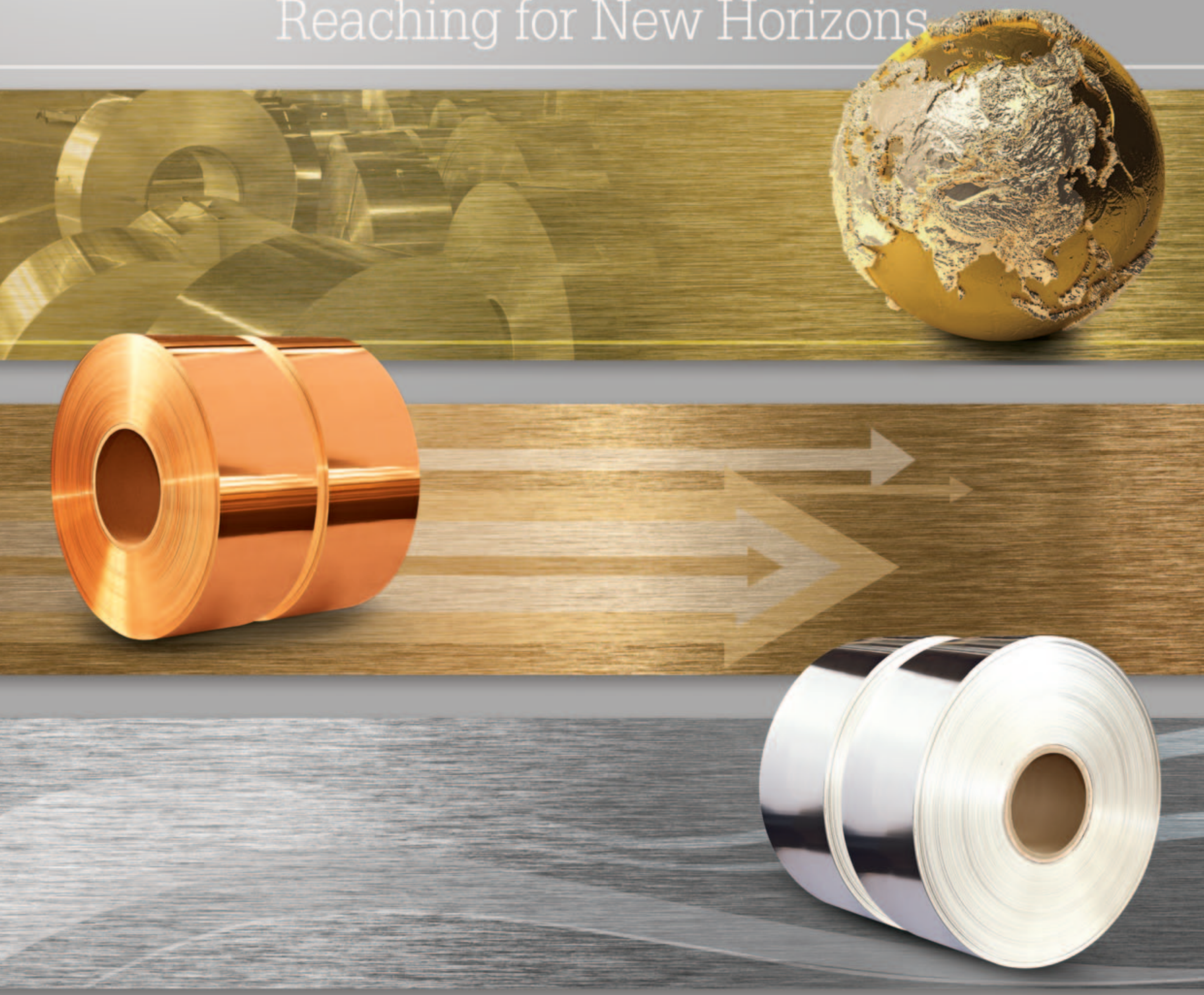
Xingye Copper International Group Limited
興業銅業國際集團有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code : 00505

Annual Report 2011

Reaching for New Horizons



Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-Executive Directors

Mr. 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
Bailiangqiao, 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

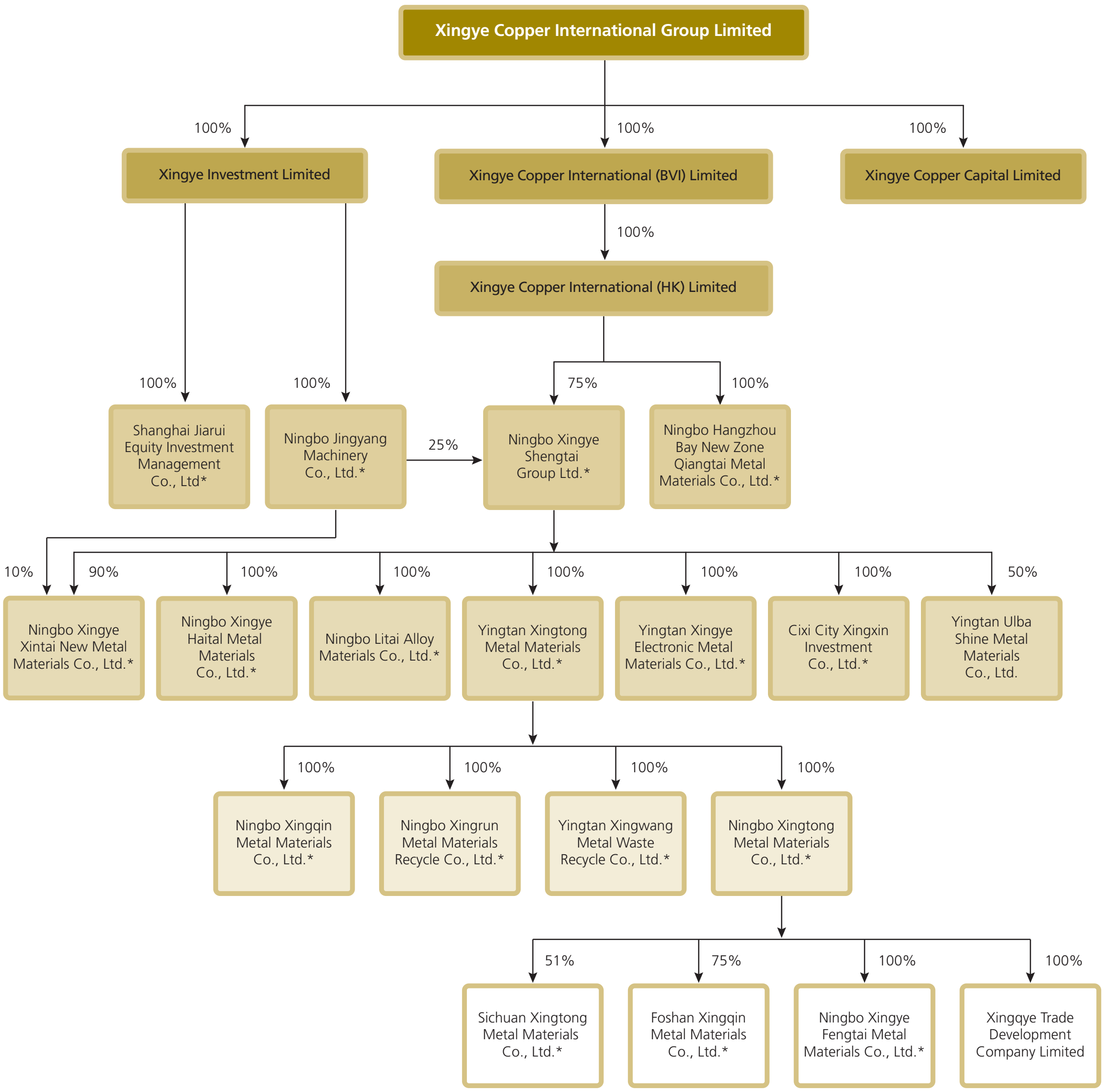
COMPANY WEBSITE

www.xingyecopper.com

STOCK CODE

505

Corporate Structure



Ningbo Kairui Investment Partnership* — The Group effective held 20% 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 2011.

During 2011, global economy remained clouded by worsening debt crisis of European countries, ongoing geo-political tensions and knock-on effects of Japan's earthquake. Threats of a possible Greek default attributed to market volatility and sluggish recovery in Euro zones. Financial risks spilled over to the banking system to further strain the real economy in Europe, resulting in stagnant growth across the globe. China was no exception as the economy faced woes of heightened inflation, tightening monetary policy, setbacks of property market and slowdown in investments. Despite challenges posed by external environment, the Group recorded revenue of RMB3,508.8 million and a profit attributable to equity holders of the Company of RMB89.7 million for the year ended 31 December 2011.

PROSPECTS

In 2012, economic and employment data in the United States showed positive signs despite ongoing woes of European debt crisis. Both Dow Jones Industrial Average and NASDAQ Composite reached their highest levels since the financial crisis in 2008, pointing to subsidence of risks weighing on global recovery. In China's 12th Five-Year Plan, investment remains the major growth engine of the state's economy. During the 12th Five-year plan period, grid investment, construction of low-income housing and urbanized infrastructure, demand for power and housing appliances, replacement of electronics products are expected to support copper demand in China. Against all odds, we are committed to our major development plan "to reinforce industry, to expand trading, to secure investments and to advance R&D". The Group has agreed to (1) invest RMB600 million to introduce a world class production line of high precision lead frame strip to replace high value-added imports, which will resolve the bottle neck in the current production line and extend the designated annual production capacity to 150,000 tons while it will enhance industrial production quality, (2) escalate support to trading business and extend room for development, (3) seek expansion of the production line through motivated search of potential projects such as copper mines to achieve synergy, and (4) increase investment in research and development to improve integrated strengths. We aim to be a reputed, modern company with a solid position amid latest consolidation in the industry.

APPRECIATION

Going forward, the Group will continue to take different measures to foster utilization of resources, efficient management, technological innovations, development of new products, exploration of effective means for project development, 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

16 March 2012

Management Discussion and Analysis

MARKET REVIEW

As the upward trend of copper price in 2010 continued in 2011, Shanghai and LME copper prices reached their highest levels in five years to RMB76,590/ton and USD10,190/ton respectively. However, copper price later came under pressure posed by war in Libya, Japan's major earthquake and China's tightening macroeconomic policies. As the domestic demand for the metal grew stronger in the peak consumption season, price of RMB60,000/ton formed a supporting level and copper price continued to hover around a high level. Year 2011 marked an entry into post-financial crisis era as countries loosened liquidity in 2009 -2010, driving hikes of commodities to outpace growth of economies. This was especially eminent in developed economies which were more prone to heightened risks of inflation in absence of any signs of solid recovery. Developing countries also entered into an interest rate hike cycle to contain inflation. In 2011, China raised the rates and reserve requirement ratios three times and six times respectively, showing her determination to tame inflationary risk and cool down the economy to prepare a soft landing. In the second half of the year, European and US sovereign debt crisis became the key factor to affect the market sentiment.

INDUSTRY REVIEW

In recent years, fast growth in domestic power, electronics and communications sectors gave rise to investment opportunities in the copper plates and strips sector. Rapid increase in demand for copper plates and strips attributed to the continued development of the copper processing sector. The positive market signs enabled market players that entered the industry at an early stage to reap favorable returns, which in turn lured more investors to tap into the copper plates and strips industry. The heavily invested products include lead frame copper strips, cable band, strips for transformer and contact plates. Despite an overcapacity in the copper plates and strips industry and large scale consolidations and restructures in the marketplace are forecasted in the coming five years as to eliminate those less-competitive players, the demand of high precision copper plates and strips will continue its reliance on foreign imports.

DEVELOPMENT PLAN

2011 was the first year, as well as the fundamental year, of the Group in implementing the five-year development plan. With the historical mission of "creating values continuously", the Company aimed to become a leader in the industry by quality products, high efficiency, strong capacity and large scale production. The Group optimized the allocation of resources for the manufacturing segment during the year. It upgraded Ningbo Xingye Shengtai Electronic Metal Materials Co., Ltd. located in Hangzhou Bay New Zone to Ningbo Xingye Shengtai Group Ltd. ("Shengtai") by re-allocating the economic resources, restoring the enterprise's core competitiveness and improving the development of the manufacturing segment. Yingtan Xingye Electronic Metal Materials Co., Ltd. ("Yingtan Xingye") in Yingtan, Jiangxi, was also repositioned to promote its business integrity and independence. Shengtai serves high-end customers while Yingtan Xingye serves medium-end customers, enabling the Group to further strengthen its competitive edge in the market.

Management Discussion and Analysis

Expanding capacities

The Group will continue expanding its production capacity and market share to further reinforce its leading position in China. With the objectives of major reforms, major adjustments, major efforts and major advancements, the Group devotes to be "a top-tier leading copper plate provider in China". The Group has invested over RMB600 million to: (1) introduce a world-class production line to manufacture high value-added high-precision copper strips as an alternative to imported ones; (2) optimize the key equipments and bottleneck equipments of the existing production lines to provide Xingye Shengtai with advantages in infrastructure; (3) expand Yingtan Xingye's production capacity to 30,000 tons in order to escalate its overall strength and profitability. The expanded annual production capacity of the Group will be increased from 90,000 tons to 150,000 tons. It will further increase the scale of operation and achieve better production efficiency, allowing the Group to strengthen its competitive edge in the market.

Conducting material transactions

Non-ferrous metals, especially copper cathode, not only have the characteristics of commodities, but also financial attributes. Due to the frequent fluctuations in non-ferrous metal prices in both international and domestic markets, bulk trades of non-ferrous metals represent business opportunities. In 2012, the Group will continue to conduct "material transactions", so as to expand the development space of the Group, as well as complement and support the Group's existing principal business.

Enhancing R&D capabilities

Developing new products to meet the needs of high-end customers is the Group's key to the success. Therefore, the Group will continue to put efforts in the R&D of new products. We have set up pilot plants with several well-known research institutes and universities to develop technologies and products for further growth.

Exploring business opportunities

Taking full advantage of the platform of listing to integrate the resource advantages of a listed company, the Group has diversified investment channels, initialed cross-industry development and expanded both the upstream and downstream industry chain. In selecting projects, the Group focuses on those with strong synergy effects on existing business, such as copper mine. The Group is actively sourcing qualify copper mine domestically and abroad.

The Group has also started investing in the domestic private equity funds. As of 31 December 2011, the Group has invested RMB15.0 million and RMB20.0 million in two partnerships, Ningbo Ruiju and Ningbo Kairui, respectively, accounting for 15% and 20% respectively of the total investment. Most of the investment projects involve enterprises in tourism, energy and property sectors, all are benefited from the domestic demand in China and with good growth potential. Divesting through IPO or otherwise, we have achieved capital appreciation. At the same time, the Group controls its investment risks by assessing various investment opportunities with caution. As at 31 December 2011, Ningbo Ruiju was in the process of deregistration in order to concentrate resources in Ningbo Kairui.

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue and gross profit

Driven by robust trade of raw materials and rise in average copper price (average copper price per ton in 2011 and 2010 were RMB66,757 and RMB58,839 respectively), the total revenue of the Group for the year ended 31 December 2011 increased by 21.2% to RMB3,508.8 million from RMB2,894.0 million as compared to the prior year. During the year under review, revenue was mainly derived from sales of high precision copper plates and strips, processing services and trading of raw materials which accounted for 69.3%, 3.4% and 27.3% of the total respectively. The volume of sales were 41,381 tonnes, 23,520 tonnes and 18,516 tonnes, making 49.6%, 28.2% and 22.2% of the total. Revenue generated from sales of high precision copper plates and strips and processing services remained flat compared to last year, while revenue in terms of sales and volume of raw materials rose 195.6% and 62.3% respectively. Gross profit for the year amounted to RMB180.6 million, representing a drop of 20.3% from RMB226.6 million in the same period last year.

The average gross profit per ton of sales of high precision copper plates and strips fell to RMB3,200 in 2011 from RMB4,000 in 2010, which was mainly attributable to the inflating cost of raw materials and production, as well as a drop in processing service fees.

The average gross profit per ton of processing services also recorded a drop to RMB1,670 in 2011 from RMB1,860 in 2010, dragged by growing labor costs and downward adjustment in processing service fees.

In 2011, revenue generated from trading of raw materials accounted for a larger proportion of the total, up 16.1% from previous year. Meanwhile, gross profit of the trading business also grew to RMB10.9 million in 2011 from RMB4.5 million in 2010 in the same period. Such hikes in both revenue and gross profit were in line with the strategic trade expansion plan of "Conducting Material Transactions" of the Group.

Other operating income

The Group's other operating income increased by 19.5% to RMB101.6 million in 2011 from RMB85.0 million in 2010. During the year under review, the Group recorded a gain of RMB63.7 million from hedging activities involving copper futures contracts. As part of the business operation, the Group entered into copper future contracts to hedge its exposure against price fluctuation of non-ferrous metals such as copper and zinc. We purchase raw materials to meet our production and operation needs. We are exposed to price fluctuation risks as we purchased for long term reserve. The amount of such raw materials is under strict surveillance and the total reserve amounted to around 4,500 tonnes to 5,500 tonnes in 2011. The Group would involve in hedging activities for the amount of raw materials required for the day order, or such involvement would occur when the amount exceeded the reserve of the Group. As the price of copper dropped substantially, a profit was recorded for the copper futures contracts. The gains or loss from future contracts was included in the "Other operating income/expenses" according to existing accounting policy of the Group. For the year ended 31 December 2011, the Group recorded a 57.7% drop in the amount of government subsidy, mainly due to adjustment of concession and incentive policies of China. Actual value-added tax refund of the Group in 2011 fell to 30.9% from 65.0% in 2010 as the renewable resource recycling and utilization of related value-added tax refund policy expired in 2011.

Management Discussion and Analysis

Distribution expenses

During the reporting period, the Group's distribution expenses rose to RMB20.2 million from RMB19.5 million in previous year, mainly due to a rise in fuel cost, which in turn contributed to increases in transportation charge and import and export agency fees.

Administrative expenses

During the reporting year, the Group's administrative expenses were RMB66.6 million, up 12.4% from RMB59.2 million in the prior year. Staff remuneration and benefits expenses rose RMB3.1 million, primarily attributable to expansion of the management team and an upward adjustment of average salary. Consultancy expenses rose RMB2.9 million mainly for the preparation of the issuance of Taiwan depository receipts. The Group has abolished in issuance of TDR in November 2011.

Other operating expenses

During the reporting year, the Group's other operating expenses dropped 88.1% to RMB8.4 million from RMB70.5 million in previous year, mainly attributable to the loss on the copper futures contracts of RMB63.8 million recognized in the previous year. In 2011, the copper futures contracts recorded a profit which has been included in the "Other operating income."

Net finance costs

The Group's net finance costs increased by 94.4% to RMB51.3 million in 2011 from RMB26.4 million in the prior year. The rise in financial costs was primarily due to increase in interest expense of RMB15.2 million as a result of increase in bank borrowings and interest rate hikes. Moreover, the Group's bond investments swung to a loss of RMB2.9 million for the period in 2011 from a profit of RMB4.2 million in 2010, while discounted bills and bank charges rose to RMB2.1 million as a result of the increase of discount rate.

Share of loss of a jointly controlled entity

For the year ended 31 December 2011, the Group's share of loss of the jointly controlled entity, Yingtan Ulba Shine Metal Materials Co., Ltd.("Yingtan Ulba"), rose to RMB8.0 million from RMB2.1 million in 2010, mainly due to a provision for diminution in value of inventories made in 2011. The Group has already adjusted the business strategy of Yingtan Ulba to reverse the loss in the ended of 2011.

Income tax

The Group's corporation income tax expenses increased by 6.5% to RMB37.6 million in 2011 from RMB35.3 million in 2010 and the effective tax rate increased to 29.4% in 2011 from 26.3% in 2010. Such increase in corporation income tax expenses was due to (i) tax charge for Ningbo Xingye Shengtai Group, Ltd. resumed to 25% in 2011, (ii) certain subsidiaries recorded losses in 2011.

Management Discussion and Analysis

Profit attributable to equity shareholders of the Company

As a result of the aforementioned factors, the Group's profit attributable to equity shareholders of the Company for 2011 decreased by 9.1% to RMB89.7 million from RMB98.7 million in the previous year.

Liquidity and financial resources

The working capital of the Group during the year under review was primarily satisfied by the cash generated from operating activities. The Group's cash and cash equivalents increased to RMB240.3 million as at 31 December 2011 from RMB80.2 million as at 31 December 2010, as a result of a drop of RMB122.0 million in pledged deposits. Discounted bills fell significantly from a year ago due to a rise in discount rate, which in turn caused a drop in the amount of deposits placed for discounted bills.

As at 31 December 2011, the Group had outstanding bank loans and other borrowings of approximately RMB843.7 million which shall be repaid within 1 year. As at 31 December 2011, 43.0% of the Group's debts were on secured basis.

The gearing ratio as at 31 December 2011 was 41.5% (31 December 2010: 50.4%), which is calculated by dividing the total borrowings by the total assets.

Charge on assets

As at 31 December 2011, the Group pledged assets with an aggregate carrying value of RMB479.7 million (31 December 2010: RMB427.2 million) to secure bank loan facilities of the Group.

Capital expenditure

For the year ended 31 December 2011, the Group had invested RMB90.5 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 2011, the future capital expenditures, for which the Group had authorised but not contracted for and contracted but not provided for, amounted to approximately RMB40.4 million and RMB49.3 million, respectively.

Contingent liabilities

As at 31 December 2011, 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. The net proceeds was applied as follows:

	Planned Amount *RMB'million*	Amount utilised up to 31 December 2011 *RMB'million*	Balance as at 31 December 2011 *RMB'million*
Expand production capacity	119.4	119.4	–
Develop large-scale production of new products	29.6	29.6	–
Research and development	12.6	12.6	–
General working capital purposes	59.8	59.8	–
	221.4	221.4	–

MARKET RISK

The Group was 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 note 29 to the financial statement for details.

EMPLOYEES

As at 31 December 2011, the Group had 1,307 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 train 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 2011, 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 2011.

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 2011, the Board convened a total of six Board meetings and the individual attendance record of the Directors is tabulated as follows:

Name of Director	Number of meetings held while being a Director	Number of meetings attended
Executive Directors		
Mr. Hu Changyuan *(Chairman)*	6	6
Mr. Chen Jianhua *(Deputy Chairman and Chief Executive Officer)*	6	6
Mr. Wang Jianli	6	6
Mr. Ma Wanjun	6	5
Non-executive Director		
Ms. Yu Yuesu *(resigned on 18 March 2011)*	1	1
Independent Non-executive Directors		
Mr. He Changming	6	4
Mr. Cui Ming	6	5
Mr. Xie Shuisheng	6	6
Mr. Chai Chaoming	6	6
Ms. Li Li	6	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 2011, 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 36 to 37 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 2011. At the meetings, the Remuneration Committee reviewed remuneration policy and packages of the Directors and senior management. 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	0
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 2011. 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	0
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. Currently, 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. The Nomination Committee meets formally at least one a year.

One Nomination Committee meetings were held during the year ended 31 December 2011. At the meeting, 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. Ma Wanjun	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; 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 2011, fees payable to the external auditors of the Group, KPMG, for statutory audit services, TDR audit services and non-audit services amounted to approximately RMB1,659,000, RMB671,000 and RMB38,000 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 2011.

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, provision of processing services and the management of a portfolio of investment.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 4 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2011 are set out in the accompanying financial statements on page 38.

The Board recommended the payment of a final dividend of HK6.0 cents per Share for the year ended 31 December 2011, which is expected to be payable on or about 23 May 2012 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 16 May 2012.

CLOSURE OF REGISTER OF MEMBERS

For determining the identity of Shareholders who are entitled to attend and vote at forthcoming annual general meeting, the register of members of the Company will be closed from 7 May 2012 to 10 May 2012, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible 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 4 May 2012.

The proposed final dividend is subject to the approval of Shareholders at the forthcoming annual general meeting. For determining the identity of Shareholders who are entitled to the proposed final dividend, the register of members of the Company will be closed on 16 May 2012, during which period no transfer of Shares will be registered. In order to qualify for the proposed final dividend, 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 15 May 2012.

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 120 to page 121.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 16 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 14 to the financial statements.

INTEREST-BEARING BORROWINGS

Particulars of interest-bearing borrowings of the Group as at 31 December 2011 are set out in note 24 to the financial statements.

Report of the Directors

SHARE CAPITAL AND RESERVES

Details of the movements in the share capital and reserves of the Group and the Company during the year are set out in note 28 to the financial statements.

CHARITABLE DONATIONS

During the year, the Group had donated a total of RMB143,000 for charitable purposes.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2011, the aggregate sales attributable to the five largest customers and the largest customer of the Group accounted for approximately 16.4% and 5.2% 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 37.6% and 15.6% 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 2011	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31 December 2011	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)	–	–	–
	1-12-2007	27-12-2010 to 26-12-2011	1.19	600,000	–	(600,000)	–	–	–
				1,200,000	–	(1,200,000)	–	–	–
Chen Jianhua	1-12-2007	27-12-2010 to 26-12-2011	1.19	500,000	–	–	(500,000)	–	–

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 2011	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31 December 2011	Approximate percentage of issued share capital of the Company
Wang Jianli	1-12-2007	27-12-2010 to 26-12-2011	1.19	400,000	–	–	(400,000)	–	–
Ma Wanjun	1-12-2007	27-12-2010 to 26-12-2011	1.19	400,000	–	–	(400,000)	–	–
Employees	1-12-2007	27-12-2009 to 26-12-2011	1.19	110,000	–	–	(110,000)	–	–
	1-12-2007	27-12-2010 to 26-12-2011	1.19	3,560,000	–	(400,000)	(3,160,000)	–	–
	11-5-2009	12-5-2009 to 26-12-2011	0.82	80,000	–	–	(80,000)	–	–
				3,750,000	–	(400,000)	(3,350,000)	–	–
				6,250,000	–	(1,600,000)	(4,650,000)	–	–

Notes:

1. As at 31 December 2011, the total number of issued shares of the Company was 699,501,950.

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 2011.

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. Chen Jianhua, Mr. He Changming, and Mr. Chai Chaoming 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.

Report of the Directors

DISCLOSURE OF INTERESTS

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

As at 31 December 2011, 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:

Name of Directors	Capacity	Number of Shares held	Approximate percentage of shareholding*
Hu Changyuan	Founder of a discretionary trust	265,200,000 *(Note 1)*	37.92%
Chen Jianhua	Beneficial owner	1,480,000	0.21%
Wang Jianli	Beneficial owner	1,060,000	0.15%
Ma Wanjun	Beneficial owner	1,060,000	0.15%
He Changming	Beneficial owner	120,000	0.02%
Cui Ming	Beneficial owner	220,000	0.03%
Xie Shuisheng	Beneficial owner	166,000	0.02%
Chai Chaoming	Beneficial owner	134,000	0.02%
Li Li	Beneficial owner	320,000	0.05%

Notes:

1. These 265,200,000 Shares were held by Luckie Strike Limited and Come Fortune International Limited which was wholly owned by Dynamic Empire Holdings Limited. The entire issued share capital of Dynamic Empire Holdings Limited was beneficially owned by the Hu Family Trust which was founded by Mr. Hu. Mr. Hu was deemed to be interested in these shares by virtue of the SFO.

* The percentages are calculated based on total issued number of Shares of 699,501,950 as at 31 December 2011.

Report of the Directors

Save as disclosed above, as at 31 December 2011, 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 2011, 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	Beneficial owner	110,000,000(L)	15.73%
Come Fortune International Limited	Beneficial owner	155,200,000(L)	22.19%
Dynamic Empire Holdings Limited *(Note 1)*	Interest of a controlled corporation	265,200,000(L)	37.92%
Barclays Wealth Trustees (Singapore) Limited *(Note 1)*	Trustee (other than a bare trustee)	265,200,000(L)	37.92%
Barclays PLC *(Note 2)*	Interest of a controlled Corporation	32,000(S) 32,000(L)	0.005% 0.005%
	Trustee (other than a bare trustee)	265,200,000(L)	37.92%
Yu Yuesu *(Note 3)*	Interest of spouse	265,200,000(L)	37.92%

Report of the Directors

Notes:

1. The Shares were held by Luckie Strike Limited and Come Fortune International Limited which was wholly owned by Dynamic Empire Holdings Limited. The entire issued share capital of Dynamic Empire Holdings Limited was beneficially owned by the Hu Family Trust, the trustee of which was Barclays Wealth Trustees (Singapore) Limited. Dynamic Empire Holdings Limited was deemed to be interested in all the Shares in which Luckie Strike Limited and Come Fortune International Limited is interested by virtue of the SFO. Barclays Wealth Trustees (Singapore) Limited was deemed to be interested in all the Shares in which Dynamic Empire Holdings Limited was interested by virtue of the SFO. The Shares registered in the name of Luckie Strike Limited and Come Fortune International Limited was also disclosed as the interest of Mr. Hu Changyuan in the section headed "Directors and chief executive's interests in shares, underlying shares and debentures of the Company" above.

2. Barclays Wealth Trustees (Singapore) Limited was wholly owned by Barclays PLC. Barclays PLC was deemed to be interested in all the Shares in which Barclays Wealth Trustees (Singapore) Limited was interested by virtue of the SFO.

3. Ms. Yu Yuesu is deemed to be interested in these shares under the SFO by virtue of being the spouse of Mr. Hu Changyuan.

The letter "S" denotes a short position in the Share
The letter "L" denotes a long position in the Share

* The percentages are calculated based on total number of issued Shares of 699,501,950 as at 31 December 2011.

Save as disclosed herein, as at 31 December 2011, so far as the Directors are aware, there were no other person, other than the Directors and chief executive of the Company, who had any interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept under section 336 of the SFO.

DIRECTORS' INTERESTS IN CONTRACTS

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

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.

Report of the Directors

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 2011.

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 2011. 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 2011 and has also discussed auditing, internal control and financial reporting matters including accounting practices and principles adopted by the Group.

AUDITORS

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

On behalf of the Board
Hu Changyuan
Chairman

Hong Kong, 16 March 2012

Biographical details of the Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. HU Changyuan, aged 63, is an executive Director and Chairman of the Board of the Company. 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 23 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 the husband of Ms. Yu Yuesu, the non-executive Director of the Company (resigned on 18 March 2011) and the brother-in-law of Mr. Yu Liben, a consultant of the Group. Mr. Hu is dedicated to charities.

Mr. CHEN Jianhua, aged 44, 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 the Group in January 2005, responsible for the day-to-day management of the Group. Mr. Chen has more than 23 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 "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 40, 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 and was recognized as a senior economist in 2011. 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 23 years of experience in the copper plates and strips industry. Mr. Wang was awarded the title of "Model of Founders of Township Enterprises"（浙江省鄉鎮企業創業標兵）by Zhejiang Province Township 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"（慈溪市明星企業家）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 45, 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 Shengtai in December 2009. Mr. Ma has more than 23 years of experience in the copper plates and strips industry. In 1999, he was engaged as a committee member 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技工作者）by the China Nonferrous Metals Industry Association and the Chinese Non-Ferrous Metal Society（有色金屬學會）. In 2008, he was 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. In March 2010, Mr. Ma was the vice president of Shanghai Nonferrous Metals Association. 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. From October 2011, he has been the vice president of the council of the China Nonferrous Metals Fabrication Industry Association.

Biographical details of the Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. HE Changming, aged 70, 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 55, 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 of the said company.

Mr. XIE Shuisheng, aged 67, 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 former Nonferrous Metals Society of China (前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 300 articles in various international and Chinese academic journals, has published 18 books and has obtained 30 patents in China. Mr. Xie has been awarded National science and technology progressive 2nd prize, 5 awards of ministry level 1st prize and 8 awards of 2nd prize.

Biographical details of the Directors and Senior Management

Mr. CHAI Chaoming, aged 42. is an independent non-executive Director of the Company. He graduated and obtained a Bachelor degree in economics from Shanghai University of Finance & Economics and a Master degree in business administration from Guanghua School of Management of Beijing University. 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 39, 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 in January 2010.

SENIOR MANAGEMENT

Mr. CHAN Chung Kik, Lewis, aged 39, 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 15 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 70, is the chief engineer of the Group responsible for the engineering function of the Group. Mr. Cheng is a senior engineer and 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 65, 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 40, is a Vice President of the Group and responsible for the treasury function of the Group. Ms. Chen was qualified as an Intermediate Accountant in China in 2004 and obtained a diploma in law from Dongbei University of Finance and Economics (online education)（東北財經大學（網絡教育））in 2007. In 2009, Ms. Chen was qualified as an Senior International Financial Manager. Ms. Chen joined the Group in 2001. Prior to her appointment as a vice president of the Group in December 2009, 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 40, 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 to his appointment as a vice president of the Group in December 2009, 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 37, is a Vice President of the Group and is responsible for the management of subsidiaries located in Yingtan. Mr. Zheng obtained 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 to his appointment as a vice president of the Group in December 2009, 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 54, 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 to his appointment as an assistant to the Chief Executive Officer of the Group in December 2009, Mr. Ma was the vice manager responsible for production, the chairman of the labour union, 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 31, 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 to his appointment as an assistant to the Chief Executive Officer of the Group in December 2009, he was the head of the quality assurance department and the innovative technology department of the Group. Mr. Yuan was recognized as an engineer by Municipal Personnel Bureau of Ningbo in 2011. He was also recognized as ISO9001 National registered assessor and OHSMS18001 National registered assessor by China Certification and Accreditation Association in September 2011.

Mr. ZHENG Juliang, aged 43, 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 to his appointment a Vice President of the Group in December 2009, 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 40, 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 and a mechanical engineer. Mr. Lu joined the Group in 1998. Prior to his appointment as an assistant to the Chief Executive Officer of the Group in December 2009, 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 39, 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 to her appointment as the head of the finance department of the Group in December 2009, 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 for a company and responsible for accounting matters.

Ms. XU Chi, aged 31, head of risks 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（立信會計師事務所有限公司）. 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

KPMG

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 38 to 119, which comprise the consolidated and company statements of financial position as at 31 December 2011, 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 CONSOLIDATED 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 2011 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

16 March 2012

Consolidated Income Statement

For the year ended 31 December 2011

	Note	**2011** *RMB'000*	2010 *RMB'000*
Turnover	*4*	**3,508,781**	2,894,048
Cost of sales		**(3,328,167)**	(2,667,440)
Gross profit		**180,614**	226,608
Other operating income	*5*	**101,551**	84,953
Distribution expenses		**(20,165)**	(19,505)
Administrative expenses		**(66,613)**	(59,249)
Other operating expenses	*6*	**(8,383)**	(70,459)
Results from operating activities		**187,004**	162,348
Finance income		**10,838**	15,692
Finance costs		**(62,165)**	(42,092)
Net finance costs	*7(a)*	**(51,327)**	(26,400)
Share of loss of a jointly controlled entity		**(8,034)**	(2,053)
Profit before taxation	*7*	**127,643**	133,895
Tax expense	*8*	**(37,569)**	(35,268)
Profit for the year		**90,074**	98,627
Attributable to:			
Equity shareholders of the Company		**89,671**	98,690
Non-controlling interests		**403**	(63)
Profit for the year		**90,074**	98,627
Earnings per share			
Basic earnings per share (RMB)	*13(a)*	**0.13**	0.15
Diluted earnings per share (RMB)	*13(b)*	**0.13**	0.14

The notes on pages 47 to 119 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 28(d).

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

	Note	2011 RMB'000	2010 RMB'000
Profit for the year		**90,074**	98,627
Other comprehensive income for the year (after tax and reclassification adjustment):			
Exchange differences on translation of financial statements of overseas subsidiaries	12	**(1,989)**	(1,974)
Total comprehensive income for the year		**88,085**	96,653
Attributable to:			
Equity shareholders of the Company		**87,682**	96,716
Non-controlling interests		**403**	(63)
Total comprehensive income for the year		**88,085**	96,653

The notes on pages 47 to 119 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2011

	Note	2011 RMB'000	2010 RMB'000
Non-current assets			
Property, plant and equipment	14	**549,684**	511,380
Lease prepayments	15	**18,443**	18,210
Interest in associates	17	**35,000**	55,000
Interest in a jointly controlled entity	18	**12,502**	17,246
		615,629	601,836
Current assets			
Inventories	19	**534,827**	587,756
Trade and other receivables	20	**594,865**	562,036
Pledged deposits	21	**32,351**	154,378
Trading securities	22	**12,772**	–
Derivative financial instruments	25	**3,951**	–
Cash and cash equivalents	23	**240,345**	80,248
		1,419,111	1,384,418
Current liabilities			
Interest-bearing borrowings	24	**843,711**	997,413
Derivative financial instruments	25	**–**	34,460
Trade and other payables	27	**480,002**	280,255
Income tax payables		**6,792**	11,094
		1,330,505	1,323,222
Net current assets		**88,606**	61,196
Total assets less current liabilities		**704,235**	663,032
Non-current liabilities			
Interest-bearing borrowings	24	**–**	4,000
Deferred income		**3,603**	946
Deferred tax liabilities	8(c)	**18,177**	18,416
		21,780	23,362
Net assets		**682,455**	639,670

The notes on pages 47 to 119 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2011

	Note	**2011** ***RMB'000***	2010 *RMB'000*
Capital and reserves			
Share capital	*28(b)*	**64,881**	62,511
Reserves		**614,134**	574,772
Total equity attributable to equity shareholders of the Company		**679,015**	637,283
Non-controlling interests		**3,440**	2,387
Total equity		**682,455**	639,670

Approved and authorised for issue by the board of directors on 16 March 2012.

Hu Changyuan
Director

Chen Jianhua
Director

The notes on pages 47 to 119 form part of these financial statements.

Company Statement of Financial Position

At 31 December 2011

	Note	2011 RMB'000	2010 RMB'000
Non-current assets			
Investment in subsidiaries	16	**407,249**	407,249
Current assets			
Trade and other receivables	20	**279,488**	262,471
Cash and cash equivalents	23	**570**	3,617
		280,058	266,088
Current liabilities			
Trade and other payables	27	**11,445**	11,782
Net current assets		**268,613**	254,306
Net assets		**675,862**	661,555
Capital and reserves	28(a)		
Share capital		**64,881**	62,511
Reserves		**610,981**	599,044
Total equity		**675,862**	661,555

Approved and authorised for issue by the board of directors on 16 March 2012.

Hu Changyuan
Director

Chen Jianhua
Director

The notes on pages 47 to 119 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2011

		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 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	*28(d)*	–	–	–	–	–	–	(58,029)	(58,029)	–	(58,029)
Share options exercised	*28(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	*28(b) & (c)*	2,768	22,975	–	–	–	–	–	25,743	–	25,743
Transfer to reserve	*28(c)(iv)*	–	–	–	16,026	–	–	(16,026)	–	–	–
Dividend declared in respect of the current year	*28(d)*	–	–	–	–	–	–	(28,283)	(28,283)	–	(28,283)
Capital contribution received by a non-wholly owned subsidiary from a non-controlling shareholder		–	–	–	–	–	–	–	–	2,450	2,450
At 31 December 2010 and at 1 January 2011		62,511	207,035	259,726	44,027	(10,805)	4,157	70,632	637,283	2,387	639,670

The notes on pages 47 to 119 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2011

		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 2010 and at 1 January 2011		62,511	207,035	259,726	44,027	(10,805)	4,157	70,632	637,283	2,387	639,670
Changes in equity for 2011:											
Profit for the year		–	–	–	–	–	–	89,671	89,671	403	90,074
Other comprehensive income		–	–	–	–	(1,989)	–	–	(1,989)	–	(1,989)
Total comprehensive income		–	–	–	–	(1,989)	–	89,671	87,682	403	88,085
Dividend approved in respect of the previous year	28(d)	–	–	–	–	–	–	(28,875)	(28,875)	–	(28,875)
Share options exercised	28(b) & (c)	134	2,385	–	–	–	(924)	–	1,595	–	1,595
Share options lapsed	28(c)(v)	–	–	–	–	–	(3,233)	3,233	–	–	–
Warrants exercised	28(b) & (c)	2,236	18,558	–	–	–	–	–	20,794	–	20,794
Transfer to reserve	28(c)(iv)	–	–	–	3,820	–	–	(3,820)	–	–	–
Dividend declared in respect of the current year	28(d)	–	–	–	–	–	–	(39,464)	(39,464)	–	(39,464)
Capital contribution received by a non-wholly owned subsidiary from a non-controlling shareholder		–	–	–	–	–	–	–	–	650	650
At 31 December 2011		64,881	227,978	259,726	47,847	(12,794)	–	91,377	679,015	3,440	682,455

The notes on pages 47 to 119 form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2011

	Note	2011 RMB'000	2010 RMB'000
Cash flows from operating activities			
Profit for the year		**90,074**	98,627
Adjustments for:			
Depreciation of property, plant and equipment	7(c)	**43,260**	40,369
Amortisation of lease prepayments	7(c)	**401**	391
Equity-settled share-based payment transactions	7(b)	**–**	912
Net finance costs	7(a)	**51,327**	26,400
Loss on disposal of property, plant and equipment	6	**572**	582
Unrealised fair value change on derivative financial instruments	25	**(3,951)**	34,460
Share of loss of a jointly controlled entity	18	**8,034**	2,053
Gain on disposal of investment in associate		**(1,534)**	–
Tax expense	8(a)	**37,569**	35,268
		225,752	239,062
Change in inventories		**52,929**	(243,577)
Change in trade and other receivables		**(32,829)**	(311,777)
Change in trade and other payables		**165,906**	130,823
Cash generated from/(used in) operating activities		**411,758**	(185,469)
Interest paid		**(52,834)**	(37,659)
Taxes paid		**(42,110)**	(25,461)
Net cash from/(used in) operating activities		**316,814**	(248,589)

The notes on pages 47 to 119 form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2011

	Note	**2011** **RMB'000**	2010 RMB'000
Cash flows from investing activities			
Interest received		**5,569**	11,473
Proceeds from sale of property, plant and equipment		**7,301**	6,540
Proceeds from sale of trading securities		**–**	100,712
Proceeds from sales of investment in associate		**21,534**	–
Payment for investment in a jointly controlled entity		**(3,290)**	–
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
Acquisition of property, plant and equipment		**(90,504)**	(59,385)
Acquisition of lease prepayments		**(634)**	(700)
Acquisition of trading securities		**(15,718)**	(62,658)
Net cash used in investing activities		**(75,742)**	(59,018)
Cash flows from financing activities			
Proceeds from issue of share capital, net of issuance expense		**22,389**	32,708
Proceeds from borrowings		**1,520,783**	1,379,992
Repayment of borrowings		**(1,678,485)**	(996,848)
Change in pledged deposits		**122,027**	(65,565)
Capital contribution from non-controlling interest		**650**	2,450
Dividends paid	*28(d)*	**(68,339)**	(86,312)
Net cash (used in)/generated from financing activities		**(80,975)**	266,425
Net increase/(decrease) in cash and cash equivalents		**160,097**	(41,182)
Cash and cash equivalents at 1 January		**80,248**	121,430
Cash and cash equivalents at 31 December		**240,345**	80,248

The notes on pages 47 to 119 form part of these financial statements.

Notes to the Financial Statements

1. REPORTING ENTITY AND BACKGROUND 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 consolidated financial statements for the year ended 31 December 2011 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 principal activities of the Group are the manufacture and sales of high precision copper plates and strips, trading of raw materials, provision of processing services, and management of a portfolio of investments.

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 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 2(e) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of measurement

The measurement basis used in the preparation of the consolidated 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(j)(i)); and
- derivative financial instruments (see note 2(j)(iv)).

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Functional and presentation currency

These consolidated financial statements are presented in Renminbi ("RMB"), which is the functional currency of the Group's subsidiaries located in the PRC. All financial information presented in RMB has been rounded to the nearest thousand, except when otherwise indicated.

(d) Use of estimates and judgements

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

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

Notes 8, 25 and 26 contain information about the assumptions and their risk factors relating to deferred tax liabilities, financial instruments and the fair value of share options granted. Other key sources of estimation uncertainty are as follows:

(a) Impairment losses for 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.

(b) Depreciation

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

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Use of estimates and judgements (continued)

(c) 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.

(e) Changes in accounting policies

The IASB has issued a number of amendments to IFRSs and one new Interpretation 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:

- IAS 24 (revised 2009), Related party disclosures
- Improvements to IFRSs (2010)

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

The impacts of the above developments are discussed below:

- IAS 24 (revised 2009) revises the definition of a related party. As a result, the group has re-assessed the identification of related parties and concluded that the revised definition does not have any material impact on the Group's related party disclosures in the current and previous periods. IAS 24 (revised 2009) also introduces modified disclosure requirements for government-related entities. This does not impact the Group because the Group is not a government-related entity.
- Improvements to IFRSs (2010) omnibus standard introduces a number of amendments to the disclosure requirements in IFRS 7, Financial instruments: Disclosures. The disclosures about the Group's financial instruments in notes 25 and 29 have been conformed to the amended disclosure requirements. These amendments do not have any material impact on the classification, recognition and measurements of the amounts recognised in the financial statements in the current and previous periods.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) 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 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.

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.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or jointly controlled entity.

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

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) 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 controlled 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 note 2(o)). 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.

When the Group ceases to have significant influence over an associate or joint control over a jointly controlled entity, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(j)) or, when appropriate, the cost on initial recognition of an investment in an associate.

In the Company's statement of financial position, investments in associates and jointly controlled entities are stated at cost less impairment losses (see note 2(o)).

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) 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 profit or loss 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(o)).

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

(i) Foreign currency

(i) Foreign currency transactions

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

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

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Foreign currency (continued)

(i) Foreign currency transactions (continued)

Foreign currency differences arising on retranslation are recognised in profit or loss, except for the following differences which are recognised in other comprehensive income arising on the retranslation of:

– available-for-sale equity investments (except on impairment in which case foreign currency differences that have been recognised in other comprehensive income are reclassified to profit or loss);

– a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or

– qualifying cash flow hedges to the extent the hedge is effective.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to RMB at exchange rates at the reporting date. The income and expenses of foreign operations are translated to RMB at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign currency gains and losses arising from such item are considered to form part of a net investment in the foreign operation and are recognised in other comprehensive income, and presented in the translation reserve in equity.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Financial instruments

(i) Non-derivative financial assets

The Group initially recognises loans and receivables 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, which is the date that 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 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 as 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 recognised in the consolidated income statement as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, which take into account any dividend income, are recognised in profit or loss.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Financial instruments (continued)

(i) Non-derivative financial assets (continued)

Financial assets at fair value through profit or loss (continued)

Financial assets designated as at fair value through profit or loss comprise equity securities that otherwise would have been classified as available for sale.

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 (see note 2(o)).

Loans and receivables comprise cash and cash equivalents, and trade and other receivables.

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

(ii) Non-derivative financial liabilities

All financial liabilities (including liabilities designated as 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.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise loans and borrowings, and trade and other payables.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Financial instruments (continued)

(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 futures contracts to hedge its exposure against price fluctuations of raw materials, mainly copper. 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 raw materials 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 profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and all changes in fair value are recognised immediately in profit or loss.

(k) 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(o)).

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Property, plant and equipment (continued)

(i) Recognition and measurement (continued)

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the following:

– the cost of materials and direct labour;

– any other costs directly attributable to bringing the assets to a working condition for their intended use;

– when the Group has an obligation to remove the asset and restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and

– capitalised borrowing costs.

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.

Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

(ii) Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance is expensed as incurred.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Property, plant and equipment (continued)

(iii) Depreciation

Items of property, plant and equipment are depreciated on a straight-line basis in profit or loss over the estimated useful lives of each component. 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.

Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment 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 reporting date and adjusted if appropriate.

(l) Lease prepayments

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

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Leased assets

Leases in terms of which the Group assumes substantially all of the risks and rewards of ownership are classified as finance leases. On initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and are not recognised in the Group's consolidated statement of financial position.

(n) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is calculated using the weighted average cost formula, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

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

(o) Impairment

(i) Non-derivative financial assets

A financial asset not classified as 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 there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event(s) had an impact effect on the estimated future cash flows of that asset that can be estimated reliably.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Impairment (continued)

(i) Non-derivative financial assets (continued)

Objective evidence that financial assets are impaired includes 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, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or 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 financial assets measured at amortised cost (loans and receivables) at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment the Group uses historical trends of the probability of default, the 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 profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(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. Goodwill is tested annually for impairment. An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Impairment (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 asset or CGU. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, 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 combination.

Impairment losses are recognised in profit or loss. 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. For other assets, 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)

(p) Employee benefits

(i) *Short-term employee benefits*

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus if the Group has a present legal or constructive obligation to pay this amount as a result or of past service provided by the employee, and the obligation can be estimated reliably.

(ii) *Defined contribution retirement plan*

Pursuant to the relevant laws and regulations of the PRC, employees of the Group participate in the social insurance system established and managed by government organisations. The Group makes social insurance contributions, including contributions to basic pension insurance, basic medical insurance, unemployment insurance, work-related injury insurance, maternity insurance and etc., as well as contributions to housing fund, at the applicable benchmarks and rates stipulated by the government for the benefit of its employees. The social insurance and housing fund contributions are recognised as part of the cost of assets or charged to profit or loss on an accrual basis.

(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 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 profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On the vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the 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).

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Provisions and contingent liabilities

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

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.

(r) Revenue

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in 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 trade discounts, 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 customer, 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.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Lease payments

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

(t) Finance income and finance costs

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

Finance costs comprise interest expenses on borrowings, bank charges, foreign currency losses, fair value losses on financial assets at fair value through profit or loss, and impairment losses recognised on financial assets and unwinding of the discount on provisions. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

(u) Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss 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. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and

- taxable temporary differences arising on the initial recognition of goodwill.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Tax (continued)

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

In determining the amount of current and deferred tax the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such as a determination is made.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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

(v) Dividends

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

(w) Borrowing costs

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

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

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) 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.

(y) Related parties

(i) A person, or a close member of that person's family, is related to the Group if that person:

(a) has control or joint control over the Group;

(b) has significant influence over the Group; or

(c) is a member of the key management personnel of the Group or the Group's parent.

(ii) An entity is related to the Group if any of the following conditions applies:

(a) the entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the other).

(b) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of the Group of which the other entity is a member).

(c) both entities are joint ventures of the same third party.

(d) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(e) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(y) Related parties (continued)

(ii) (continued)

(f) the entity is controlled or jointly controlled by a person identified in (i).

(g) a person identified in (i)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

3. DETERMINATION OF FAIR VALUES

Certain of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Trade and other receivables, trade and other payables

The carrying values of these financial assets and liabilities approximate their respective fair values due to the short maturities of these instruments.

(b) Trading securities

Fair value is based on quoted market prices at the end of the reporting period without any deduction for transaction costs.

(c) Interest-bearing borrowings

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

(d) Derivative financial instruments

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

Notes to the Financial Statements

3. DETERMINATION OF FAIR VALUES (continued)

(e) 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.

4. TURNOVER AND SEGMENT REPORTING

(a) Turnover

The principal activities of the Group are the manufacturing and sales of high precision copper plates and strips, trading of raw materials, provision of processing services, and management of a portfolio of investments.

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:

	2011	2010
	RMB'000	*RMB'000*
Turnover		
Sales of copper products	**2,433,313**	2,451,944
Trading of raw materials	**957,418**	323,889
Processing services	**118,050**	118,215
	3,508,781	2,894,048

Further details regarding the Group's principal activities are disclosed below.

Notes to the Financial Statements

4. TURNOVER AND SEGMENT REPORTING (continued)

(b) Segment reporting

The Group's turnover and operating results are generated from the manufacturing and sales of high precision copper plates and strips, trading of raw materials, provision of processing services, and the management of a portfolio of investments. 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 four reportable segments.

- Sales of copper products: this segment reports manufacture and sales of high precision copper plates and strips products.
- Trading of raw materials: this segment reports trading of raw materials.
- Processing services: this segment reports provision of processing services to customers who provide raw materials to the Group for processing.
- Investment: this segment reports listed and unlisted equity and debt investments made by the Group.

(i) Segment results

In accordance with IFRS 8, segment information disclosed in the consolidated 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 revenue represents revenue derived from the sales of copper products, trading of raw materials, and provision of processing services to external customers, as well as income derived from listed and unlisted equity and debt investments.

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 principal assets and liabilities are jointly used and shared by the following segments: (1) sales of copper products; (2) trading of raw materials; and (3) processing services. Accordingly, the allocation of assets and liabilities of these segments would be arbitrary and not meaningful. The assets and liabilities pertinent to the investment segment are insignificant for the purpose of segment reporting. Therefore, no analysis on the assets and liabilities of this segment is provided.

Notes to the Financial Statements

4. TURNOVER AND SEGMENT REPORTING (continued)

(b) Segment reporting (continued)

(i) 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 2011:

	Sales of copper products *RMB'000*	**Trading of raw materials** *RMB'000*	**Processing services** *RMB'000*	**Investment** *RMB'000*	**Total** *RMB'000*
Segment revenue:					
Revenue from external customers	**2,433,313**	**957,418**	**118,050**	**–**	**3,508,781**
Inter-segment revenue	**2,038,422**	**2,481,203**	**22,791**	**–**	**4,542,416**
Other income	**–**	**–**	**–**	**1,534**	**1,534**
Reportable segment revenue	**4,471,735**	**3,438,621**	**140,841**	**1,534**	**8,052,731**
Reportable segment profit	**130,400**	**10,874**	**39,340**	**(617)**	**179,997**

For the year ended 31 December 2010:

	Sales of copper products *RMB'000*	Trading of raw materials *RMB'000*	Processing services *RMB'000*	Investment *RMB'000*	Total *RMB'000*
Segment revenue:					
Revenue from external customers	2,451,944	323,889	118,215	–	2,894,048
Inter-segment revenue	2,196,659	1,995,640	13,005	–	4,205,304
Other income	–	–	–	–	–
Reportable segment revenue	4,648,603	2,319,529	131,220	–	7,099,352
Reportable segment profit	180,841	4,510	41,257	5,961	232,569

Notes to the Financial Statements

4. TURNOVER AND SEGMENT REPORTING (continued)

(b) Segment reporting (continued)

(ii) Reconciliation of reportable segment turnover and profit

	2011 RMB'000	2010 RMB'000
Turnover		
Total revenue for reportable segments	**8,052,731**	7,099,352
Elimination of inter-segment turnover	**(4,542,416)**	(4,205,304)
Other income	**(1,534)**	–
Consolidated turnover	**3,508,781**	2,894,048

	2011 RMB'000	2010 RMB'000
Profit		
Reportable segment profit	**179,997**	232,569
Distribution expenses	**(20,165)**	(19,505)
Administrative expenses	**(66,613)**	(59,249)
Other operating income net of expenses	**91,634**	14,494
Net finance costs	**(49,176)**	(32,361)
Share of loss of a jointly controlled entity	**(8,034)**	(2,053)
Consolidated profit before taxation	**127,643**	133,895

Notes to the Financial Statements

4. TURNOVER AND SEGMENT REPORTING (continued)

(b) Segment reporting (continued)

(iii) 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.

	2011	2010
	RMB'000	*RMB'000*
Revenue		
PRC	**2,741,351**	2,471,926
Others	**767,430**	422,122
	3,508,781	2,894,048

5. OTHER OPERATING INCOME

	2011	2010
	RMB'000	*RMB'000*
Government grants	**35,813**	84,587
Gain on derivative financial instruments *(note 25)*	**63,662**	–
Others	**2,076**	366
	101,551	84,953

The Group was awarded unconditional government grants of RMB35,813,000 (2010: RMB84,587,000) as recognition of the Group's contribution to the development of the local economy.

Notes to the Financial Statements

6. OTHER OPERATING EXPENSES

	2011 RMB'000	2010 RMB'000
Donation	**143**	133
Water conservancy fund	**7,175**	5,353
Loss on disposal of property, plant and equipment	**572**	582
Loss on derivative financial instruments (note 25)	**–**	63,830
Others	**493**	561
	8,383	70,459

7. PROFIT BEFORE TAXATION

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

(a) Net finance costs

	2011 RMB'000	2010 RMB'000
Interest income on bank deposits	**(4,774)**	(4,957)
Interest income on loans to a third party	**–**	(4,774)
Interest income on investment in trading securities	**(795)**	(1,742)
Net foreign exchange gain	**(5,269)**	–
Net change in fair value of trading securities	**–**	(4,219)
Finance income	**(10,838)**	(15,692)
Interest expenses	**52,834**	37,659
Net foreign exchange loss	**–**	99
Bank charges	**6,385**	4,334
Net change in fair value of trading securities	**2,946**	–
Finance costs	**62,165**	42,092
Net finance costs	**51,327**	26,400

Notes to the Financial Statements

7. PROFIT BEFORE TAXATION (continued)

(b) Personnel costs

	2011	2010
	RMB'000	*RMB'000*
Wages, salaries and other benefits	**62,641**	56,953
Contribution to defined contribution plan	**5,531**	4,625
Equity-settled share-based payment expenses (note 26)	**–**	912
	68,172	62,490

The Group participates in pension funds organised by the PRC government. According to the related 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.

Notes to the Financial Statements

7. PROFIT BEFORE TAXATION (continued)

(c) Other items

	2011 RMB'000	2010 RMB'000
Cost of inventories*	**3,328,167**	2,667,440
Depreciation	**43,260**	40,369
Amortisation of lease prepayments	**401**	391
Write down of inventories to net realisable value	**7,984**	–
Net realised and unrealised losses/(gains) on trading securities	**2,946**	(4,219)
Net realised and unrealised (gains)/losses on derivative financial instruments	**(63,662)**	63,830
Operating lease charges	**3,044**	1,771
Auditor's remuneration – audit services	**2,330**	1,612
– non-audit services	**38**	220

* *Cost of inventories includes RMB70,735,000 (2010: RMB62,742,000) 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.*

8. TAXES

(a) Taxation in the consolidated income statement represents:

	2011 RMB'000	2010 RMB'000
Current tax expense		
Provision for PRC Corporate Income Tax	**37,808**	31,092
Deferred tax		
Reversal and origination of temporary differences	**(239)**	4,176
	37,569	35,268

Notes to the Financial Statements

8. TAXES (continued)

(a) (continued)

(i) Pursuant to the tax 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 did not have assessable profits subject to Hong Kong Profits Tax.

(iii) The provision for PRC Corporate 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.

(iv) Pursuant to the Corporate Income Tax Law of the People's Republic of China, 5% withholding tax is levied on foreign investors in respect of dividend distributions arising from the profits of foreign investment enterprises in the PRC 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 these earnings would be distributed in the foreseeable future.

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

	2011 ***RMB'000***	2010 *RMB'000*
Profit before tax	**127,643**	133,895
Notional tax calculated at the applicable tax rates of the Group's PRC subsidiaries	**34,324**	27,515
Current year losses for which no deferred tax asset was recognised (note 8(e))	**2,699**	1,594
Tax effect of non-deductible expenses net off non-taxable income	**31**	59
Withholding tax on profits retained by the Group's PRC subsidiaries	**515**	6,100
Actual tax expense	**37,569**	35,268

Notes to the Financial Statements

8. TAXES (continued)

(c) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	The Group	
	2011	2010
	RMB'000	*RMB'000*
Property, plant and equipment	**(17,080)**	(14,133)
Withholding tax on profits retained by the Group's PRC subsidiaries	**(2,096)**	(6,100)
Inventories	**1,996**	–
Change in fair value of derivative financial instruments	**(997)**	1,817
	(18,177)	(18,416)

(d) Movement in deferred tax balance during the year

	The Group				
	Property, plant and equipment	**Withholding tax on profits retained by the Group's PRC subsidiaries**	**Inventories**	**Change in fair value of derivative financial instruments**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2011	(14,133)	(6,100)	–	1,817	(18,416)
Reversal upon distribution of dividends	–	4,519	–	–	4,519
Recognised in consolidated income statement	(2,947)	(515)	1,996	(2,814)	(4,280)
At 31 December 2011	(17,080)	(2,096)	1,996	(997)	(18,177)

Notes to the Financial Statements

8. TAXES (continued)

(e) Unrecognised deferred tax assets

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

	The Group	
	2011	2010
	RMB'000	*RMB'000*
Tax losses of subsidiaries	**11,803**	6,376

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.

9. DIRECTORS' REMUNERATION

Details of directors' remuneration are as follows:

	Year ended 31 December 2011					
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	–	677	–	273	–	950
Mr. Chen Jianhua	–	358	6	542	–	906
Mr. Wang Jianli	–	360	6	490	–	856
Mr. Ma Wanjun	–	300	6	500	–	806
Non-executive director						
Ms. Yu Yuesu *(resigned on 18 March 2011)*	18	–	–	–	–	18
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
	378	1,695	18	1,805	–	3,896

Notes to the Financial Statements

9. DIRECTORS' REMUNERATION (continued)

	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 director						
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

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

	2011	2010
Nil to HKD1,000,000	**7**	6
HKD1,000,001 to HKD1,500,000	**3**	4

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.

Notes to the Financial Statements

10. INDIVIDUALS WITH HIGHEST EMOLUMENTS

The five highest paid individuals of the Group during the year include four (2010: 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:

	2011	2010
	RMB'000	*RMB'000*
Basic salaries, allowances and other benefits	**1,223**	1,210
Contributions to retirement benefit schemes	**11**	15
Share-based payments	**–**	67
	1,234	1,292
Number of senior management	**1**	1

The above individual's emoluments are within the band of HKD1,000,001 to HKD1,500,000 in 2011 (2010: 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.

11. PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a loss of RMB10,236,000 (2010: loss of RMB5,688,000) which has been dealt with in the financial statements of the Company.

Reconciliation of the above amount to the Company's profit for the year:

	2011	2010
	RMB'000	*RMB'000*
Amount of consolidated loss attributable to equity shareholders dealt with in the Company's financial statements	**(10,236)**	(5,688)
Dividends from a subsidiary attributable to the profit for the year, approved and paid during the year	**83,781**	99,535
The Company's profit for the year *(note 28(a))*	**73,545**	93,847

Notes to the Financial Statements

12. OTHER COMPREHENSIVE INCOME

Tax effect relating to each component of other comprehensive income

	2011			2010		
	Before-tax amount *RMB'000*	**Tax (expense)/ benefit** *RMB'000*	**Net-of-tax amount** *RMB'000*	Before-tax amount *RMB'000*	Tax (expense)/ benefit *RMB'000*	Net-of-tax amount *RMB'000*
Exchange difference on translation of financial statements of overseas subsidiaries	**(1,989)**	**–**	**(1,989)**	(1,974)	–	(1,974)
Other comprehensive income	**(1,989)**	**–**	**(1,989)**	(1,974)	–	(1,974)

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 RMB89,671,000 (2010: RMB98,690,000) and the weighted average of 684,887,980 (2010: 655,037,101) ordinary shares in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2011 Number of shares	2010 Number of shares
Ordinary shares issued at 1 January	**670,927,100**	632,274,800
Effect of share option exercised *(note 28(b)(ii))*	**1,047,670**	4,755,562
Effect of warrants exercised *(note 28(b)(iii))*	**12,913,210**	18,006,739
Weighted average number of ordinary shares at 31 December	**684,887,980**	655,037,101

Notes to the Financial Statements

13. BASIC AND DILUTED EARNINGS PER SHARE (continued)

(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 RMB89,671,000 (2010: RMB98,690,000) and the weighted average number of 692,917,147 (2010: 694,031,962) ordinary shares (diluted).

Weighted average number of ordinary shares (diluted) for the year ended 31 December 2011 is calculated as follows:

	2011 Number of shares	2010 Number of shares
Weighted average number of ordinary shares at 31 December	**684,887,980**	655,037,101
Effect of deemed issue of share option	**888,222**	2,237,878
Effect of deemed issue of warrants	**7,140,945**	36,756,983
Weighted average number of ordinary shares at 31 December (diluted)	**692,917,147**	694,031,962

Notes to the Financial Statements

14. 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 2010	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
Additions	2,671	1,298	1,079	2,695	74,565	82,308
Transfer from construction in progress	2,382	44,753	–	1,433	(48,568)	–
Disposals	–	–	(182)	(1,397)	–	(1,579)
At 31 December 2011	122,376	613,525	6,676	7,826	92,269	842,672
Accumulated depreciation and impairment losses						
At 1 January 2010	(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)
Charge for the year	(5,859)	(35,891)	(927)	(583)	–	(43,260)
Disposals	–	–	164	671	–	835
At 31 December 2011	(31,535)	(252,580)	(2,663)	(2,168)	(4,042)	(292,988)
Carrying amounts						
At 31 December 2011	90,841	360,945	4,013	5,658	88,227	549,684
At 31 December 2010	91,647	350,785	3,879	2,839	62,230	511,380

Notes to the Financial Statements

14. PROPERTY, PLANT AND EQUIPMENT (continued)

(i) Property, plant and equipment owned by the Group are all located in the PRC.

(ii) Certain property, plant and equipment with aggregate carrying amount of RMB187,381,000 (2010: RMB228,790,000) were pledged as securities for bank loans at 31 December 2011 (see note 24(i)).

(iii) As at 31 December 2011, the Group was in the process of applying for the certificates for certain of its properties with an aggregate carrying value of RMB4,202,000 (2010: RMB3,920,000). The directors of the Company are of the opinion that the Group is entitled to lawfully occupy and use the above mentioned properties.

15. LEASE PREPAYMENTS

The Group

	RMB'000
Cost	
At 1 January 2010	19,490
Additions	700
At 31 December 2010	20,190
Additions	634
At 31 December 2011	20,824
Accumulated amortisation	
At 1 January 2010	(1,589)
Charge for the year	(391)
At 31 December 2010	(1,980)
Charge for the year	(401)
At 31 December 2011	(2,381)
Carrying amounts	
As at 31 December 2011	18,443
As at 31 December 2010	18,210

Notes to the Financial Statements

15. 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 aggregate carrying amount of RMB10,339,000 (2010: RMB11,425,000) were pledged as securities for bank loans at 31 December 2011 (see note 24(i)).

16. INVESTMENT IN SUBSIDIARIES

	The Company	
	2011	2010
	RMB'000	*RMB'000*
Unlisted shares, at cost	**407,249**	407,249

All of the following entities are subsidiaries as defined under note 2(f) and have been consolidated into the Group's financial statements. The class of shares held is ordinary unless otherwise stated.

Name of company	Place and date of establishment/ incorporation	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Issued and fully paid- up/ registered capital	Principal activities
Xingye Copper International (BVI) Limited ("Xingye Copper (BVI)")	British Virgin Islands, July 2007	100%	–	USD1/USD1	Investment holding
Xingye Copper International (Hong Kong) Limited ("Xingye Copper (HK)")	Hong Kong SAR, July 2007	–	100%	HKD10/HKD10	Investment holding 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] Shengtai Group Ltd. (formerly known as Ningbo Xingye Shengtai Electronic Metal Materials Co., Ltd.) ("Shengtai")	The PRC, November 2001	–	100%	USD69,800,000/ USD69,800,000	Manufacture and sales of high precision copper plates and strips
Yingtan Xingye[i] Electronic Metal Materials Co., Ltd. ("Yingtan Xingye")	The PRC, November 2006	–	100%	RMB80,000,000/ RMB80,000,000	Manufacture 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	Manufacture and sales of high precision copper plates and strips

Notes to the Financial Statements

16. 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
Ningbo Xingtong[i] Metal Materials Co., Ltd. ("Ningbo Xingtong")	The PRC, August 2008	–	100%	RMB36,000,000/ RMB36,000,000	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%	HKD70,000,000/ 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
Ningbo 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
Ningbo Xingye Xintai[i] New Electronic Materials Co., Ltd ("Ningbo Xingtai")	The PRC, March 2011	–	100%	RMB20,000,000/ RMB100,000,000	Manufacture and sales of high precision copper plates and strips
Ningbo Xingye Fengtai[i] Metal Materials Co., Ltd ("Ningbo Fengtai")	The PRC, March 2011	–	100%	RMB10,000,000/ RMB10,000,000	Manufacture and sales of high precision copper plates and strips
Foshan Xingqin[i] Metal Materials Co., Ltd ("Foshan Xingqin")	The PRC, March 2011	–	75%	RMB2,525,263/ RMB5,000,000	Trading of high precision copper plates and strips
Xingye Trade Development Company Ltd ("Xingye Trade")	Hong Kong SAR, May 2011	–	100%	HKD1/HKD1	Trading of high precision copper plates and strips

Notes to the Financial Statements

16. 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
Ningbo Xingye Haitai[i] Metal Materials Co., Ltd ("Ningbo Haitai")	The PRC, June 2011	–	100%	RMB20,000,000/ RMB20,000,000	Manufacture and sales of high precision copper plates and strips
Ningbo Xingqin[i] Metal Materials Co., Ltd ("Ningbo Xingqin")	The PRC, June 2011	–	100%	RMB6,000,000/ RMB6,000,000	Trading of high precision copper plates and strips

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) Ningbo Xingye Electronic Copper Strip Co., Ltd was liquidated on 22 October 2011.

17. INTEREST IN ASSOCIATES

	2011 *RMB'000*	2010 *RMB'000*
Share of net assets	**35,000**	55,000

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

Name of associates	Form of business structure	Place and date of establishment	Issued and paid-up/ registered capital	Proportion of ownership interest 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	20%	20%	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%	In liquidation

Notes to the Financial Statements

17. INTEREST IN ASSOCIATES (continued)

On 30 April 2011, the Group sold 20% equity interest in Ningbo Kairui to Yuyao Haotian Investment Advisory Co., Ltd. ("Yuyao Haotian"), an independent third party, at a consideration of RMB21,534,000. This resulted, in a gain on equity transfer of RMB1,534,000, and the Group's equity interest in Ningbo Kairui was reduced to 20% thereupon.

As at 31 December 2011, the partners of Ningbo Kairui comprised Cixi Xingxin Investment Co., Ltd. ("Xingxin Investment") (20%), a subsidiary of the Group; Cixi Xingye Investment Co., Ltd. ("Cixi Xingye") (35%), a related party of the Group; Shanghai Dingtai Electric Elements Co., Ltd. (5%) and Ningbo Haoyuan Investment Co., Ltd. ("Ningbo Haoyuan") (5%), both independent third parties; Yuyao Haotian (20%), and three independent third party individuals (each 5%).

The partners of Ningbo Ruiju comprised Xingxin Investment (15%), Cixi Xingye (80%) and Ningbo Haoyuan (5%). As at 31 December 2011, Ningbo Ruiju was in the process of being liquidated.

Ningbo Haoyuan is the general partner of both Ningbo Kairui and Ningbo Ruiju, whilst other investors are limited partners. The liability of the limited partners is restricted to the extent of capital contributions made by them. Each partner is entitled to one equal-weight vote at partners' meetings, regardless of their equity interest in these entities.

Summary of financial information on these associates:

	Assets	**Liabilities**	**Equity**	**Revenue**	**Profit/(loss)**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
2011					
100 per cent	**119,988**	**–**	**119,988**	**–**	**(12)**
Group's effective interest	**35,000**	**–**	**35,000**	**–**	**–**
2010					
100 per cent	120,000	–	120,000	–	–
Group's effective interest	55,000	–	55,000	–	–

Notes to the Financial Statements

18. INTEREST IN A JOINTLY CONTROLLED ENTITY

	2011 *RMB'000*	2010 *RMB'000*
Share of net assets	**12,502**	17,246

As at 31 December 2011, 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	USD7,200,000/ USD7,200,000	50%	Manufacture of high precision beryllium copper plates and strips

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

On 27 January 2011, the Group made additional capital contribution in cash of USD500,000 (equivalent to RMB3,290,000) to Yingtan Ulba and maintained its 50% equity interest in this entity.

Summary financial information on the jointly controlled entity is as follows:

	Current assets *RMB'000*	Non-current assets *RMB'000*	Current liabilities *RMB'000*	Net assets *RMB'000*	Income *RMB'000*	Expenses *RMB'000*	Net loss *RMB'000*
Yingtan Ulba	25,668	27,350	28,015	25,003	33,307	(49,375)	(16,068)

Notes to the Financial Statements

19. INVENTORIES

	The Group	
	2011	2010
	RMB'000	*RMB'000*
Raw materials	**67,028**	215,583
Work in progress	**346,406**	292,225
Finished goods	**116,405**	74,797
Others	**4,988**	5,151
	534,827	587,756

Provisions of RMB7,984,000 were made against those inventories with net realizable value lower than carrying value as at 31 December 2011. Except for the above, none of the inventories as at 31 December 2011 was carried at net realizable value (2010: Nil).

Certain inventories with the carrying amount of RMB282,000,000 were pledged as securities for bank loans at 31 December 2011 (2010: RMB187,000,000) (see note 24(i)).

20. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade and bill receivables	**370,373**	277,090	**–**	–
Non-trade receivables	**81,335**	162,134	**–**	1,766
Prepayments	**130,845**	113,281	**–**	–
Amounts due from a related party	**12,312**	9,531	**–**	–
Amounts due from subsidiaries	**–**	–	**279,488**	260,705
	594,865	562,036	**279,488**	262,471

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.

Notes to the Financial Statements

20. TRADE AND OTHER RECEIVABLES (continued)

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

	The Group	
	2011	2010
	RMB'000	*RMB'000*
Within 3 months	**314,070**	228,324
Over 3 months but less than 6 months	**56,012**	48,528
Over 6 months but less than 1 year	**291**	238
	370,373	277,090

The ageing is counted from the date when trade and bill receivables are recognised. The Group's exposure to credit and currency risks is disclosed in note 29.

21. PLEDGED DEPOSITS

Pledged deposits can be analysed as follows:

	The Group	
	2011	2010
	RMB'000	*RMB'000*
Guarantee deposits for issuance of commercial bills and banking facilities	**32,351**	154,378

22. TRADING SECURITIES

	The Group	
	2011	2010
	RMB'000	*RMB'000*
Quoted debentures	**12,772**	–

Notes to the Financial Statements

23. CASH AND CASH EQUIVALENTS

All the balances of cash and cash equivalents as at 31 December 2011 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 29.

24. INTEREST-BEARING BORROWINGS

	The Group	
	2011	2010
	RMB'000	*RMB'000*
Current		
Secured bank loans	**362,600**	280,000
Unsecured bank loans	**337,611**	219,699
Bank advances under discounted bills	**143,500**	497,714
	843,711	997,413
Non-current		
Secured bank and other loans	**–**	4,000
	843,711	1,001,413

Notes to the Financial Statements

24. INTEREST-BEARING BORROWINGS (continued)

(i) The secured bank loans as of 31 December 2011 bore interest at rates ranging from 5.81% to 7.22% (31 December 2010: 3.97% to 5.56%) per annum and were pledged by the following assets:

	The Group	
	2011	2010
	RMB'000	*RMB'000*
Carrying amounts of assets:		
Inventories	**282,000**	187,000
Property, plant and equipment	**187,381**	228,790
Lease prepayments	**10,339**	11,425

(ii) Unsecured bank loans as of 31 December 2011 bore interest at rates ranging from 3.35% to 7.87% (31 December 2010: 1.99% to 6.12%) per annum.

(iii) 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 29.

Notes to the Financial Statements

25. DERIVATIVE FINANCIAL INSTRUMENTS

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

	The Group	
	2011	2010
	RMB'000	*RMB'000*
Sales contracts		
Volume (tonne)	**5,985**	6,700
Notional contract value	**261,134**	411,963
Market value	**(256,843)**	(446,423)
Fair value	**4,291**	(34,460)
Purchase contracts		
Volume (tonne)	**(500)**	–
Notional contract value	**(6,120)**	–
Market value	**5,780**	–
Fair value	**(340)**	–
Total	**3,951**	(34,460)
Contract maturity date	January, February and March 2012	January, February and March 2011

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 RMB3,951,000 as at 31 December 2011, and the net realised and unrealised gains, in aggregate, of RMB63,662,000 (2010: losses of RMB63,830,000) were recognised in profit or loss.

Notes to the Financial Statements

26. EQUITY-SETTLED SHARE BASED PAYMENTS

(a) Pre-IPO Share Option Scheme

Pursuant to the shareholders' written resolution passed on 1 December 2007, the Company adopted a Pre-IPO Share Option Scheme ("the Pre-IPO Option") whereby four directors, eight senior management and 21 employees of the Company were given the rights to subscribe for shares of the Company. The subscription price per share pursuant to the Pre-IPO Option is a 30% discount to the global offering price. The Group has no legal or constructive obligation to repurchase or settle the option in cash.

(i) The terms and conditions of the grants are as follows:

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

Notes to the Financial Statements

26. EQUITY-SETTLED SHARE BASED PAYMENTS (continued)

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

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

	Exercise price 2011 *HKD*	**Number of options 2011** *'000 shares*	Exercise price 2010 *HKD*	Number of options 2010 *'000 shares*
Outstanding at 1 January	**1.19**	**6,170**	1.19	13,110
Forfeited during the year	**1.19**	**4,570**	1.19	640
Exercised during the year	**1.19**	**1,600**	1.19	6,300
Outstanding at 31 December	**1.19**	**–**	1.19	6,170
Exercisable at 31 December	**1.19**	**–**	1.19	6,170

During the year ended 31 December 2011, 1,600,000 share options under the Pre-IPO Option were exercised for the same amount of shares at an exercise price of HKD 1.19 per share.

All outstanding share options under the Pre-IPO option were lapsed on 28 December 2011.

(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	HKD 1.70
Exercise price	HKD 1.19
Expected volatility	52.47%
Expected Option life	2.57~3.57 years
Expected dividend yield rate	3.82%
Risk-free interest rate	2.083%~2.356%

Notes to the Financial Statements

26. EQUITY-SETTLED SHARE BASED PAYMENTS (continued)

(b) Share Option Scheme

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

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

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

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

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

	Exercise price *HK$*	**Number of options** *('000 shares)*
Outstanding at the beginning of the year	0.82	80
Exercised during the year	0.82	–
Forfeited during the year	0.82	80
Outstanding at the end of the year	0.82	–
Exercisable at the end of the year	0.82	–

All outstanding share options under Share Option Scheme were lapsed on 27 December 2011.

Notes to the Financial Statements

26. EQUITY-SETTLED SHARE BASED PAYMENTS (continued)

(b) Share Option Scheme (continued)

(ii) Fair value of share options and assumptions

The fair value of service received in return for share options granted under the Share Option Scheme is measured by reference to the fair value of share options. The estimate of the fair value of the share options granted is measured based on a Black-Scholes-Merton Option Pricing Model.

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

(c) Warrants

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

During the year ended 31 December 2011, 26,974,850 warrants have been exercised for the same amount of shares at a subscription price of HKD0.93 per share.

All outstanding warrants were lapsed on 3 November 2011.

Notes to the Financial Statements

27. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade and bill payables	**418,748**	188,376	**–**	–
Non-trade payables and accrued expenses	**60,959**	91,879	**11,445**	11,782
Amounts due to a related party	**295**	–	**–**	–
	480,002	280,255	**11,445**	11,782

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

	The Group	
	2011	2010
	RMB'000	*RMB'000*
Within 3 months	**364,289**	169,438
Over 3 months but within 6 months	**51,317**	16,351
Over 6 months but within 1 year	**1,377**	1,769
Over 1 year but within 2 years	**1,210**	526
Over 2 years	**555**	292
	418,748	188,376

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 29.

Notes to the Financial Statements

28. CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

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

The Company

	Share capital RMB'000 (note (b))	Share premium RMB'000 (note c (i))	Translation reserve RMB'000	Share-based compensation reserve RMB'000 (note c (v))	Contributed surplus RMB'000 (note c (iii))	(Accumulated losses)/ retained earnings RMB'000	Total RMB'000
At 1 January 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 and 1 January 2011	62,511	207,035	(22,658)	4,157	407,248	3,262	661,555
Change in equity for 2011:							
Profit for the year	–	–	–	–	–	73,545	73,545
Other comprehensive income	–	–	(13,288)	–	–	–	(13,288)
Total comprehensive income	–	–	(13,288)	–	–	73,545	60,257
Dividends approved in respect of the previous year	–	–	–	–	–	(28,875)	(28,875)
Share options exercised	134	2,385	–	(924)	–	–	1,595
Lapse of share options	–	–	–	(3,233)	–	3,233	–
Warrants exercised	2,236	18,558	–	–	–	–	20,794
Dividends declared in respect of the current year	–	–	–	–	–	(39,464)	(39,464)
At 31 December 2011	**64,881**	**227,978**	**(35,946)**	**–**	**407,248**	**11,701**	**675,862**

Notes to the Financial Statements

28. CAPITAL, RESERVES AND DIVIDENDS (continued)

(b) Share capital

	The Group and the Company			
	2011		2010	
	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

	2011			2010		
	Number of shares	**Amount**	***RMB'000***	Number of shares	Amount	*RMB'000*
		HK$'000	**equivalent**		*HK$'000*	equivalent
At 1 January	**670,927,100**	**67,092**	**62,511**	632,274,800	63,227	59,129
Exercise of share options *(note (ii))*	**1,600,000**	**160**	**134**	6,980,000	698	614
Exercise of warrants *(note (iii))*	**26,974,850**	**2,698**	**2,236**	31,672,300	3,167	2,768
At 31 December	**699,501,950**	**69,950**	**64,881**	670,927,100	67,092	62,511

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

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

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

28. 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 2011, 1,600,000 share options under the Pre-IPO Option (see note 26(a)) (2010: 6,300,000) were exercised for the same amount of shares at an exercise price of HKD1.19 per share, while no share options under the Share Option Scheme (see note 26(b)) (2010: 680,000) were exercised. All issued shares are fully paid. The proceeds of HKD160,000 (equivalent to RMB134,000) representing the par value, were credited to the Company's share capital. The remaining proceeds of HKD1,744,000 (equivalent to RMB1,461,000) were credited to the share premium account. All outstanding share options under the Pre-IPO Option and the Share Option Scheme were lapsed on 1 December 2011 and 27 December 2011 respectively.

(iii) During the year ended 31 December 2011, 26,974,850 warrants (see note 26(c)) (2010: 31,672,300) were exercised for the same amount of shares at an exercise price of HKD0.93 per share. The proceeds of HKD2,697,485 (equivalent to RMB2,236,000) representing the par value, were credited to the Company's share capital. The remaining proceeds of HKD22,389,126 (equivalent to RMB18,558,000) were credited to the share premium account. All outstanding warrants were lapsed on 3 November 2011.

Notes to the Financial Statements

28. 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 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.

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.

During the year ended 31 December 2011, 1,600,000 shares of HKD0.10 each in the Company were issued at HKD1.19 per share as a result of the exercise of vested options arising from the Pre-IPO Option (see note 26(a)) (2010: 6,300,000). The excess of the proceeds totalling HKD1,744,000 (equivalent to RMB1,461,000) was credited to the share premium of the Company. HKD1,114,000 (equivalent to RMB924,000) 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(p)(iii).

During the year ended 31 December 2011, 26,974,850 shares of HKD0.10 each in the Company were issued at HKD0.93 per share as a result of the exercise of warrants (see note 26(c)) (2010: 31,672,300). The remaining proceeds of HKD22,389,126 (equivalent to RMB18,558,000) were credited to the share premium account.

The application of the share premium account is governed by the Companies Law of the Cayman Islands.

Notes to the Financial Statements

28. 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 RMB 259,726,000, over the consideration paid by the Company of HKD 1,000 (equivalent to RMB 968), 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 26.

All outstanding share options under the Pre-IPO Option and the Share Option Scheme were lapsed on 28 December 2011 and 27 December 2011 respectively. The remaining share-based compensation reserve was transferred to retained earnings thereupon.

(vi) Distributability of reserves

Under the Companies Law of the Cayman Islands, the share premium account of the Company may be applied for payment of distributions or dividends to shareholders provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company is able to pay its debts as they fall due in the ordinary course of business.

Notes to the Financial Statements

28. CAPITAL, RESERVES AND DIVIDENDS (continued)

(c) Reserves (continued)

(vi) Distributability of reserves (continued)

The aggregate amount of distributable reserves of the Company as at 31 December 2011 was RMB239,679,000 (2010: RMB210,297,000).

(d) Dividends

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

	2011	2010
	RMB'000	*RMB'000*
Interim dividend declared and paid of HKD7 cents per share (2010: HKD5 cents per share)	**39,464**	28,283
Final dividend proposed after the reporting date of HKD6 cents per share (2010: HKD5 cents per share)	**34,175**	28,875
	73,639	57,158

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

	2011	2010
	RMB'000	*RMB'000*
Final dividend in respect of the previous financial year, approved and paid during the year of HKD5 cents per share (2010: HKD10 cents per share)	**28,875**	58,029

Notes to the Financial Statements

29. FINANCIAL INSTRUMENTS

Financial risk management

Overview

The Group has exposure to the following risks arising from financial instruments:

– credit risk

– liquidity risk

– market risk

– equity price risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

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.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

Notes to the Financial Statements

29. FINANCIAL INSTRUMENTS (continued)

Credit risk (continued)

Exposure to 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 generally 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 8% (2010: 11%) of the total trade receivables was due from the Group's top five largest customers as at 31 December 2011.

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

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other trade receivables are set out in note 20.

Notes to the Financial Statements

29. FINANCIAL INSTRUMENTS (continued)

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. 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 institutions 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:

	Year ended 31 December 2011			
	Carrying amount *RMB'000*	**Contractual cash flows** *RMB'000*	**Within one year or on demand** *RMB'000*	**More than one year** *RMB'000*
Interest-bearing borrowings	**843,711**	**866,445**	**866,445**	**–**
Trade and other payables	**480,002**	**480,002**	**480,002**	**–**
	1,323,713	**1,346,447**	**1,346,447**	**–**

	Year ended 31 December 2010			
	Carrying amount *RMB'000*	Contractual cash flows *RMB'000*	Within one year or on demand *RMB'000*	More than one year *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

Notes to the Financial Statements

29. FINANCIAL INSTRUMENTS (continued)

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(a) 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.

Exposure to currency risk

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.

	2011				2010		
	USD '000	***HKD'000***	***EUR '000***	***JPY '000***	*USD '000*	*HKD '000*	*EUR '000*
Trade and other receivables	**23,572**	**–**	**–**	**8,710**	16,647	–	–
Cash and cash equivalents	**6,521**	**23,390**	**3**	**–**	2,300	25,308	3
Interest-bearing borrowings	**(5,380)**	**–**	**–**	**–**	(7,835)	–	–
Trade and other payables	**(53,540)**	**–**	**–**	**–**	(24,060)	(1,603)	(160)
Gross balance sheet exposure	**(28,827)**	**23,390**	**3**	**8,710**	(12,948)	23,705	(157)

Notes to the Financial Statements

29. FINANCIAL INSTRUMENTS (continued)

Market risk (continued)

(a) *Currency risk* (continued)

The following significant exchange rates applied at reporting date:

	Rate at reporting date	
	2011	2010
USD 1	**6.3009**	6.6227
HKD 1	**0.8107**	0.8509
EUR 1	**8.1625**	8.8065
JPY 1	**0.0811**	0.0813

Sensitivity analysis

A 5 percent strengthening of the RMB against the following currencies at 31 December 2011 would have changed profit 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 2010.

	2011	2010
	RMB'000	*RMB'000*
Effect on profit before tax (increase/(decrease))		
USD	**9,082**	4,288
HKD	**(948)**	(1,009)
EUR	**(1)**	69
JPY	**(35)**	–

A 5 percent weakening of the RMB against the above currencies at 31 December 2011 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

29. FINANCIAL INSTRUMENTS (continued)

Market risk (continued)

(b) *Interest rate risk*

Interest-bearing borrowings are the Group's major type of financial instruments subject to interest rate risk.

Profile

At the reporting date, the interest rate profile of the Group's interest-bearing financial instrument was as follows:

	2011	2010
	RMB'000	*RMB'000*
Fixed rate borrowings	**293,812**	881,718
Variable rate borrowings	**549,899**	119,695
	843,711	1,001,413

Fair value sensitivity analysis for fixed rate borrowings

The Group does not account for any fixed rate financial liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate borrowings

As at 31 December 2011, 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 profit after tax for the year and consolidated equity by approximately RMB2,315,000 (2010: RMB1,006,000).

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 2010.

Notes to the Financial Statements

29. FINANCIAL INSTRUMENTS (continued)

Market risk (continued)

(c) Commodity price risk

The Group uses its futures contracts traded on the Shanghai Futures Exchange and London Metal Exchange to hedge against price fluctuations of raw materials, mainly copper. The futures are marked to market at the reporting date and the corresponding unrealised holding gains/losses are recorded in profit or loss for the year ended 31 December 2011. For details of the exposure of futures contracts, please refer to note 25.

Equity price risk

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

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

Sensitivity analysis

At 31 December 2011, it is estimated that an increase/decrease of 1% in the respective quoted prices of these securities, with all other variables held constant, would have increased/decreased the Group's profit after tax for the year and consolidated equity by approximately RMB128,000 (2010: Nil).

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

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 2011, the debt-to-equity ratio and the liability-to-asset ratio of the Group were 55% (2010: 61%) and 66% (2010: 68%), respectively.

The schedule of the contractual maturities of loans and commitments are disclosed in notes 24, 30 and 31, respectively.

During 2011, the Group's strategy, which was unchanged from 2010, 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.

Notes to the Financial Statements

29. FINANCIAL INSTRUMENTS (continued)

Accounting classifications and fair values

(a) Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for asset or liability that are not based on observable market data (unobservable inputs)

The Group

	2011			
	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Assets				
Trading securities	**12,772**	**–**	**–**	**12,772**
Derivatives financial instruments	**3,951**	**–**	**–**	**3,951**

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

During the year ended 31 December 2011, there were no significant transfers between instruments in Level 1 and Level 2 (2010: Nil).

Notes to the Financial Statements

29. FINANCIAL INSTRUMENTS (continued)

Accounting classifications and fair values (continued)

(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 2011 (same as at 31 December 2010).

30. CAPITAL COMMITMENTS

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

	The Group	
	2011	2010
	RMB'000	*RMB'000*
Authorised but not contracted for	**40,406**	44,020
Contracted for	**49,250**	11,837
	89,656	55,857

31. OPERATING LEASE COMMITMENTS

Non-cancellable operating lease rentals were payable as follows:

	At 31 December	At 31 December
	2011	2010
	RMB'000	*RMB'000*
Less than 1 year	**900**	–
Over 1 year but less than 5 years	**1,974**	–
	2,874	–

Notes to the Financial Statements

32. RELATED PARTY TRANSACTIONS

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

During the year ended 31 December 2011, the Group has transactions with Yingtan Ulba, which is a jointly controlled entity of the Group. Particulars of significant transactions between the Group and related party during the year are as follows:

(i) Significant related party transactions (Recurring)

	The Group	
	2011	2010
	RMB'000	*RMB'000*
Yingtan Ulba		
Sales of goods	**7,032**	10,520
Purchase of goods	**10,829**	15,175
Leasing income	**505**	585

Notes to the Financial Statements

32. RELATED PARTY TRANSACTIONS (continued)

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

(ii) Significant related party transactions (Non-recurring)

	The Group	
	2011	2010
	RMB'000	*RMB'000*
Yingtan Ulba		
Sales of assets	–	6,838
Cixi Xingye		
Property service fee	–	996
Interest-bearing loan given	–	20,000
Interest-bearing loan received	–	13,000
Interest income	–	226
Rental expenses	–	775

Notes to the Financial Statements

32. RELATED PARTY TRANSACTIONS (continued)

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

(iii) Balances with a related party

	The Group	
	2011	2010
	RMB'000	*RMB'000*
Trade and other receivables due from:		
Yingtan Ulba	**12,312**	9,531
Trade and other payables due to:		
Yingtan Ulba	**295**	–

(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:

	2011	2010
	RMB'000	*RMB'000*
Short-term employee benefits	**5,101**	5,142
Post-employment benefits	**29**	30
Share-based payments	**–**	385
	5,130	5,557

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 2011, there was no material outstanding contribution to the post-employment benefit plans.

Notes to the Financial Statements

33. SUBSEQUENT EVENTS

Subsequent to 31 December 2011, the directors proposed a final dividend on 16 March 2012. Further details are disclosed in note 28(d).

34. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ANNUAL ACCOUNTING PERIOD ENDED 31 DECEMBER 2011

Up to the date of issue of these financial statements, the IASB has issued the following amendments and new standards which are not yet effective for the year ended 31 December 2011 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

		Effective for accounting periods beginning on or after
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 assets	1 January 2012
Amendments to IAS 1	Presentation of financial statements- Presentation of items of other comprehensive income	1 July 2012
IFRS 10	Consolidated financial statements	1 January 2013
IFRS 11	Joint arrangements	1 January 2013
IFRS 12	Disclosure of interest in other entities	1 January 2013
IFRS 13	Fair value measurement	1 January 2013
IAS 27	Separate financial statements (2011)	1 January 2013
IAS 28	Investments in associates and joint ventures (2011)	1 January 2013

Notes to the Financial Statements

34. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ANNUAL ACCOUNTING PERIOD ENDED 31 DECEMBER 2011 (continued)

		Effective for accounting periods beginning on or after
Revised IAS 19	Employee benefits	1 January 2013
Amendments to IFRS 7	Financial instruments: Disclosures – Mandatory	1 January 2015
IFRS 9	Financial instruments	1 January 2015
Amendments to IFRS 9	Financial instruments	1 January 2015

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

	2011	2010	2009	2008	2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Turnover	**3,508,781**	2,894,048	1,795,184	1,758,016	2,096,133
Gross profit	**180,614**	226,608	186,937	15,883	217,330
Result from operating activities	**187,004**	162,348	197,573	(39,664)	196,806
Profit/(loss) attributable to equity shareholders of the Company	**89,671**	98,690	152,355	(72,294)	150,845

EARNINGS PER SHARE

	2011	2010	2009	2008	2007
Basic earnings/(loss) per share(1) *(RMB)*	**0.13**	0.15	0.24	(0.12)	0.33
Diluted earnings/(loss) per share(1) *(RMB)*	**0.13**	0.14	0.24	(0.12)	0.33

ASSETS, LIABILITIES AND EQUITY

	2011	2010	2009	2008	2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets	**615,629**	601,836	535,954	536,139	492,782
Current assets	**1,419,111**	1,384,418	838,516	528,874	826,321
Total assets	**2,034,740**	1,986,254	1,374,470	1,065,013	1,319,103
Non-current liabilities	**21,780**	23,362	18,240	87,825	112,013
Current liabilities	**1,330,505**	1,323,222	762,971	547,934	669,109
Total liabilities	**1,352,285**	1,346,584	781,211	635,759	781,122
Net current assets/(liabilities)	**88,606**	61,196	75,545	(19,060)	157,212
Total assets less current liabilities	**704,235**	663,032	611,499	517,079	649,994
Total equity attributable to equity shareholders of the Company	**679,015**	637,283	593,259	429,254	537,981
Minority interests	**3,440**	2,387	–	–	–

Five Years Financial Summary

FINANCIAL RATIOS AND OTHER FINANCIAL INFORMATION

	2011	2010	2009	2008	2007
EBITDA (RMB'000)	**230,665**	203,108	234,113	(6,255)	226,346
Profitability ratios:					
Gross profit margin[2] (%)	**5.1%**	7.8%	10.4%	0.9%	10.4%
Operating profit/(loss) margin[3] (%)	**5.3%**	5.6%	11.0%	(2.3)%	9.4%
Net profit/(loss) margin[4] (%)	**2.6%**	3.4%	8.5%	(4.1)%	7.2%
EBITDA margin[5] (%)	**6.8%**	7%	13.0%	(0.4)%	10.8%
Rate of return on equity[6] (%)	**13.2%**	15.5%	25.7%	(16.8)%	28.0%
Liquidity ratios:					
Current ratio[7] (times)	**1.1**	1.0	1.1	1.0	1.2
Quick ratio[8] (times)	**0.7**	0.6	0.6	0.7	0.8
Inventory turnover[9] (days)	**49**	45	41	42	34
Trade receivable turnover[10] (days)	**34**	29	28	32	26
Trade payable turnover[11] (days)	**33**	18	15	12	15
Capital adequacy ratios:					
Gearing ratio[12] (%)	**41.5%**	50.4%	45.0%	49.0%	47.8%
Net gearing ratio[13] (%)	**84.1%**	120.3%	68.8%	72.3%	71.2%
Interest coverage ratio[14] (times)	**4.4**	5.4	9.7	(0.2)	6.2

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
"Stock Exchange"	The Stock Exchange of Hong Kong Limited