bachelor degree in Non-ferrous Metal Metallurgy from Central-South Institute of Mining and Metallurgy (中南礦冶學院) (now known as Central South University of Technology (中南大學)) located at Hunan Province, China in 1965. Mr. Cheng has been the chief engineer of the Group since 2004. Prior to joining the 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.

Biographical details of the Directors and Senior Management

Mr. YU Liben, aged 64, is brother-in-law of Mr. Hu Changyuan. Mr. Yu is a consultant of the Group. Mr. Yu joined the Group in 1999. He was appointed as the chairman of the supervisory committee of Xingye Electronic and was the general manager of the Group from 2003 to 2004. He was previously a director of Shengtai and Xingye Electronic.

Ms. CHEN Yajun, aged 39, is a Vice President of the Group and responsible for the treasury function of the Group. Ms. Chen is qualified as an Intermediate Accountant in China in 2004 and 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. In 2009, Ms. Chen qualified as an Senior International Financial Manager. Ms. Chen joined the Group in 2001. Prior December 2009 to his appointment as a vice president of the Group, she has been the financial manager of the Group since January 2007. Prior to joining the Group, Ms. Chen worked in the financial management department of a private company.

Mr. CHEN Junjie, aged 39, is a Vice President of the Group and is responsible for the production planning, cash settlement and enterprise resources and planning functions of the 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 the Group in 2004. Prior December 2009 to his appointment as a vice president of the 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 the Group and general manager of Shengtai. Prior to joining the Group, Mr. Chen was a manager of the installation workshop of a company in the electronic appliance industry.

Mr. ZHENG Guohui, aged 36, is a Vice President of the 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 and a degree from university of Zhengzhou located at Henan Province (河南鄭洲大學) in September 2010. 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 the Group in 2004. Prior December 2009 to his appointment as a vice president of the Group, he was the assistant to the manager and the department head of the quality control department of the Group. In 2010, Mr. Zheng was recognized as a senior engineer by Municipal Personnel Bureau of Jiangxi Province.

Mr. MA Huafa, aged 53, is an assistant to the Chief Executive Officer of the Group and is responsible for the customer services functions of the Group. Mr. Ma joined the Group in 2002. Prior December 2009 to his appointment as an assistant to the Chief Executive Officer of the 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 the Group.

Biographical details of the Directors and Senior Management

Mr. YUAN Hefeng, aged 30, an assistant to the Chief Executive Officer of the Group and is responsible for the development of technical process and system standardization of the 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 has been selected as a key cultivation person of "115 Talents Project" by Cixi City in 2008. Mr. Yuan joined the Group in 2003. Prior December 2009 to his appointment as an assistant to the Chief Executive Officer of the Group, he was the head of the quality assurance department and the innovative technology department of the Group.

Mr. ZHENG Juliang, aged 42, a Vice President of the Group and is responsible for the operation of the trading company of the 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 the Group in 1998. Prior December 2009 to his appointment a Vice President of the Group, he was the deputy head and head of the planning development department, the head of the secretary department of the Group, and the vice-general manager of Xingtong. Prior to joining the 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 39, an assistant to the Chief Executive Officer of the Group and is responsible for the operation of the equipment company of the 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 an a mechanical engineer. Mr. Lu joined the Group in 1998. Prior December 2009 to his appointment as an assistant to the Chief Executive Officer of the Group, he was the head of the equipment department and the research and development department of the Group. Prior to joining the Group, Mr. Lu was a technician of a company.

Ms. ZHU Youjun, aged 38, is the head of the finance department of the Group reporting to the chief financial officer of the Group. She is responsible for the financial management function of the 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 the Group in 1998. Prior December 2009 to her appointment as the head of the finance department of the Group, Ms. Zhu was the chief accountant and the deputy head of the finance department of the Group. Prior to joining the Group, Ms. Zhu had been working at a company and responsible for accounting matters.

Ms. XU Chi, aged 30, head of internal control department of the Group. Ms. Xu graduated with master degree in accounting from the University of Dundee in 2005. From January 2006 to June 2006, she practiced at audit department of BDO CHINA SHU LUN PAN CPAS (立信會計事務所有限公司). From August 2006 to December 2009, she was an assistant to the financial controller and general manager of JF Household Furnishings Limited. Ms. Xu joined the Group in January 2010.

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 (together the "Group") set out on pages 42 to 117, which comprise the consolidated and company statements of financial position as at 31 December 2010, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated 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 about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view 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 consolidated 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 2010 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.

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

18 March 2011

Consolidated Income Statement

For the year ended 31 December 2010

	Note	2010 RMB'000	2009 RMB'000
Turnover	4&14	**2,894,048**	1,795,184
Cost of sales		**(2,667,440)**	(1,608,247)
Gross profit		**226,608**	186,937
Other operating income	5	**84,953**	81,255
Distribution expenses		**(19,505)**	(12,533)
Administrative expenses		**(59,249)**	(55,387)
Other operating expenses	6	**(70,459)**	(2,699)
Result from operating activities		**162,348**	197,573
Finance income		**15,692**	10,205
Finance expenses		**(42,092)**	(26,596)
Net finance costs	7(a)	**(26,400)**	(16,391)
Share of loss of a jointly controlled entity		**(2,053)**	(79)
Profit before taxation	7	**133,895**	181,103
Income tax	8	**(35,268)**	(28,748)
Profit for the year		**98,627**	152,355
Attributable to:			
Equity shareholders of the Company	11	**98,690**	152,355
Non-controlling interests		**(63)**	–
Profit for the year		**98,627**	152,355
Earnings per share			
Basic earnings per share (RMB)	13(a)	**0.15**	0.24
Diluted earnings per share (RMB)	13(b)	**0.14**	0.24

The notes on pages 51 to 117 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 30(d).

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

	Note	2010 RMB'000	2009 RMB'000
Profit for the year		**98,627**	152,355
Other comprehensive income for the year (after tax and reclassification adjustment):			
Exchange differences on translation of financial statements of overseas subsidiaries	12	**(1,974)**	(58)
Total comprehensive income for the year		**96,653**	152,297
Attributable to:			
Equity shareholders of the Company		**96,716**	152,297
Non-controlling interests		**(63)**	–
Total comprehensive income for the year		**96,653**	152,297

The notes on pages 51 to 117 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2010

	Note	2010 RMB'000	2009 RMB'000
Non-current assets			
Property, plant and equipment	15	**511,380**	498,754
Lease prepayments	16	**18,210**	17,901
Interest in associates	18	**55,000**	–
Interest in a jointly controlled entity	19	**17,246**	19,299
		601,836	535,954
Current assets			
Inventories	20	**587,756**	344,179
Trade and other receivables	21	**562,036**	250,259
Pledged deposits	22	**154,378**	88,813
Trading securities	23	**–**	33,835
Cash and cash equivalents	24	**80,248**	121,430
		1,384,418	838,516
Current liabilities			
Interest-bearing borrowings	25	**997,413**	614,269
Derivative financial instruments	26	**34,460**	5,214
Trade and other payables	28	**280,255**	138,025
Income tax payables	8(c)	**11,094**	5,463
		1,323,222	762,971
Net current assets		**61,196**	75,545
Total assets less current liabilities		**663,032**	611,499
Non-current liabilities			
Interest-bearing borrowings	25	**4,000**	4,000
Deferred income		**946**	–
Deferred tax liabilities	29	**18,416**	14,240
		23,362	18,240
Net assets		**639,670**	593,259

The notes on pages 51 to 117 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2010

	Note	2010 RMB'000	2009 RMB'000
Capital and reserves			
Share capital	30(b)	**62,511**	59,129
Reserves		**574,772**	534,130
Total equity attributable to equity shareholders of the Company		**637,283**	593,259
Non-controlling interests		**2,387**	–
Total equity		**639,670**	593,259

Approved and authorised for issue by the board of directors on 18 March 2011.

Hu Changyuan
Director

Chen Jianhua
Director

The notes on pages 51 to 117 form part of these financial statements.

Company Statement of Financial Position

At 31 December 2010

	Note	2010 RMB'000	2009 RMB'000
Non-current assets			
Investment in subsidiaries	17	**407,249**	407,249
Current assets			
Trade and other receivables	21	**262,471**	232,621
Cash and cash equivalents	24	**3,617**	1,626
		266,088	234,247
Current liabilities			
Trade and other payables	28	**11,782**	11,384
Net current assets		**254,306**	222,863
Net assets		**661,555**	630,112
Capital and reserves	30(a)		
Share capital		**62,511**	59,129
Reserves		**599,044**	570,983
Total equity		**661,555**	630,112

Approved and authorised for issue by the board of directors on 18 March 2011.

Hu Changyuan
Director

Chen Jianhua
Director

The notes on pages 51 to 117 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2010

	Attributable to equity shareholders of the Company							
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	PRC statutory reserves RMB'000	Translation reserve RMB'000	Share-based compensation reserve RMB'000	(Accumulated losses)/retained earnings RMB'000	Total RMB'000
At 1 January 2009	58,268	163,129	259,726	19,484	(8,773)	6,978	(69,558)	429,254
Changes in equity for 2009:								
Profit for the year	–	–	–	–	–	–	152,355	152,355
Other comprehensive income	–	–	–	–	(58)	–	–	(58)
Total comprehensive income	–	–	–	–	(58)	–	152,355	152,297
Share options exercised	859	11,209	–	–	–	(3,610)	–	8,458
Equity settled share-based payments	–	–	–	–	–	3,777	–	3,777
Share issuance expenses-warrants	–	(547)	–	–	–	–	–	(547)
Warrants exercised	2	18	–	–	–	–	–	20
Transfer to reserve	–	–	–	8,517	–	–	(8,517)	–
At 31 December 2009 and at 1 January 2010	59,129	173,809	259,726	28,001	(8,831)	7,145	74,280	593,259

The notes on pages 51 to 117 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2010

		Attributable to equity shareholders of the Company									
	Note	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	PRC statutory reserves RMB'000	Translation reserve RMB'000	Share-based compensation reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interest RMB'000	Total RMB'000
At 31 December 2009 and at 1 January 2010		59,129	173,809	259,726	28,001	(8,831)	7,145	74,280	593,259	–	593,259
Changes in equity for 2010:											
Profit for the year		–	–	–	–	–	–	98,690	98,690	(63)	98,627
Other comprehensive income		–	–	–	–	(1,974)	–	–	(1,974)	–	(1,974)
Total comprehensive income		–	–	–	–	(1,974)	–	98,690	96,716	(63)	96,653
Dividend approved in respect of the previous year	30(d)	–	–	–	–	–	–	(58,029)	(58,029)	–	(58,029)
Share options exercised	30(b) & (c)	614	10,366	–	–	–	(3,900)	–	7,080	–	7,080
Equity settled share-based payments		–	–	–	–	–	912	–	912	–	912
Share issuance expenses-warrants		–	(115)	–	–	–	–	–	(115)	–	(115)
Warrants exercised	30(b) & (c)	2,768	22,975	–	–	–	–	–	25,743	–	25,743
Transfer to reserve	30(c)(iv)	–	–	–	16,026	–	–	(16,026)	–	–	–
Dividend declared in respect of the current year	30(d)	–	–	–	–	–	–	(28,283)	(28,283)	–	(28,283)
Capital contribution received in a non-wholly owned subsidiary by a non-controlling shareholder		–	–	–	–	–	–	–	–	2,450	2,450
At 31 December 2010		62,511	207,035	259,726	44,027	(10,805)	4,157	70,632	637,283	2,387	639,670

The notes on pages 51 to 117 form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2010

	Note	2010 RMB'000	2009 RMB'000
Operating activities			
Profit for the year		**98,627**	152,355
Adjustments for:			
Depreciation for property, plant and equipment	7(c)	**40,369**	36,151
Amortisation of lease prepayments	7(c)	**391**	389
Equity-settled share-based payment transactions	7(b)	**912**	3,777
Net finance costs	7(a)	**26,400**	16,391
Loss/(gain) on disposal of property, plant and equipment	5&6	**582**	(90)
Unrealised fair value change on derivative financial instruments	26	**34,460**	5,214
Share of loss of a jointly controlled entity	19	**2,053**	79
Income tax expense	8(a)	**35,268**	28,748
Operating profit before changes in working capital		**239,062**	243,014
Change in inventories		**(243,577)**	(196,297)
Change in trade and other receivables		**(311,777)**	(95,343)
Change in trade and other payables		**130,823**	26,661
Interest paid		**(37,659)**	(24,066)
Income tax (paid)/received	8(c)	**(25,461)**	1,840
Net cash used in operating activities		**(248,589)**	(44,191)

The notes on pages 51 to 117 form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2010

	Note	2010 RMB'000	2009 RMB'000
Investing activities			
Interest received		**11,473**	4,098
Proceeds from sale of property, plant and equipment		**6,540**	1,236
Proceeds from sale of trading securities		**100,712**	34,471
Payment for investment in associates		**(55,000)**	–
Loans to a third party		**(100,000)**	–
Loans to a related party		**(20,000)**	–
Loans repaid by a third party		**100,000**	–
Loans repaid by a related party		**20,000**	–
Payment for property, plant and equipment		**(59,385)**	(39,163)
Payment for lease prepayments		**(700)**	–
Payment for purchase of trading securities		**(62,658)**	(62,199)
Net cash used in investing activities		**(59,018)**	(61,557)
Financing activities			
Proceeds from issuance of shares, net of issuance expense		**32,708**	7,931
Proceeds from interest-bearing borrowings		**1,379,992**	835,402
Repayment of interest-bearing borrowings		**(996,848)**	(738,495)
Change in pledged deposits		**(65,565)**	(8,158)
Capital contribution from minority shareholders		**2,450**	–
Dividend paid	*30(d)*	**(86,312)**	–
Net cash generated from financing activities		**266,425**	96,680
Net decrease in cash and cash equivalents		**(41,182)**	(9,068)
Cash and cash equivalents at 1 January		**121,430**	130,498
Cash and cash equivalents at 31 December		**80,248**	121,430

The notes on pages 51 to 117 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 "Listing Date"). 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 and strips, trading of raw materials 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 2010 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and a jointly controlled entity.

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(g)(i)); and
- derivative financial instruments (see note 2(g)(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 and non-controlling interests

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.

Non-controlling interests (previously known as "minority interests") represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Subsidiaries and non-controlling interests (continued)

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

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

(d) Associates and jointly controlled entities

An associate is an entity in which the Group or company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

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 an associate or a jointly controlled entity is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see notes 2(k)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in the associate or 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 associate or the jointly controlled entity.

Unrealised profits and losses resulting from transactions between the Group and its associates and jointly controlled entities are eliminated to the extent of the Group's interest in the investee, 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.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in the consolidated income statement as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit ("CGU"), or groups of CGUs, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 2(k)).

On disposal of a CGU during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(f) 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 translation reserve.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) 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. Attributable transaction costs are recognized in the 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 the 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 cash and cash equivalents, and trade and other receivables.

Cash and cash equivalents

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)

(g) 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, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

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 capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares 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.

Derivative financial instruments are recognised initially at fair value; attributable transaction costs are recognised in the 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 the consolidated income statement.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) 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(k)).

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 component 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 component will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the consolidated income statement as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised in the consolidated income statement on a straight-line basis over the estimated useful lives of each component of an item of property, plant 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.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Property, plant and equipment (continued)

(iii) Depreciation (continued)

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(k)). Cost includes all direct costs relating to the construction of the assets and acquisition.

(i) 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(k)). Amortisation is charged to the consolidated income statement on a straight-line basis over the respective periods of the rights.

(j) 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.

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.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Impairment of assets

(i) Non-derivative financial assets

A financial asset not carried at fair value through profit or loss 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 loans and receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant loans and receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and 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 the consolidated income statement.

(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 goodwill and 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. An impairment loss is recognised if carrying amount of an asset or its related CGU exceeds its estimated recoverable amount.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Impairment of assets (continued)

(ii) *Non-financial assets* (continued)

The recoverable amount of an asset or CGU 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 assets or CGU. 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 CGU. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognised in consolidated income statement, Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. 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 in the consolidated income statement.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Employee benefits (continued)

(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 share-based compensation 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).

(m) Provisions and contingent liabilities

Provisions 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.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) 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:

(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.

(o) Finance income and expenses

Finance income comprises interest income, changes in the fair value of financial assets at fair value through profit or loss and foreign currency gains. Interest income is recognised as it accrues in the 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.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) 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(s)). Other development expenditure is recognised as an expense in the period in which it is incurred.

(q) Income tax

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 the 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 assets 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 assets 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.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Income tax (continued)

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

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.

(r) Dividends

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

(s) 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.

(t) 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.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) 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.

(v) 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

The IASB has issued two revised IFRSs, a number of amendments to IFRSs and one 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 3 (revised 2008), Business combinations

- Amendments to IAS 27, Consolidated and separate financial statements

- Amendments to IAS 39, Financial instruments: Recognition and measurement – eligible hedged items

- Improvements to IFRSs (2009)

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

The amendments to IAS 39 and Improvements to IFRSs (2009) have had no material impact on the Group's financial statements as the amendments were consistent with policies already adopted by the Group. The other developments resulted in changes in accounting policy but none of these changes in policy have a material impact on the current or comparative periods, for the following reasons:

- The impact of the majority of the revisions to IFRS 3 and IAS 27 have not yet had a material effect on the Group's financial statements as these changes will first be effective as and when the Group enters into a relevant transaction (for example, a business combination, a disposal of a subsidiary or a non-cash distribution) and there is no requirement to restate the amounts recorded in respect of previous such transactions.

- The impact of the amendments to IFRS 3 (in respect of recognition of acquiree's deferred tax assets) and IAS 27 (in respect of allocation of losses to non-controlling interests (previously known as minority interests) in excess of their equity interest) have had no material impact as there is no requirement to restate amounts recorded in previous periods and no such deferred tax assets or losses arose in the current period.

Notes to the Financial Statements

3. CHANGES IN ACCOUNTING POLICIES (continued)

Further details of these changes in accounting policy are as follows:

- As a result of the adoption of IFRS 3 (revised 2008), any business combination acquired on or after 1 January 2010 will be recognised in accordance with the new requirements and detailed guidance contained in IFRS 3 (revised 2008). These include the following changes in accounting policies:

  – Transaction costs that the Group incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees, will be expensed as incurred, whereas previously they were accounted for as part of the cost of the business combination and therefore impacted the amount of goodwill recognised.

  – If the Group holds interests in the acquiree immediately prior to obtaining control, these interests will be treated as if disposed of and re-acquired at fair value on the date of obtaining control. Previously, the step-up approach would have been applied, whereby goodwill was computed as if accumulated at each stage of the acquisition.

  – Contingent consideration will be measured at fair value at the acquisition date. Subsequent changes in the measurement of that contingent consideration unrelated to facts and circumstances that existed at the acquisition date will be recognised in the consolidated income statement, whereas previously these changes were recognised as an adjustment to the cost of the business combination and therefore impacted the amount of goodwill recognised.

  – If the acquiree has accumulated tax losses or other temporary deductible differences and these fail to meet the recognition criteria for deferred tax assets at the date of acquisition, then any subsequent recognition of these assets will be recognised in the consolidated income statement, rather than as an adjustment to goodwill as was previously the policy.

  – In addition to the Group's existing policy of measuring the non-controlling interests (previously known as the "minority interests") in the acquiree at the non-controlling interest's proportionate share of the acquiree's net identifiable assets, in future the Group may elect, on a transaction by transaction basis, to measure the non-controlling interest at fair value.

  In accordance with the transitional provisions in IFRS 3 (revised 2008), these new accounting policies will be applied prospectively to any business combinations in the current or future periods. The new policy in respect of recognition in the movement of deferred tax assets will also be applied prospectively to accumulated tax losses and other temporary deductible differences acquired in previous business combinations. No adjustments have been made to the carrying values of assets and liabilities that arose from business combinations whose acquisition dates preceded the application of this revised standard.

Notes to the Financial Statements

3. CHANGES IN ACCOUNTING POLICIES (continued)

- As a result of the adoption of IAS 27 (amended 2008), the following changes in policies will be applied as from 1 January 2010:

  – If the Group acquires an additional interest in a non-wholly owned subsidiary, the transaction will be accounted for as a transaction with equity shareholders (the non-controlling interests) in their capacity as owners and therefore no goodwill will be recognised as a result of such transactions. Similarly, if the Group disposes of part of its interest in a subsidiary but still retains control, this transaction will also be accounted for as a transaction with equity shareholders (the non-controlling interests) in their capacity as owners and therefore no profit or loss will be recognised as a result of such transactions. Previously the Group treated such transactions as step-up transactions and partial disposals, respectively.

  – If the Group loses control of a subsidiary, the transaction will be accounted for as a disposal of the entire interest in that subsidiary, with any remaining interest retained by the Group being recognised at fair value as if reacquired. In addition, as a result of the adoption of the amendment to IFRS 5, if at the end of reporting period the Group has the intention to dispose of a controlling interest in a subsidiary, the entire interest in that subsidiary will be classified as held for sale (assuming that the held for sale criteria in IFRS 5 are met) irrespective of the extent to which the Group will retain an interest. Previously such transactions were treated as partial disposals.

  In accordance with the transitional provisions in IAS 27, these new accounting policies will be applied prospectively to transactions in current or future periods and therefore previous periods have not been restated.

- In order to be consistent with the above amendments to IFRS 3 and IAS 27, and as a result of amendments to IAS 28, Investments in associates, and IAS 31, Interests in joint ventures, the following policies will be applied as from 1 January 2010:

  – If the Group holds interests in the acquiree immediately prior to obtaining significant influence or joint control, these interests will be treated as if disposed of and re-acquired at fair value on the date of obtaining significant influence or joint control. Previously, the step-up approach would have been applied, whereby goodwill was computed as if accumulated at each stage of the acquisition.

  – If the Group loses significant influence or joint control, the transaction will be accounted for as a disposal of the entire interest in that investee, with any remaining interest being recognised at fair value as if reacquired. Previously such transactions were treated as partial disposals.

  Consistent with the transitional provisions in IFRS 3 and IAS 27, these new accounting policies will be applied prospectively to transactions in current or future periods and therefore previous periods have not been restated.

Notes to the Financial Statements

3. CHANGES IN ACCOUNTING POLICIES (continued)

Other changes in accounting policies which are relevant to the Group's financial statements are as follows:

- As a result of the amendments to IAS 27, as from 1 January 2010 any losses incurred by a non-wholly owned subsidiary will be allocated between the controlling and non-controlling interests in proportion to their interests in that entity, even if this results in a deficit balance within consolidated equity being attributed to the non-controlling interests. Previously, if the allocation of losses to the non-controlling interests would have resulted in a deficit balance, the losses were only allocated to the non-controlling interests if the non-controlling interests were under a binding obligation to make good the losses. In accordance with the transitional provisions in IAS 27, this new accounting policy is being applied prospectively and therefore previous periods have not been restated.

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:

	2010 ***RMB'000***	2009 *RMB'000*
Turnover		
Sales of copper products	**2,451,944**	1,465,324
Trading of raw materials	**323,889**	247,796
Processing services	**118,215**	82,064
	2,894,048	1,795,184

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

5. OTHER OPERATING INCOME

	2010 ***RMB'000***	2009 *RMB'000*
Government grants	**84,587**	68,178
Gain on derivative financial instruments *(note 26)*	**–**	12,297
Gain on disposal of property, plant and equipment	**–**	90
Others	**366**	690
	84,953	81,255

The Group was awarded unconditional government grants of RMB84,587,000 and RMB68,178,000 during 2010 and 2009 respectively as a recognition of the Group's contribution to the development of the local industry.

Notes to the Financial Statements

6. OTHER OPERATING EXPENSES

	2010	2009
	RMB'000	*RMB'000*
Donation	**133**	157
Water conservancy fund	**5,353**	2,016
Loss on disposal of property, plant and equipment	**582**	–
Loss on derivative financial instruments *(note 26)*	**63,830**	–
Others	**561**	526
	70,459	2,699

7. PROFIT BEFORE TAXATION

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

(a) Net finance costs

	2010	2009
	RMB'000	*RMB'000*
Interest expenses	**37,659**	24,066
Net foreign exchange loss	**99**	16
Bank charges	**4,334**	2,514
Finance expenses	**42,092**	26,596
Interest income on bank deposits	**(4,957)**	(2,347)
Interest income on loans to a third party	**(4,774)**	–
Interest income on investment in trading securities	**(1,742)**	(1,751)
Net change in fair value of trading securities	**(4,219)**	(6,107)
Finance income	**(15,692)**	(10,205)
Net finance costs	**26,400**	16,391

Notes to the Financial Statements

7. PROFIT BEFORE TAXATION (continued)

(b) Personnel costs

	2010 RMB'000	2009 RMB'000
Wages, salaries and other benefits	**56,953**	45,111
Contribution to defined contribution plan	**4,625**	3,251
Equity-settled share-based payment expenses *(note 27)*	**912**	3,777
	62,490	52,139

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

	2010 RMB'000	2009 RMB'000
Cost of inventories*	**2,667,440**	1,608,247
Depreciation	**40,369**	36,151
Amortisation of lease prepayments	**391**	389
Reversal of write-down of inventories to net realisable value	**–**	(5,682)
Net realised and unrealised gains on trading securities	**(4,219)**	(6,107)
Net realised and unrealised losses/(gains) on derivative financial instruments	**63,830**	(12,297)
Auditor's remuneration – audit services	**1,612**	1,410
– non-audit services	**220**	10
Research and development costs	**–**	2,507

* *Cost of inventories includes RMB62,742,000 (2009: RMB44,318,000) relating to staff costs, depreciation expenses, and amortisation of lease prepayments 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:

	2010 RMB'000	2009 RMB'000
Current tax expense		
Provision for PRC income tax	**31,092**	18,333
Deferred tax		
Reversal and originating of temporary differences	**4,176**	10,415
	35,268	28,748

(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"), Ningbo Xingye Shengtai Electronic Metal Materials Co., Ltd. ("Shengtai") is entitled to a tax holiday of a tax-free period for two years from its first profit-making year of operations and thereafter, it is subject to PRC enterprise income tax at 50% of the applicable income tax rate for the following three years ("Tax Holidays"). In 2010, Shengtai was in the fifth year of the Tax Holidays 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%.

(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.

Notes to the Financial Statements

8. INCOME TAX (continued)

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

	2010	2009
	RMB'000	*RMB'000*
Profit before taxation	**133,895**	181,103
Computed using the Group's PRC subsidiaries applicable tax rates	**27,515**	24,312
Current year losses for which no deferred tax asset was recognised *(note 29(c))*	**1,594**	548
Non-deductible expenses/(non-taxable income)	**59**	(720)
Withholding tax on profits retained by PRC subsidiaries	**6,100**	4,608
Income tax	**35,268**	28,748

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

	2010	2009
	RMB'000	*RMB'000*
Balance at beginning of the year	**5,463**	(14,710)
Provision for income tax for the year	**31,092**	18,333
Income tax (paid)/received during the year	**(25,461)**	1,840
Balance at the end of the year	**11,094**	5,463

Notes to the Financial Statements

9. DIRECTORS' REMUNERATION

Details of directors' remuneration are as follows:

	Year ended 31 December 2010					
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	–	720	–	230	100	1,050
Mr. Chen Jianhua	–	480	5	420	84	989
Mr. Wang Jianli	–	300	5	550	67	922
Mr. Ma Wanjun	–	270	5	530	67	872
Non-executive directors						
Ms. Yu Yuesu	72	–	–	–	–	72
Independent non-executive directors						
Mr. Cui Ming	72	–	–	–	–	72
Mr. Xie Shuisheng	72	–	–	–	–	72
Ms. Li Li	72	–	–	–	–	72
Mr. He Changming	72	–	–	–	–	72
Mr. Chai Chaoming	72	–	–	–	–	72
	432	1,770	15	1,730	318	4,265

	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

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:

	2010	2009
	RMB'000	*RMB'000*
Nil to HKD1,000,000	**6**	6
HKD1,000,001 to HKD1,500,000	**4**	3
HKD1,500,001 to HKD2,000,000	**–**	1

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

10. INDIVIDUALS WITH HIGHEST EMOLUMENTS

The five highest paid individuals of the Group during the year include four (2009: 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:

	2010	2009
	RMB'000	*RMB'000*
Basic salaries, allowances and other benefits	**1,210**	1,261
Contributions to retirement benefit schemes	**15**	12
Share-based payments	**67**	175
	1,292	1,448
Number of senior management	**1**	1

The above individual's emoluments are within the band of HKD1,500,001 to HKD2,000,000 in 2010 (2009: 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 ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a loss of RMB5,688,000 (2009: loss of RMB8,108,000) which has been dealt with in the financial statements of the Company.

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

	2010	2009
	RMB'000	*RMB'000*
Amount of consolidated loss attributable to equity shareholders dealt with in the Company's financial statements	**(5,688)**	(8,108)
Dividends from a subsidiary attributable to the profit of the year, approved and paid during the year	**99,535**	–
The Company's profit/(loss) for the year *(note 30 (a))*	**93,847**	(8,108)

12. OTHER COMPREHENSIVE INCOME

Tax effect relating to each component of other comprehensive income

	2010			2009		
	Before-tax amount	**Tax (expense)/ benefit**	**Net-of-tax amount**	Before-tax amount	Tax (expense)/ benefit	Net-of-tax amount
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*
Exchange difference on translation of financial statements of overseas subsidiaries	**(1,974)**	**–**	**(1,974)**	(58)	–	(58)
Other comprehensive income	**(1,974)**	**–**	**(1,974)**	(58)	–	(58)

Notes to the Financial Statements

13. BASIC AND DILUTED EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to the equity shareholders of ordinary shares of RMB98,690,000 (2009: RMB152,355,000) and the weighted average of 655,037,101 (2009: 625,781,285) ordinary shares in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2010 Number of shares	2009 Number of shares
Ordinary shares issued at 1 January	**632,274,800**	622,500,000
Effect of share option exercised *((note 30(b)(ii))*	**4,755,562**	3,279,203
Effect of warrants exercised *((note 30(b)(iii))*	**18,006,739**	2,082
Weighted average number of ordinary shares at 31 December	**655,037,101**	625,781,285

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company of RMB98,690,000 (2009: RMB152,355,000) and the weighted average number of 694,031,962 (2009: 637,518,150) ordinary shares (diluted).

Weighted average number of ordinary shares (diluted) for the year ended 31 December 2010 is calculated as follows:

	2010 Number of shares	2009 Number of shares
Weighted average number of ordinary shares at 31 December	**655,037,101**	625,781,285
Effect of deemed issue of shares option	**2,237,878**	283,837
Effect of deemed issue of warrants	**36,756,983**	11,453,028
Weighted average number of ordinary shares at 31 December (diluted)	**694,031,962**	637,518,150

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 information 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 strip 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 2010:

	Sales of copper products *RMB'000*	**Trading of raw materials** *RMB'000*	**Processing services** *RMB'000*	**Total** *RMB'000*
Turnover from external customers	**2,451,944**	**323,889**	**118,215**	**2,894,048**
Inter-segment turnover	**2,196,659**	**1,995,640**	**13,005**	**4,205,304**
Reportable segment turnover	**4,648,603**	**2,319,529**	**131,220**	**7,099,352**
Reportable segment profit	**180,841**	**4,510**	**41,257**	**226,608**

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

Notes to the Financial Statements

14. SEGMENT REPORTING (continued)

(b) Reconciliation of reportable segment turnover and profit

	2010 RMB'000	2009 RMB'000
Turnover		
Reportable segment turnover	**7,099,352**	2,965,731
Elimination of inter-segment turnover	**(4,205,304)**	(1,170,547)
Consolidated turnover	**2,894,048**	1,795,184

	2010 RMB'000	2009 RMB'000
Profit		
Reportable segment profit	**226,608**	186,937
Distribution expenses	**(19,505)**	(12,533)
Administrative expenses	**(59,249)**	(55,387)
Other operating income net of expenses	**14,494**	78,556
Net finance costs	**(26,400)**	(16,391)
Share of loss of a jointly controlled entity	**(2,053)**	(79)
Consolidated profit before taxation	**133,895**	181,103

(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.

	2010 RMB'000	2009 RMB'000
Turnover		
PRC	**2,471,926**	1,517,519
Others	**422,122**	277,665
	2,894,048	1,795,184

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 2009	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
Additions	1,618	3,907	2,284	897	51,411	60,117
Transfer from construction in progress	2,689	26,286	21	–	(28,996)	–
Disposals	–	(9,920)	(5)	–	–	(9,925)
At 31 December 2010	**117,323**	**567,474**	**5,779**	**5,095**	**66,272**	**761,943**
Accumulated depreciation and impairment losses						
At 1 January 2009	(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)
Charge for the year	(5,387)	(33,639)	(571)	(772)	–	(40,369)
Disposals	–	2,782	1	–	–	2,783
Written back on disposals	–	20	–	–	–	20
At 31 December 2010	**(25,676)**	**(216,689)**	**(1,900)**	**(2,256)**	**(4,042)**	**(250,563)**
Carrying amounts						
At 31 December 2010	**91,647**	**350,785**	**3,879**	**2,839**	**62,230**	**511,380**
At 31 December 2009	92,727	361,349	2,149	2,714	39,815	498,754

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 RMB228,790,000 (2009: RMB247,988,000) were pledged as securities for bank loans at 31 December 2010 (see note 25(i)).

(iii) Up to the date of approval of these financial statements, the Group was in the process of applying for the certificate of certain of its properties with an aggregate carrying value of approximately RMB3,920,000 (2009: RMB4,004,000) as at 31 December 2010. 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 2009	19,490
Additions	–
At 31 December 2009	19,490
Additions	700
At 31 December 2010	**20,190**
Accumulated amortisation	
At 1 January 2009	(1,200)
Charge for the year	(389)
At 31 December 2009	(1,589)
Charge for the year	(391)
At 31 December 2010	**(1,980)**
Carrying amounts	
As at 31 December 2010	**18,210**
As at 31 December 2009	17,901

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 RMB11,425,000 (2009: RMB11,681,000) were pledged as securities for bank loans at 31 December 2010 (see note 25(i)).

17. INVESTMENT IN SUBSIDIARIES

	The Company	
	2010	2009
	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	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 and trading of high precision copper plates and strips
Xingye Investment Limited ("Xingye Investment")	Hong Kong SAR, October 2009	100%	–	HKD1/HKD1	Investment holding
Xingye Copper Capital Limited ("Xingye Capital")	British Virgin Islands, August 2009	100%	–	USD1/USD1	Investment in trading securities
Ningbo Xingye[(ii)/(iii)] Electronic Copper Strip Co., Ltd ("Xingye Electronic")	the PRC, November 1998	–	100%	USD13,800,000/ USD13,800,000	In liquidation
Ningbo Shengtai[(ii)] Electronic Metal Materials Co., Ltd ("Shengtai")	the PRC, November 2001	–	100%	USD53,960,000/ USD69,800,000	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
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%	RMB5,000,000/ RMB5,000,000	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	Recycling and sales of scrap metals
Shanghai Jiarui[(ii)] Equity Investment Management Co., Ltd. ("Jiarui")	the PRC, December 2009	–	100%	HKD22,800,000/ HKD22,800,000	Equity investment
Yingtan Xingtong[(i)] Metal Materials Co., Ltd ("Yingtan Xingtong")	the PRC February 2010	–	100%	RMB50,000,000/ RMB50,000,000	Trading of high precision copper plates and strips
Cixi Xingxin[(i)] Investment Co., Ltd ("Xingxin Investment")	the PRC, May 2010	–	100%	RMB30,000,000/ RMB30,000,000	Equity investment
Hangzhou Bay New[(ii)] Zone Qiangtai Metal Materials Co,. Ltd ("Qiangtai")	the PRC, May 2010	–	100%	HKD5,000,000/ HKD5,000,000	Trading of high precision copper plates and strips
Sichuan Xingtong[(i)] Metal Materials Co., Ltd ("Sichuan Xingtong")	the PRC August 2010	–	51%	RMB5,000,000/ RMB5,000,000	Trading of high precision copper plates and strips

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) Xingye Electronic is being liquidated and its business has been transferred to and carried out by Shengtai in 2009.

18. INTEREST IN ASSOCIATES

	2010	2009
	RMB'000	*RMB'000*
Share of net assets	**55,000**	–

The following list contains only the particulars of associates, all of which are unlisted entities, which principally affected the results or assets of the Group:

				Proportion of ownership interest		
Name of associates	**Form of business structure**	**Place of and date of establishment**	**Issued and paid-up/ registered capital**	**Group's effective interest**	**Held by subsidiaries**	**Principal activities**
Ningbo Kairui Investment Partnership ("Ningbo Kairui")	Partnership	The PRC 17 November, 2010	RMB100,000,000/ RMB100,000,000	40%	40%	Equity investment and portfolio management
Ningbo Ruiju Investment Partnership ("Ningbo Ruiju")	Partnership	The PRC 17 November, 2010	RMB20,000,000/ RMB100,000,000	15%	15%	Equity investment and portfolio management

Notes to the Financial Statements

18. INTEREST IN ASSOCIATES (continued)

On 17 November 2010, three subsidiaries of the Group (Shengtai, Yingtan Xingye and Xingxin Investment) (40%), Cixi Xingye Investment Co., Ltd. ("Cixi Xingye") (40%), a related party of the Group, Shanghai Dingtai Electric Elements Co., Ltd. (5%), an independent third party, and three individuals (each 5%), independent third parties, established Ningbo Kairui. Xingxin Investment was appointed as the general partner of Ningbo Kairui, whilst other investors are limited partners. Each partner is entitled to one equal-weight vote at partners' meetings, regardless of their equity interest in Ningbo Kairui.

On 17 November 2010, Xingxin Investment (15%), Cixi Xingye (80%) and Ningbo Haoyuan Investment Co., Ltd. ("Ningbo Haoyuan") (5%), an independent third party, established Ningbo Ruiju. Xingxin Investment was appointed as the general partner of Ningbo Ruiju, whilst other investors are limited partners. Each partner is entitled to one equal-weight vote at partners' meetings, regardless of their equity interest in Ningbo Ruiju.

Pursuant to the revised partnership agreement of Ningbo Kairui dated 22 February 2011, Cixi Xingye transferred its 5% equity interest in Ningbo Kairui to Ningbo Haoyuan, who was also appointed and replaced Xingxin Investment as the general partner of Ningbo Kairui.

Pursuant to the revised partnership agreement of Ningbo Ruiju dated 24 February 2011, Ningbo Haoyuan was appointed and replaced Xingxin Investment as the general partner of Ningbo Ruiju.

The liability of the limited partners of Ningbo Kairui and Ningbo Ruiju is restricted to the extent of capital contributions made by them to the respective entities.

Summary financial information on associates:

	Assets	**Liabilities**	**Equity**	**Revenues**	**Profit/(loss)**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
100 per cent	120,000	–	120,000	–	–
Group's effective interest	55,000	–	55,000	–	–

Notes to the Financial Statements

19. INTEREST IN A JOINTLY CONTROLLED ENTITY

	2010	2009
	RMB'000	*RMB'000*
Share of net assets	**17,246**	19,299

As at 31 December 2010, 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	Non-current assets	Current liabilities	Net assets	Income	Expenses	Net loss
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Yingtan Ulba	31,352	29,478	26,338	34,492	28,339	(32,445)	(4,106)

20. INVENTORIES

	The Group	
	2010	2009
	RMB'000	*RMB'000*
Raw materials	**215,583**	115,099
Work in progress	**292,225**	157,692
Finished goods	**74,797**	63,873
Others	**5,151**	7,515
	587,756	344,179

The inventories as at 31 December 2010 was stated at cost (same as at 31 December 2009).

Certain inventories with the carrying amount of RMB187,000,000 were pledged as securities for bank loans at 31 December 2010 (2009: Nil) (see note 25(i)).

Notes to the Financial Statements

21. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade and bill receivables	**277,090**	181,807	**–**	–
Non-trade receivables	**162,134**	38,668	**1,766**	–
Prepayments	**113,281**	28,492	**–**	–
Amount due from a related party	**9,531**	1,292	**–**	–
Amount due from subsidiaries	**–**	–	**260,705**	232,621
	562,036	250,259	**262,471**	232,621

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

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

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

	The Group	
	2010	2009
	RMB'000	*RMB'000*
Within 3 months	**228,324**	149,409
Over 3 months but less than 6 months	**48,528**	32,398
Over 6 months but less than 1 year	**238**	–
	277,090	181,807

The Group's exposure to credit and currency risks is disclosed in note 31.

22. PLEDGED DEPOSITS

Pledged deposits can be analysed as follows:

	The Group	
	2010	2009
	RMB'000	*RMB'000*
Guarantee deposits for issuance of commercial bills and banking facilities	**154,378**	88,813

Notes to the Financial Statements

23. TRADING SECURITIES

	The Group	
	2010	2009
	RMB'000	*RMB'000*
Quoted debentures	–	33,396
Others	–	439
	–	33,835

24. CASH AND CASH EQUIVALENTS

All the balances of cash and cash equivalents as at 31 December 2010 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 31.

25. INTEREST-BEARING BORROWINGS

	The Group	
	2010	2009
	RMB'000	*RMB'000*
Current		
Secured bank loans	**280,000**	176,524
Unsecured bank loans	**219,699**	141,921
Current portion of non-current secured bank loans	–	60,000
Bank advances under discounted bills	**497,714**	235,824
	997,413	614,269
Non-current		
Secured bank and other loans	**4,000**	4,000
	1,001,413	618,269

Notes to the Financial Statements

25. INTEREST-BEARING BORROWINGS (continued)

(i) The secured bank and other loans as of 31 December 2010 bore interest at rates ranging from 3.97% to 5.56% (31 December 2009: 4.86% to 6.37%) per annum and were secured by the following assets:

	The Group	
	2010	2009
	RMB'000	*RMB'000*
Carrying amounts of assets:		
Inventories	**187,000**	–
Property, plant and equipment	**228,790**	247,988
Lease prepayments	**11,425**	11,681

(ii) Unsecured bank loans as of 31 December 2010 bore interest at rates ranging from 1.99% to 6.12% (31 December 2009: 1.65% to 5.35%) per annum.

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

	The Group	
	2010	2009
	RMB'000	*RMB'000*
Over 2 years	**4,000**	4,000
	4,000	4,000

(iv) The Group's discounted bills with recourse have been accounted for as collateralised bank advances. The discounted bills 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 31.

Notes to the Financial Statements

26. DERIVATIVE FINANCIAL INSTRUMENTS

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

	The Group	
	2010	2009
	RMB'000	*RMB'000*
Sales contracts		
Volume (tonne)	**6,700**	2,535
Notional contract value	**411,963**	112,478
Market value	**(446,423)**	(120,175)
Fair value	**(34,460)**	(7,697)
Purchase contracts		
Volume (tonne)	–	(1,095)
Notional contract value	–	(37,555)
Market value	–	40,038
Fair value	–	2,483
Total	**(34,460)**	(5,214)
Contract maturity date	January, February and March 2011	January, February March, April, May and August 2010

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 RMB34,460,000 as at 31 December 2010, and the net realised and unrealised losses, in aggregate, of RMB63,830,000 (2009: gains of RMB12,297,000) were recognised in the consolidated income statement.

Notes to the Financial Statements

27. EQUITY-SETTLED SHARE BASED PAYMENTS

(a) Pre-IPO Share Option Scheme

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

27. EQUITY-SETTLED SHARE BASED PAYMENTS (continued)

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

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

	Exercise price 2010 *HKD*	**Number of options 2010** *'000 shares*	Exercise price 2009 *HKD*	Number of options 2009 *'000 shares*
Outstanding at 1 January	**1.19**	**13,110**	1.19	17,640
Forfeited during the year	**1.19**	**640**	1.19	200
Exercised during the year	**1.19**	**6,300**	1.19	4,330
Outstanding at 31 December	**1.19**	**6,170**	1.19	13,110
Exercisable at 31 December	**1.19**	**6,170**	1.19	13,110

During the year ended 31 December 2010, 6,300,000 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 2010 had an exercise price of HKD1.19 per share.

(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

27. EQUITY-SETTLED SHARE BASED PAYMENTS (continued)

(b) Share Option Scheme

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

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

An option under the Share Option Scheme may be exercised in accordance with the terms of the 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	0.82	960
Granted during the year	–	–
Exercised during the year	0.82	680
Outstanding at the end of the year	0.82	280
Exercisable at the end of the year	0.82	280

During the year ended 31 December 2010, 680,000 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 2010 had an exercise price of HKD0.82 per share.

Notes to the Financial Statements

27. 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 2010, 31,672,300 warrants have been exercised for the same amount of shares at a subscription price of HKD0.93 per share. As at 31 December 2010, the Company had 31,511,900 warrants remained outstanding.

Notes to the Financial Statements

28. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade and bill payables	**188,376**	78,647	**–**	–
Non-trade payables and accrued expenses	**91,879**	56,531	**11,782**	11,384
Payable due to a related party	**–**	2,847	**–**	–
	280,255	138,025	**11,782**	11,384

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

	The Group	
	2010	2009
	RMB'000	*RMB'000*
Within 3 months	**169,438**	53,735
Over 3 months but less than 6 months	**16,351**	21,486
Over 6 months but less than 1 year	**1,769**	1,180
Over 1 year but less than 2 years	**526**	2,148
Over 2 years	**292**	98
	188,376	78,647

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 31.

Notes to the Financial Statements

29. DEFERRED TAX ASSETS AND LIABILITIES

(a) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	The Group	
	2010	2009
	RMB'000	*RMB'000*
Property, plant and equipment	**(14,133)**	(11,583)
Withholding tax on undistributed profits of PRC subsidiaries	**(6,100)**	(4,608)
Accrued expenses	**–**	1,119
Change in fair value of derivative financial instruments	**1,817**	832
Total	**(18,416)**	(14,240)

(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				
	Property, plant and equipment	**Withholding tax on profits retained by PRC subsidiaries**	**Accrued expenses**	**Change in fair value of derivative financial instruments**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
At 1 January 2010	**(11,583)**	**(4,608)**	**1,119**	**832**	**(14,240)**
Reversal upon distribution of dividends	**–**	**4,608**	**–**	**–**	**4,608**
Recognised in consolidated income statement	**(2,550)**	**(6,100)**	**(1,119)**	**985**	**(8,784)**
At 31 December 2010	**(14,133)**	**(6,100)**	**–**	**1,817**	**(18,416)**

(c) Unrecognised deferred tax assets

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

	The Group	
	2010	2009
	RMB'000	*RMB'000*
Tax losses of subsidiaries	**6,376**	2,191

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

30. 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
At1 January 2009	58,268	163,129	(12,589)	6,978	407,248	3,835	626,869
Change in equity for 2009:							
Profit for the year	–	–	–	–	–	(8,108)	(8,108)
Other comprehensive income	–	–	(357)	–	–	–	(357)
Total comprehensive income	–	–	(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 and 1 January 2010	59,129	173,809	(12,946)	7,145	407,248	(4,273)	630,112
At 31 December 2009 and 1 January 2010	59,129	173,809	(12,946)	7,145	407,248	(4,273)	630,112
Change in equity for 2010:							
Profit for the year	–	–	–	–	–	93,847	93,847
Other comprehensive income	–	–	(9,712)	–	–	–	(9,712)
Total comprehensive income	–	–	(9,712)	–	–	93,847	84,135
Dividends approved in respect of the previous year	–	–	–	–	–	(58,029)	(58,029)
Equity settled share-based payments	–	–	–	912	–	–	912
Share options exercised	614	10,366	–	(3,900)	–	–	7,080
Share issuance expenses – warrants	–	(115)	–	–	–	–	(115)
Warrants exercised	2,768	22,975	–	–	–	–	25,743
Dividends declared in respect of the current year	–	–	–	–	–	(28,283)	(28,283)
At 31 December 2010	**62,511**	**207,035**	**(22,658)**	**4,157**	**407,248**	**3,262**	**661,555**

Notes to the Financial Statements

30. CAPITAL, RESERVES AND DIVIDENDS (continued)

(b) Share capital

	The Group and the Company			
	2010		2009	
	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

	2010			2009		
	Number of shares	**Amount**	***RMB'000***	Number of shares	Amount	*RMB'000*
		HK$'000	**equivalent**		*HK$'000*	equivalent
At 1 January	**632,274,800**	**63,227**	**59,129**	622,500,000	62,250	58,268
Exercise of share options *(note (ii))*	**6,980,000**	**698**	**614**	9,750,000	975	859
Exercise of warrants *(note (iii))*	**31,672,300**	**3,167**	**2,768**	24,800	2	2
At 31 December	**670,927,100**	**67,092**	**62,511**	632,274,800	63,227	59,129

(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 reorganization (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.

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.

Notes to the Financial Statements

30. CAPITAL, RESERVES AND DIVIDENDS (continued)

(b) Share capital (continued)

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.

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.

(ii) During the year ended 31 December 2010, 6,300,000 share options under the Pre-IPO Option (see note 27(a)) (2009: 4,330,000) were exercised for the same amount of shares at an exercise price of HKD1.19 per share and 680,000 share options under the Share Option Scheme (see note 27(b)) (2009: 5,420,000) were exercised for the same amount of shares at an exercise price of HKD0.82 per share respectively. The proceeds of HKD698,000 (equivalent to RMB614,000) representing the par value, were credited to the Company's share capital. The remaining proceeds of HKD7,536,600 (equivalent to RMB6,466,000) were credited to the share premium account.

(iii) During the year ended 31 December 2010, 31,672,300 warrants (see note 27(c)) (2009: 24,800) were exercised for the same amount of shares at an exercise price of HKD0.93 per share. The proceeds of HKD3,167,230 (equivalent to RMB2,768,000) representing the par value, were credited to the Company's share capital. The remaining proceeds of HKD26,288,000 (equivalent to RMB22,975,000) were credited to the share premium account.

Notes to the Financial Statements

30. 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.

6,300,000 shares of HKD0.10 each in the Company were issued at HKD1.19 per share and 680,000 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 27(a)) (2009: 4,330,000) and Share Option Scheme (see note 27(b)) (2009: 5,420,000) respectively. The excess of the proceeds totalling HKD7,356,600 (equivalent to RMB6,466,000) was credited to the share premium of the Company. HKD4,449,000 (equivalent to RMB3,900,000) has been transferred from the share-based compensation reserve to the share premium account in accordance with the accounting policy set out in note 2(l)(iii).

31,672,300 shares HKD0.10 each in the Company were issued at HKD0.93 per share as a result of the exercise of warrants (see note 27(c)) (2009: 24,800). The remaining proceeds of HKD26,288,000 (equivalent to RMB22,975,000) 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

30. 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 reserves

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 27.

Notes to the Financial Statements

30. CAPITAL, RESERVES AND DIVIDENDS (continued)

(d) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year

	2010	2009
	RMB'000	*RMB'000*
Interim dividend declared and paid of HKD5 cents per share (2009: Nil)	**28,283**	–
Final dividend proposed after the reporting date of HKD5 cents per share (2009: HKD10 cents per share)	**28,269**	58,029
	56,552	58,029

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

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2010	2009
	RMB'000	*RMB'000*
Final dividend in respect of the previous financial year, approved and paid during the year of HKD10 cents per share (2009: Nil)	**58,029**	–

Notes to the Financial Statements

31. 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 11% (2009: 12%) of the total trade receivables was due from the Group's top five largest customers as at 31 December 2010.

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 21.

Notes to the Financial Statements

31. 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 any 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:

	2010			
	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	**1,001,413**	**1,011,077**	**1,005,508**	**5,569**
Trade and other payables	**280,255**	**280,255**	**280,255**	**–**
	1,281,668	**1,291,332**	**1,285,763**	**5,569**

	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

Notes to the Financial Statements

31. 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:

	2010		2009	
	Effective interest rate	**Carrying value** *RMB'000*	Effective interest rate	Carrying value *RMB'000*
Fixed rate borrowings:				
Bank loans	**2.60%~5.85%**	**881,718**	1.99%~6.37%	447,348
		881,718		447,348
Variable rate borrowings:				
Bank loans	**1.99%~6.12%**	**119,695**	1.65%~5.35%	170,921
		119,695		170,921
Total net borrowings		**1,001,413**		618,269
Net fixed rate borrowings as a percentage of total net borrowings		**88%**		72%

Notes to the Financial Statements

31. FINANCIAL INSTRUMENTS (continued)

Market risk (continued)

(a) *Interest risk* (continued)

(ii) *Sensitivity analysis*

As at 31 December 2010, 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 RMB1,006,000 (2009: RMB1,714,000).

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 2009.

(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

31. FINANCIAL INSTRUMENTS (continued)

Market risk (continued)

(b) *Foreign currency risk* (continued)

	2010			2009		
	USD'000	***HKD'000***	***EUR'000***	*USD'000*	*HKD'000*	*EUR'000*
Trade and other receivables	**16,647**	**–**	**–**	2,670	–	–
Cash and cash equivalents	**2,300**	**25,308**	**3**	3,264	18,467	–
Interest-bearing borrowings	**(7,835)**	**–**	**–**	(8,365)	–	–
Trade and other payables	**(24,060)**	**(1,603)**	**(160)**	(339)	–	(160)
Gross balance sheet exposure	**(12,948)**	**23,705**	**(157)**	(2,770)	18,467	(160)

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:

	Rate at reporting date	
	2010	2009
USD1	**6.6227**	6.8282
HKD1	**0.8509**	0.8805
EUR 1	**8.8065**	9.7971

Sensitivity analysis

A 5 percent strengthening of the RMB against the following currencies at 31 December 2010 would have increased profit or loss before tax 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 2009.

	2010	2009
	RMB'000	*RMB'000*
Effect on profit or loss before tax		
USD	**4,288**	946
HKD	**(1,009)**	(813)
EUR	**69**	78

A 5 percent weakening of the RMB against the above currencies at 31 December 2010 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.

Notes to the Financial Statements

31. FINANCIAL INSTRUMENTS (continued)

Market risk (continued)

(c) Commodity price risk

The Group uses its futures contracts traded on the Shanghai Futures Exchanges and London Metal Exchange 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 2010. For details of the exposure of futures contracts, please refer to note 26.

Equity price risk

The Group is exposed to equity price changes arising from equity investments classified as trading securities (see note 23). 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.

At 31 December 2010, the Group had no trading securities outstanding.

Fair value

(a) Financial instruments carried at fair value

The following table presents the carrying value of financial instruments measured at fair value at the reporting date across three levels of the fair value hierarchy defined in IFRS 7, Financial Instruments: Disclosures, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments

- Level 2: fair value measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data

- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data

Notes to the Financial Statements

31. FINANCIAL INSTRUMENTS (continued)

Fair value (continued)

(a) *Financial instruments carried at fair value* (continued)

The Group

	2010			
	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Liabilities				
Derivatives financial instruments	**34,460**	**–**	**–**	**34,460**

	2009			
	Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets				
Trading securities	33,835	–	–	33,835
Liabilities				
Derivatives financial instruments	5,214	–	–	5,214

During the year ended 31 December 2010, there were no significant transfers between instruments in Level 1 and Level 2 (2009: Nil).

(b) *Fair values of financial instruments carried at other than fair value*

The carrying amounts of the Group's financial instruments carried at cost or amortised cost approximate their respective fair values as at 31 December 2010 (same as at 31 December 2009).

Notes to the Financial Statements

31. FINANCIAL INSTRUMENTS (continued)

Estimation of fair values

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

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

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

(ii) Interest-bearing borrowings

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

(iii) Derivative financial instruments

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

(iv) Share-based payment transactions

The fair value of share options under the Share Option Scheme/Pre-IPO Option are measured using the Black-Scholes-Merton Option Pricing Model. Measurement inputs include the offer price, the exercise price, the risk-free rate of interest, expected 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

31. 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 2010, the debt-to-equity ratio and the liability-to-asset ratio of the Group were 61% (2009: 51%) and 68% (2009: 57%), respectively.

The schedule of the contractual maturities of loans and commitments are disclosed in notes 25 and 32, respectively.

During 2010, the Group's strategy, which was unchanged from 2009, 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.

32. CAPITAL COMMITMENTS

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

	The Group	
	2010	2009
	RMB'000	*RMB'000*
Authorised but not contracted for	**44,020**	60,500
Contracted for	**11,837**	11,544
	55,857	72,044

Notes to the Financial Statements

33. RELATED PARTY TRANSACTIONS

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

During the year ended 31 December 2010, the Group has transactions with Yingtan Ulba, which is jointly controlled by the Group, and Cixi Xingye, a Company controlled by Mr. Hu Changyuan, the Chairman of the Group. Particulars of significant transactions between the Group and such related parties during the year are as follows:

(i) Significant related party transactions-Recurring

	The Group	
	2010	2009
	RMB'000	*RMB'000*
Yingtan Ulba		
Sales of goods	**10,520**	4,803
Purchase of goods	**15,175**	4,150
Leasing income	**585**	582

(ii) Significant related party transactions-Non-recurring

	The Group	
	2010	2009
	RMB'000	*RMB'000*
Yingtan Ulba		
Interest expense	**–**	640
Sales of assets	**6,838**	–
Cixi Xingye		
Property service fee	**996**	–
Interest-bearing borrowings provided to	**20,000**	–
Interest-bearing borrowings provided by	**13,000**	–
Interest income	**226**	–
Rental expenses	**775**	–

Notes to the Financial Statements

33. RELATED PARTY TRANSACTIONS (continued)

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

(iii) Balances with related parties

	The Group	
	2010	2009
	RMB'000	*RMB'000*
Trade and other receivables due from:		
Yingtan Ulba	**9,531**	1,292
Trade and other payables due to:		
Yingtan Ulba	**–**	2,847

(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:

	2010	2009
	RMB'000	*RMB'000*
Short-term employee benefits	**5,142**	5,090
Post-employment benefits	**30**	26
Share-based payment	**385**	1,280
	5,557	6,396

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

(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 2010, there was no material outstanding contribution to post-employment benefit plans.

Notes to the Financial Statements

34. SUBSEQUENT EVENTS

Subsequent to 31 December 2010, the directors proposed a final dividend on 18 March 2010. Further details are disclosed in note 30(d).

35. MATTERS OF SIGNIFICANCE

On 23 November 2010, the Company made an application to the Taiwan Stock Exchange Corporation (the "Taiwan Stock Exchange") and the Central Bank of the Republic of China (the "Taiwan Central Bank") for the offering and listing of Taiwan Depositary Receipts ("TDR"). Up to the date of approval of these financial statements, the Taiwan Stock Exchange and the Taiwan Central Bank have not approved the Company's TDR application.

36. PARENT AND ULTIMATE HOLDING COMPANY

At 31 December 2009, the parent and ultimate holding company of the Company was Shine International Limited. As published in the Company's announcement dated 22 January 2010, Shine International Limited transferred its entire shareholding in the Company to various parties who became the investors of the Company. These investors are either individuals or entities who do not produce financial statements available for public use.

37. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ANNUAL ACCOUNTING PERIOD ENDED 31 DECEMBER 2010

Up to the date of issue of these financial statements, the IASB has issued a number of amendments and Interpretations and one new standard which are not yet effective for the year ended 31 December 2010 and which have not been adopted in these financial statements. These include the following:

		Effective for accounting period beginning on or after
Amendments to IAS 32	Financial instruments: Presentation-Classification of rights issues	1 February 2010
Amendments to IFRS 1	First-time adoption of International Financial Reporting Standards-Limited exemption from comparative IFRS 7 disclosures for first-time adopters	1 July 2010
IFRIC 19	Extinguishing financial liabilities with equity instruments	1 July 2010
Improvements to IFRSs 2010		1 July 2010 or 1 January 2011
Amendments to IFRIC 14, IAS 19	The limit on a defined benefit asset, minimum funding requirements and their interaction-Prepayments of a minimum funding requirement	1 January 2011
Revised IAS 24	Related party disclosures	1 January 2011

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 2010 (continued)

		Effective for accounting period beginning on or after
Amendments to IFRS 1	First-time adoption of International Financial Reporting Standards-Severe hyperinflation and removal of fixed dates for first-time adopters	1 July 2011
Amendments to IFRS 7	Financial instruments: Disclosures-Transfer of financial assets	1 July 2011
Amendments to IAS 12	Income taxes-Deferred tax: Recovery of Underlying of financial assets	1 January 2012
IFRS 9	Financial Instruments (2010) Basis for conclusions on IFRS 9 (2010) Implementation guidance on IFRS 9 (2010)	1 January 2013

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded 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

	2010	2009	2008	2007	2006
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Turnover	**2,894,048**	1,795,184	1,758,016	2,096,133	1,512,430
Gross profit	**226,608**	186,937	15,883	217,330	183,399
Result from operating activities	**162,348**	197,573	(39,664)	196,806	135,677
Profit/(loss) attributable to equity shareholders of the Company	**98,690**	152,355	(72,294)	150,845	106,696

EARNINGS PER SHARE

	2010	2009	2008	2007	2006
Basic earnings/(loss) per share[1] *(RMB)*	**0.15**	0.24	(0.12)	0.33	0.24
Diluted earnings/(loss) per share[1] *(RMB)*	**0.14**	0.24	(0.12)	0.33	N/A

ASSETS, LIABILITIES AND EQUITY

	2010	2009	2008	2007	2006
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets	**601,836**	535,954	536,139	492,782	491,054
Current assets	**1,384,418**	838,516	528,874	826,321	547,724
Total assets	**1,986,254**	1,374,470	1,065,013	1,319,103	1,038,778
Non-current liabilities	**23,362**	18,240	87,825	112,013	10,783
Current liabilities	**1,323,222**	762,971	547,934	669,109	695,421
Total liabilities	**1,346,584**	781,211	635,759	781,122	706,204
Net current assets/(liabilities)	**61,196**	75,545	(19,060)	157,212	(147,697)
Total assets less current liabilities	**663,032**	611,499	517,079	649,994	343,357
Total equity attributable to equity shareholders of the Company	**637,283**	593,259	429,254	537,981	332,074
Minority interests	**2,387**	–	–	–	500

Five Years Financial Summary

FINANCIAL RATIOS AND OTHER FINANCIAL INFORMATION

	2010	2009	2008	2007	2006
EBITDA *(RMB'000)*	**203,108**	234,113	(6,255)	226,346	165,165
Profitability ratios:					
Gross profit margin(2) (%)	**7.8%**	10.4%	0.9%	10.4%	12.1%
Operating profit/(loss) margin(3) (%)	**5.6%**	11.0%	(2.3)%	9.4%	9.0%
Net profit/(loss) margin(4) (%)	**3.4%**	8.5%	(4.1)%	7.2%	7.1%
EBITDA margin(5) (%)	**7%**	13.0%	(0.4)%	10.8%	10.9%
Rate of return on equity(6) (%)	**15.5%**	25.7%	(16.8)%	28.0%	32.1%
Liquidity ratios:					
Current ratio(7) (times)	**1.0**	1.1	1.0	1.2	0.8
Quick ratio(8) (times)	**0.6**	0.6	0.7	0.8	0.4
Inventory turnover(9) (days)	**45**	41	42	34	35
Trade receivable turnover(10) (days)	**29**	28	32	26	15
Trade payable turnover(11) (days)	**18**	15	12	15	17
Capital adequacy ratios:					
Gearing ratio(12) (%)	**50.4%**	45.0%	49.0%	47.8%	51.2%
Net gearing ratio(13) (%)	**120.3%**	68.8%	72.3%	71.2%	109.9%
Interest coverage ratio(14) (times)	**5.4**	9.7	(0.2)	6.2	8.6

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"	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
"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