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 2012

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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 *(resigned on 22 June 2012)*
Mr. CUI Ming
Mr. XIE Shuisheng
Mr. CHAI Chaoming
Ms. LI Li

Audit Committee

Ms. LI Li *(Chairman)*
Mr. HE Changming *(resigned on 22 June 2012)*
Mr. CUI Ming
Mr. XIE Shuisheng
Mr. CHAI Chaoming

Remuneration Committee

Mr. CUI Ming *(Chairman)*
Mr. HE Changming *(resigned on 22 June 2012)*
Ms. LI Li
Mr. WANG Jianli

Nomination Committee

Mr. XIE Shuisheng *(Chairman)*
Mr. CUI Ming
Mr. CHAI Chaoming
Mr. MA Wanjun

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

SHINEWING (HK) CPA Limited

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
Zhejiang Province
315301, PRC

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
P.O. Box 705
Grand Cayman KY1-1110
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

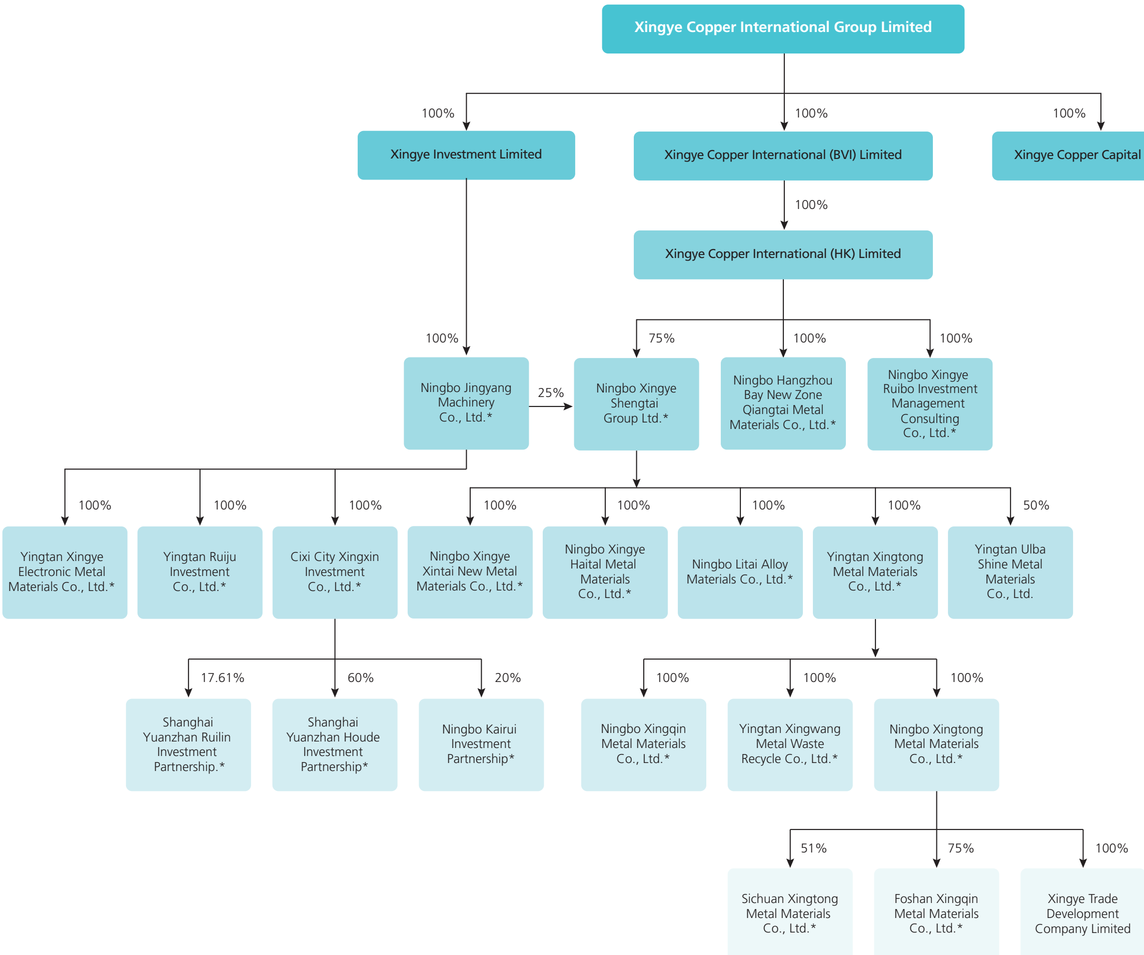
COMPANY WEBSITE

www.xingyecopper.com

STOCK CODE

505

Corporate Structure



* For Identification purpose only

Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors (the "Board"), I am pleased to present the annual report of Xingye Copper International Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2012.

During 2012, the global economy was still faced with great challenge without any complete solution for the European debt crisis. Being clouded by the looming crisis, the recovery progress of the global economy retarded significantly. Despite managing a growth rate of over 7%, the Chinese economy has been decelerating when compared to the past few years. In particular, the austerity measures towards the real estate market and the rising Renminbi have exaggerated pressure on the Chinese economy far more than we have expected. Facing all these difficulties amid general industrial depression, our management has timely revised our operating strategies in a prudent and practical manner with their strenuous effort, and delivered the Group a turnover amounted to RMB3,229.1 million and a profit attributable to equity holders of the Company amounted to RMB32.4 million for the year ended 31 December 2012. Although reported a markedly decrease from the corresponding period last year, it is far more favorable than its counterparts.

PROSPECTS

In 2013, the global economy surviving the crisis is still undergoing a period of correction. Nevertheless, as the major economies implemented qualitative easing and, specifically, there have been signs of market recovery driven by the US qualitative easing and the fading of the European debt crisis, which induced growing confidence, forecasts for 2013 economy are largely positive. In China, the real estate market is still under government regulation and control but the market has shown some signs of recovery. The 12th Five-Year Plan that focuses on promoting the construction of urbanized infrastructure, while the supply of high precision copper plates and strips falls short of supply in China, will definitely encourage a steady growth in demand for copper. As we entered the third year of the 12th Five-Year Plan, the Group will adhere to its core strategies "to reinforce industry, to expand trading, to secure investments and to advance research and development" by (1) further implementing its RMB600 million investment project for introducing a world class production line and improving technology advancement; (2) active exploration of upstream resources, finding and investing in quality copper mines with an aim to extend the Group's industry chain; (3) increasing investment in research and development to accelerate the launching of new products; (4) optimizing trade structure and strengthening trading system; and (5) providing intensive training to base-level management and enhancing quality of the team to achieve growth across the Group, thus to consolidate the Group's leading position among its domestic and international counterparts.

Looking ahead, the Group will, in a cautious manner, adhere to upgrade its product quality, strictly monitor its production flow, broaden its international and domestic markets, open up further development opportunities and promote new production line projects with great effort, thus to add value to the Company and generate attractive returns for the shareholders.

APPRECIATION

Lastly, on behalf of the Board of Directors, I would like to express my sincere gratitude to our staff and shareholders for their industrious effort and unwavering support over such a challenging year.

Hu Changyuan
Chairman

26 March 2013

Management Discussion and Analysis

MARKET REVIEW

International copper prices were range-bound throughout 2012 and recorded the lowest degree of fluctuation over the recent years. Demand for copper on the international market has remained quite constant as the European debt crisis worsened and the rising US dollar exerted pressure on copper prices, thus the copper price has been stayed at a rather stable level. For copper stock prices, trading at LME, COMEX and SHFE remained on the higher side.

INDUSTRY REVIEW

2012 was a difficult year for the copper plates and strips sector in China. Even though downstream sectors such as power cable, transportation, real estate and electronics sustained growth in demand, downturn of the global economy and lower processing service fees for copper products attributed to over-capacity in the industry have caused enterprises to face hardship, with many small and medium sized enterprises enduring tremendous operating pressure due to shrinking financing options. On the other hand, enterprises have been modifying their product mix in view of shortage of high precision copper plates and strips in China, which will also intensify competition in the high precision copper market, and a new round of industrial restructuring is in the pipeline. The Company has adopted the following strategies to cope with challenges posed by the operating environment and industry competition, and strived to become a world class copper processing enterprise.

DEVELOPMENT PLAN

Expanding capacities

"To expand capacities and to consolidate position in the industry" has been a long-term target put up by the Group. With the objectives of major reforms, major adjustments, major efforts and major advancements, in 2012, the Group: (1) entered into several equipment purchase agreements with EBNER Industrieofenbau GmbH in Austria, Ikuta Sanki Kogyo Co., Ltd. in Japan and SMS Siemag Aktiengesellschaft in Germany, aggregated to an amount of over RMB200 million, for the production of high precision lead frame strips; and (2) upgraded technologies for its existing production facilities and transferred or reused its idle equipment, therefore greatly expanded its production capacities and enhanced its effectiveness. The Group will proceed with its project to introduce a world class production line with a total investment amounted to approximately RMB600 million in order to improve its product quality and performance, to optimize and upgrade its equipment and technology, to narrow down the quality discrepancy of its products with those of its international counterparts, with an aim to replace imported products from overseas.

Conducting material transaction

The Group spun off its trading operation from Shengtai in 2012 to promote individual development of the operation while adding new driving force to contribute its growth, with an aim to achieve its objective to build up strength across the Group.

Management Discussion and Analysis

Enhancing R&D capabilities

Innovation is the absolute principle underlying corporate development. During the year, the Group recorded a sharp increase in research and development costs for its new product when compared to last year. By now, the Group has successfully developed products such as beryllium copper strips for vehicles and obtained 7 patents for utility models while 5 patents for invention are undergoing substantive examination. In 2013, the Group will continue to increase its effort on focused research and development, further apply for certain patents for innovation and patents for utility models, and expand its ownership of intellectual property rights. The Group will also take an active role in the establishment of Ningbo Engineering Technology Center and apply for the status of a National High-New Technology Enterprise, in order to gain an invincible position in the increasingly competitive market.

Exploring business opportunities

In view of increasingly intense competition in the industry, our management, with vision and foresight, targeted at the upstream sectors which may create greater synergies for our operation. By now, our leadership has visited many mining areas located in the United State, South America and China, and will follow up certain projects in keeping with its cautious approach.

In addition, the Group has attempted to secure a foothold in the private equity fund sector. By now, the Group has invested in several projects which are in good progress.

FINANCIAL REVIEW

Revenue and gross profit

For the year ended 31 December 2012, the Group recorded a total sales revenue of RMB3,229.1 million, of which revenues from sales of precision copper plates and strips, processing services and trading of raw materials amounted to RMB2,248.2 million, RMB118.5 million and RMB862.4 million respectively, making 69.6%, 3.7% and 26.7% of the total, while the volume of sales were 43,438 tonnes, 23,134 tonnes and 18,888 tonnes and the total volume increased by 2.4% as compared to the corresponding period of last year. Facing the challenges posed by operation environment and industrial competition, the Company adjusted its pricing strategy promptly, so as to maintain its market share and profitability amidst the economic depression.

During the period under review, the gross profit from trading of raw materials was RMB4.1 million, representing a decrease of RMB6.8 million as compared to the corresponding period of last year. This was mainly attributable to the slight difference between future prices and spot prices and the inactive market resulting from the narrow-ranged fluctuation of copper prices throughout the year of 2012.

During the period under review, the gross profit of sales of precision copper plates and strips and the processing services amounted to RMB143.6 million, representing a decrease of 15.4% as compared to RMB169.7 million of the corresponding period of last year, which was attributable to the continuous decline of global economy which caused the prices of our copper products going down, as well as the additional research and development cost spent to strengthen our product development.

Other income

For the year ended 31 December 2012, the Group recorded other income of RMB40.4 million, which decreased by RMB1.5 million from RMB41.9 million of the corresponding period of 2011, which was mainly attributable to the decrease of government grants by RMB1.9 million.

Other gains and losses, net

For the year ended 31 December 2012, the net other gains of the Group was RMB14.2 million, dropped by RMB52.7 million from RMB66.9 million of the same period in 2011, which was mainly attributable to the fact that gains recorded in hedging raw materials with futures reduced by RMB52.9 million.

Distribution expenses

For the year ended 31 December 2012, the distribution expenses of the Group increased slightly from RMB20.2 million of the corresponding period of 2011 to RMB21.3 million, which was mainly attributable to the increase in remuneration and benefits expenses caused by expansion of the sales team.

Administrative expenses

For the year ended 31 December 2012, the administrative expenses of the Group dropped by 4.3% from RMB80.8 million of the corresponding period of last year to RMB77.3 million, which was mainly attributable to the decrease in bank charges.

Share of profit of associates

For the year ended 31 December 2012, the Group recorded share of profit of associates amounted to RMB3.8 million, of which RMB2.7 million from deregistration of its associate, Ningbo Ruiju Investment Partnership, and share of profit of Ningbo Kairui Investment Partnership amounted to RMB1.1 million.

Share of loss of a jointly controlled entity

For the year ended 31 December 2012, the Group's share of loss of Yingtan Ulba Shine Metal Materials Co., Ltd. declined significantly to RMB0.5 million from RMB8.0 million of the corresponding period of last year, mainly due to the management adjusting its operation strategy to develop new businesses and customer.

Finance costs

For the year ended 31 December 2012, the Group's finance costs dropped to RMB49.6 million from RMB52.8 million of the corresponding period of 2011, of which, the total interest expenses of loans was almost the same as that of prior year while financial interest capitalisation for construction in progress amounted to RMB3.0 million, offsetting part of the finance costs of the current period.

Income tax

The Group's income tax expenses decreased by 35.1% to RMB24.4 million from RMB37.6 million in 2011 while the effective tax rate increased to 42.4% from 29.4% in the corresponding period of last year. Such increase was mainly due to certain subsidiaries recorded significant losses in the current period.

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 the reporting period decreased by RMB57.3 million or 63.9% to RMB32.4 million as compared to that of the same period in 2011.

Liquidity and financial resources

As at 31 December 2012, the Group recorded net current liabilities of RMB20.5 million, which was primarily due to capital expenditure of RMB161.3 million made during the year was largely financed by short-term bank borrowings. Capital expenditures are used to purchase manufacturing equipment, land and buildings according to the development plan of the Group.

As a percentage of total interest-bearing borrowings, the short-term interest-bearing borrowings represented 99.8% as of 31 December 2012. As at the date of this report, the Group had not experienced any difficulty in raising funds by securing and rolling over the short-term loans borrowed from various banks in the PRC, which were renewed on an annual basis in accordance with local market practice.

Despite the net current liability as of 31 December 2012, owing to the Group's ability to generate cash from operating activities, good credit standing and relationships with principal lending banks and available undrawn banking facilities together with bank deposits of RMB997 million (including 5 years long term loan facilities amounted to RMB199 million effective until 6 April 2017) and RMB205.5 million (comprised pledged deposits of RMB117.9 million and cash and cash equivalents of RMB87.6 million) respectively. Based on the previous experience and the Group's relationships with its principal lending banks, the Board believes that the Group can roll over the existing short-term bank borrowings upon maturity in the coming year. The Board is confident that the Group has adequate financial resources to sustain its working capital requirement and meet its foreseeable debt repayment requirements. In 2013, the Group will gradually utilise the long-term loans facilities in order to optimize the financial structure.

As at 31 December 2012, the Group had outstanding bank loans and other borrowings of approximately RMB765.7 million which shall be repaid within 1 year. As at 31 December 2012, 89.0% of the Group's debts were on secured basis.

The gearing ratio as at 31 December 2012 was 40.3% (31 December 2011: 41.5%), which is calculated by dividing the total borrowings by the total assets.

Charge on assets

As at 31 December 2012, the Group pledged assets with an aggregate carrying value of RMB869.0 million (31 December 2011: RMB655.6 million) to secure bank loan facilities.

Capital expenditure

For the year ended 31 December 2012, the Group had invested RMB161.3 million for the purchase of property, plant and equipment. These capital expenditures were largely financed by internal resources and bank loans.

Capital commitments

As at 31 December 2012, the future capital expenditures, for which the Group had contracted but not provided for, amounted to approximately RMB283.6 million.

Contingent liabilities

As at 31 December 2012, the Group did not have any significant contingent liabilities.

MARKET RISK

The Group was exposed to various types of market risks, including fluctuation in copper prices and other commodities' prices and changes in interest rates and foreign exchange rates, please refer to note 7(b) to the financial statements for details.

EMPLOYEES

As at 31 December 2012, the Group had 1,134 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

Throughout the year ended 31 December 2012, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices (effective until 31 March 2012) during the period from 1 January 2012 to 31 March 2012 and the Corporate Governance Code and Corporate Governance Report (effective from 1 April 2012) during the period from 1 April 2012 to 31 December 2012 (collectively the "CG Code") as contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). 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 2012.

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 and five independent non-executive Directors, namely, Mr. He Changming (resigned on 22 June 2012), Mr. Cui Ming, Mr. Xie Shuisheng, Mr. Chai Chaoming and Ms. Li Li. The size and composition of the board are reviewed regularly to ensure that the size and composition of the Board is well balanced with each Director having sound knowledge, experience and expertise relevant to the business and development of the Group. Biographical details of the Directors are set forth in the section headed "Biographical details of the Directors and Company Secretary" of this Annual Report.

An updated list of its Directors identifying their roles and functions and whether they are Independent Non-Executive Directors is published on the Company's website and the official website of Hong Kong Exchanges and Clearing Limited (the "Exchange's website").

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 four 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.

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 2012, 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	3
Mr. Chen Jianhua *(Deputy Chairman and Chief Executive Officer)*	6	6
Mr. Wang Jianli	6	6
Mr. Ma Wanjun	6	6
Independent Non-executive Directors		
Mr. He Changming *(resigned on 22 June 2012)*	2	0
Mr. Cui Ming	6	6
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.

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.

Corporate Governance Functions

The Company is committed to achieving high standards of corporate governance to safeguard, uphold and maximize the interests of shareholders and to enhance corporate value and accountability. The Board is responsible for the following corporate governance duties:

– To develop, review and update the Company's policies and practices on corporate governance;

– To review and monitor the training and continuous professional development of directors and senior management;

– To review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

– To develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and

– To review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

Directors' and officers' liability

Appropriate directors' and officers' liability insurance has been arranged for the directors and officers of the Company.

Directors' training and continuing professional development

The Directors are committed to comply with Code Provision A.6.5 of the CG Code which came into effect on 1 April 2012 on Directors' training so as to ensure that their contribution to the Board will be informed and relevant.

The Directors keep abreast of responsibilities as a Director of the Company and of the conduct, business activities and development of the Company. The Company Secretary from time to time updates and provides written training materials to the Directors, and organizes seminars on the latest development regarding the Listing Rules and other applicable statutory requirements to ensure compliance and upkeep of good corporate governance practices.

All Directors have participated in appropriate continuous professional development programmes to develop and refresh their knowledge and skills and provided the Company their record of training they received for the year ended 31 December 2012.

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 by the Board pursuant to Article 86(3) shall not be taken into account in determining which particular Director or the number of Directors who are to retire by rotation. Pursuant to Article 86(3) of the Company's Articles of Association, any director appointed by the Board either to fill a casual vacancy or as an addition shall hold office only until the next following annual general meeting of the Company and shall be eligible for re-election.

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.

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 2012 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. Mr. He Changming resigned from his directorship on 22 June 2012.

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.

BOARD COMMITTEE

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

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 in accordance with the requirements of Listing rules and the CG Code, which is published on the Company's website and the Exchange's website. Currently, the Audit Committee comprises four independent non-executive Directors, namely 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.

Four Audit Committee meetings were held during the year ended 31 December 2012. 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)*	4	4
Mr. He Changming *(resigned on 22 June 2012)*	2	0
Mr. Cui Ming	4	3
Mr. Xie Shuisheng	4	3
Mr. Chai Chaoming	4	4

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.

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 should liaise with the Board and senior management and the Committee must meet at least twice a year with the external auditors. In addition, the Audit Committee should 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.

Remuneration committee

The Remuneration 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 in accordance with the requirements of the Listing Rules and the CG Code, which is published on the Company's website and the Exchange's website. Currently, the Remuneration Committee comprises two independent non-executive Directors and one executive Director, namely Mr. Cui Ming (Chairman), Ms. Li Li and Mr. Wang Jianli. Its primary objective is to ensure that the Company can recruit, retain and motivate high-calibre staff in order to reinforce the success of the Company and create value for our Shareholders. The Remuneration Committee is also responsible for making recommendations to the Board on Directors' remuneration packages and on establishment a formal and transparent procedure for developing remuneration policy. 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 2012. 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 *(resigned on 22 June 2012)*	1	0
Ms. Li Li	2	2
Mr. Wang Jianli	2	2

Nomination committee

The Nomination 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 in accordance with the requirements of the Listing Rules and the CG Code, which is published on the Company's website and the Exchange's website. 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 meeting was held during the year ended 31 December 2012. 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

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.

ACCOUNTABILITY AND AUDIT

Directors’ and Auditors’ acknowledgement

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 2012, 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 responsibility of the external auditor is to form an independent opinion, based on their audit, on those consolidated financial statements prepared by the Board and to report their opinion to the shareholders of the Company. A statement by auditor about their reporting responsibility is set out in the Auditor’s Report.

Auditors' Remuneration

During the year, the Company engaged SHINEWING (HK) CPA Limited as the external auditors of the Group until the conclusion of next Annual General Meeting. Apart from providing audit services, SHINEWING (HK) CPA Limited also reviewed the interim results of the Group.

The fees in respect of audit and non-audit services provided by SHINEWING (HK) CPA Limited for the year ended 31 December 2012 amounted to approximately RMB936,000 and RMB106,000 respectively.

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.

Whistle Blowing Policy

To achieving and maintaining the highest standards of openness, probity and accountability, the Company has adopted a whistle blowing policy on 29 March 2012. This Policy aims to govern and deal with fairly and properly concerns raised by the Company's employees about any suspected misconduct or malpractice regarding financial reporting, internal control or other matters within the Company.

COMPANY SECRETARY

Mr. Chan Chung Kik, Lewis was appointed as the company secretary of the Company on 23 July 2007. The biographical details of Mr. Chan are set out under the section headed "Biographical Details of Directors and Company Secretary".

According to the newly introduced Rule 3.29 of the Listing Rules, Mr. Chan has taken no less than 15 hours of relevant professional training during the financial year ended 31 December 2012.

SHAREHOLDER AND INVESTOR RELATIONS

Communication with Shareholders and Investors

The Company is committed to providing Shareholders and other stakeholders (including potential investors) with balanced and understandable information about the Company. The Company uses various communication methods to ensure its Shareholders are kept well informed of key business imperatives. These include general meetings, annual report, interim report, various notices, announcements and circulars.

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. Any information or documents of the Company posted on the Exchange's website are also published on the Company's website (www.xingyecopper.com) under the "Investor Relations" section. Other corporate information about the Company's business developments, goals and strategies, corporate governance and risk management are also available on the Company's website.

The board continues to maintain regular dialogue with institutional investors and analysts to keep them informed the Group's strategy, operations, management and plans.

The annual general meeting and other general meetings of the Company provides a useful forum for Shareholders to exchange views with the Board. The Company provides Shareholders with relevant information on the resolution(s) proposed at a general meeting in a timely manner in accordance with the Listing Rules. The information provided shall be reasonably necessary to enable Shareholders to make an informed decision on the proposed resolution(s). Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote at the meetings for and on their behalf if they are unable to attend the meetings. The Chairman of the Board and other Directors, the chairmen of board committees or their delegates, and the external auditors are available to answer Shareholders' questions at the annual general meeting. The chairman of the independent board committee or his/her delegate is also available to answer questions at any general meeting to approve a connected transaction or any other transaction that is subject to independent shareholders' approval.

The individual attendance record of the Directors at the 2012 annual general meeting ("AGM") held on 10 May 2012 and extraordinary general meetings ("EGM") held 30 May 2012 is tabulated below:

	AGM attended/Held	EGM attended/Held
Executive Directors		
Mr. Hu Changyuan *(Chairman)*	1/1	0*/1
Mr. Chen Jianhua *(Deputy Chairman and Chief Executive Officer)*	1/1	1/1
Mr. Wang Jianli	1/1	0/1
Mr. Ma Wanjun	1/1	0/1
Independent Non-executive Directors		
Mr. He Changming *(resigned on 22 June 2012)*	0/1	0/1
Mr. Cui Ming	1/1	0/1
Mr. Xie Shuisheng	1/1	0/1
Mr. Chai Chaoming	0/1	1/1
Ms. Li Li	1/1	0/1

* This Executive Director has not attended the EGM to approve connected transactions to avoid conflict of interests.

Shareholders may make direct enquiries about their shareholdings to the Company's Hong Kong branch share registrars. To the extent the requisite information of the Company is publicly available, Shareholders and other stakeholders (including potential investors) may put forward their enquiries about the Company to the Board or the Company Secretary at the Company's head office in Hong Kong or by email or through the Investor Relations Adviser of the Company whose contact details are also available on the Company's website.

SHAREHOLDERS' RIGHTS

Procedure for shareholders to put forward enquiries to the Board

The Company's website provides email address and enquiry telephone lines to enable shareholders of the Company to make any enquiries and concerns to the Board. Shareholders may put forward enquiries to the Board through the Company Secretary who will direct the enquiries to the Board for handling.

Procedures for shareholders to convene an extraordinary general meeting

Pursuant to Article 58 of the articles of association of the Company, any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for shareholders to put forward proposals at general meetings

There are no provisions allowing shareholders to purpose new resolutions at the general meetings under the Cayman Islands Companies Law, However, shareholders are requested to follow Article 58 of the Company's Articles of Association for including a resolution at an extraordinary general meeting. The requirements and procedures are set out above.

Pursuant to Article 88 of the articles of association of the Company, no person other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless a Notice signed by a Member (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a Notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the head office or at the Hong Kong Branch Share Registrar and Transfer Office provided that the minimum length of the period, during which such Notice(s) are given, shall be at least seven (7) days and that (if the Notices are submitted after the dispatch of the notice of the general meeting appointed for such election) the period for lodgement of such Notice(s) shall commence on the day after the dispatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.

If a shareholder wishes to propose a person (the "Candidate") for election as a director of the Company at a general meeting, he/she shall deposit a written notice at the Company's head office at Flat 11, 11th Floor, Hung Tai Industrial Building, 37-39 Hung To Road, Kwun Tong, Kowloon, Hong Kong or Hong Kong Branch Share Registrar and Transfer Office at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong. The written notice must include the personal information of the Candidate as required by Rule 13.51(2) of the Listing Rules.

The procedures for Shareholders to propose a person for election as director is published on the Company's website.

CONSTITUTIONAL DOCUMENTS

The constitutional documents of the Company are available on the Company's website and the Exchange's website. There are no changes in the Company's constitutional documents during the year.

The Directors are pleased to present their report together with the audited financial statements of the Group for the year ended 31 December 2012.

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 8 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2012 are set out in the accompanying financial statements on page 42.

The Board recommended the payment of a final dividend of HK5 cents per Share for the year ended 31 December 2012, which is expected to be payable on or about 5 June 2013 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 24 May 2013.

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 13 May 2013 to 16 May 2013, 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 10 May 2013.

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 24 May 2013, 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 23 May 2013.

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 127 to page 128.

Report of the Directors

SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 41 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

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

INTEREST-BEARING BORROWINGS

Particulars of interest-bearing borrowings of the Group as at 31 December 2012 are set out in note 29 to the financial statements.

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 32 and 40 to the financial statements, respectively.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2012, the aggregate sales attributable to the five largest customers and the largest customer of the Group accounted for approximately 26.2% and 7.6% 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 41.2% and 13.3% 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 SCHEME

The Company has adopted the Share Option Scheme on 1 December 2007. The principal terms of the scheme are as follows:

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 2012	Exercised during the year	Granted during the year	Lapsed during the year	Outstanding as at 31 December 2012	Approximate percentage of issued share capital of the Company
Directors									
Chen Jianhua	19-3-2012	19-3-2013 to 30-6-2016	1.34	–	–	800,000	–	800,000	0.11%
	19-3-2012	19-3-2014 to 30-6-2016	1.34	–	–	800,000	–	800,000	0.11%
	19-3-2012	19-3-2015 to 30-6-2016	1.34	–	–	800,000	–	800,000	0.11%
				–	–	2,400,000	–	2,400,000	0.33%
Wang Jianli	19-3-2012	19-3-2013 to 30-6-2016	1.34	–	–	800,000	–	800,000	0.11%
	19-3-2012	19-3-2014 to 30-6-2016	1.34	–	–	800,000	–	800,000	0.11%
	19-3-2012	19-3-2015 to 30-6-2016	1.34	–	–	800,000	–	800,000	0.11%
				–	–	2,400,000	–	2,400,000	0.33%

Name or type of grantee	Date of grant	Exercisable period	Exercise price *HK$*	Number of share options: Outstanding as at 1 January 2012	Exercised during the year	Granted during the year	Lapsed during the year	Outstanding as at 31 December 2012	Approximate percentage of issued share capital of the Company
Ma Wanjun	19-3-2012	19-3-2013 to 30-6-2016	1.34	–	–	800,000	–	800,000	0.11%
	19-3-2012	19-3-2014 to 30-6-2016	1.34	–	–	800,000	–	800,000	0.11%
	19-3-2012	19-3-2015 to 30-6-2016	1.34	–	–	800,000	–	800,000	0.11%
				–	–	2,400,000	–	2,400,000	0.33%
He Changming	19-3-2012	19-3-2013 to 30-6-2016	1.34	–	–	200,000	(200,000)	–	–
	19-3-2012	19-3-2014 to 30-6-2016	1.34	–	–	200,000	(200,000)	–	–
	19-3-2012	19-3-2015 to 30-6-2016	1.34	–	–	200,000	(200,000)	–	–
				–	–	600,000	(600,000)	–	–
Cui Ming	19-3-2012	19-3-2013 to 30-6-2016	1.34	–	–	200,000	–	200,000	0.03%
	19-3-2012	19-3-2014 to 30-6-2016	1.34	–	–	200,000	–	200,000	0.03%
	19-3-2012	19-3-2015 to 30-6-2016	1.34	–	–	200,000	–	200,000	0.03%
				–	–	600,000	–	600,000	0.09%
Xie Shuisheng	19-3-2012	19-3-2013 to 30-6-2016	1.34	–	–	200,000	–	200,000	0.03%
	19-3-2012	19-3-2014 to 30-6-2016	1.34	–	–	200,000	–	200,000	0.03%
	19-3-2012	19-3-2015 to 30-6-2016	1.34	–	–	200,000	–	200,000	0.03%
				–	–	600,000	–	600,000	0.09%
Chai Chaoming	19-3-2012	19-3-2013 to 30-6-2016	1.34	–	–	200,000	–	200,000	0.03%
	19-3-2012	19-3-2014 to 30-6-2016	1.34	–	–	200,000	–	200,000	0.03%
	19-3-2012	19-3-2015 to 30-6-2016	1.34	–	–	200,000	–	200,000	0.03%
				–	–	600,000	–	600,000	0.09%

Name or type of grantee	Date of grant	Exercisable period	Exercise price HK$	Number of share options: Outstanding as at 1 January 2012	Exercised during the year	Granted during the year	Lapsed during the year	Outstanding as at 31 December 2012	Approximate percentage of issued share capital of the Company
Li Li	19-3-2012	19-3-2013 to 30-6-2016	1.34	–	–	200,000	–	200,000	0.03%
	19-3-2012	19-3-2014 to 30-6-2016	1.34	–	–	200,000	–	200,000	0.03%
	19-3-2012	19-3-2015 to 30-6-2016	1.34	–	–	200,000	–	200,000	0.03%
				–	–	600,000	–	600,000	0.09%
Employees	19-3-2012	19-3-2013 to 30-6-2016	1.34	–	–	10,490,000	(230,000)	10,260,000	1.47%
	19-3-2012	19-3-2014 to 30-6-2016	1.34	–	–	10,490,000	(230,000)	10,260,000	1.47%
	19-3-2012	19-3-2015 to 30-6-2016	1.34	–	–	10,490,000	(230,000)	10,260,000	1.47%
				–	–	31,470,000	(690,000)	30,780,000	4.41%
				–	–	41,670,000	(1,290,000)	40,380,000	5.76%

Notes:

1. As at 31 December 2012, 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 year, no share options mentioned above were cancelled.

The valuation of share options granted during the year is set out in note 33 to the financial statements.

Report of the Directors

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

Independent non-executive directors

Mr. He Changming *(resigned on 22 June 2012)*
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. Cui Ming, Mr. Xie Shuisheng, and Ms. Li Li shall retire from their office by rotation at the forthcoming annual general meeting and, being eligible, offered themselves for re-election.

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

DIRECTORS' SERVICE CONTRACTS

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

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 2012 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. Mr. He Changming resigned from his directorship on 22 June 2012.

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

DISCLOSURE OF INTERESTS

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

As at 31 December 2012, 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 Securities and Futures Ordinance (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:

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

Name of Directors	Capacity	Number of Shares held	Approximate percentage of shareholding*
Hu Changyuan	Founder of a discretionary trust	265,200,000 *(Note 1)*	37.91%
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%
Cui Ming	Beneficial owner	220,000	0.03%
Xie Shuisheng	Beneficial owner	175,000	0.03%
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 2012.

(ii) Interests in share options of the Company

Name of Directors	Capacity	Number of share options	Exercisable period	Exercise price per share HK$	Approximate percentage of shareholding*
Chen Jianhua	Beneficial owner	800,000	19 March 2013 to 30 June 2016	1.34	0.11%
	Beneficial owner	800,000	19 March 2014 to 30 June 2016	1.34	0.11%
	Beneficial owner	800,000	19 March 2015 to 30 June 2016	1.34	0.11%
Wang Jianli	Beneficial owner	800,000	19 March 2013 to 30 June 2016	1.34	0.11%
	Beneficial owner	800,000	19 March 2014 to 30 June 2016	1.34	0.11%
	Beneficial owner	800,000	19 March 2015 to 30 June 2016	1.34	0.11%
Ma Wanjun	Beneficial owner	800,000	19 March 2013 to 30 June 2016	1.34	0.11%
	Beneficial owner	800,000	19 March 2014 to 30 June 2016	1.34	0.11%
	Beneficial owner	800,000	19 March 2015 to 30 June 2016	1.34	0.11%
Cui Ming	Beneficial owner	200,000	19 March 2013 to 30 June 2016	1.34	0.03%
	Beneficial owner	200,000	19 March 2014 to 30 June 2016	1.34	0.03%
	Beneficial owner	200,000	19 March 2015 to 30 June 2016	1.34	0.03%

Name of Directors	Capacity	Number of share options	Exercisable period	Exercise price per share *HK$*	Approximate percentage of shareholding*
Xie Shuishen	Beneficial owner	200,000	19 March 2013 to 30 June 2016	1.34	0.03%
	Beneficial owner	200,000	19 March 2014 to 30 June 2016	1.34	0.03%
	Beneficial owner	200,000	19 March 2015 to 30 June 2016	1.34	0.03%
Chai Chaoming	Beneficial owner	200,000	19 March 2013 to 30 June 2016	1.34	0.03%
	Beneficial owner	200,000	19 March 2014 to 30 June 2016	1.34	0.03%
	Beneficial owner	200,000	19 March 2015 to 30 June 2016	1.34	0.03%
Li Li	Beneficial owner	200,000	19 March 2013 to 30 June 2016	1.34	0.03%
	Beneficial owner	200,000	19 March 2014 to 30 June 2016	1.34	0.03%
	Beneficial owner	200,000	19 March 2015 to 30 June 2016	1.34	0.03%

Notes

These are the underlying Shares of the options granted to the relevant Directors by the Company on 19 March 2012 under the Share Option Scheme adopted pursuant to a shareholders' written resolution passed on 1 December 2007 and such share options remained outstanding as at 31 December 2012. The exercise price is the average closing price of HK$1.34 per Share as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant.

* The percentages are calculated based on total issued number of shares of 699,501,950 as at 31 December 2012.

Save as disclosed above, as at 31 December 2012, 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 2012, 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)	15.72%
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)	37.91%
Barclays Wealth Trustees (Singapore) Limited *(Note 1)*	Trustee (other than a bare trustee)	265,200,000(L)	37.91%
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)	37.91%
Yu Yuesu *(Note 3)*	Interest of spouse	265,200,000(L)	37.91%

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" 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 2012.

Save as disclosed herein, as at 31 December 2012, 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.

CONNECTED TRANSACTIONS

Details of the related party transactions and connected transactions of the Group are set out in note 39(a) to the financial statements.

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 2012.

PRE-EMPTIVE RIGHTS

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules during the year. Having made specific enquiries with all Directors, all Directors confirmed that they have complied with the required standards set out in the Model Code during the year ended 31 December 2012.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the CG Code during the year ended 31 December 2012, 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 37 to the financial statements.

REVIEW BY AUDIT COMMITTEE

The audit committee of the Company comprises four independent non-executive Directors, namely, 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 2012 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, SHINEWING (HK) CPA Limited. A resolution for the re-appointment of SHINEWING (HK) CPA Limited as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board
Hu Changyuan
Chairman

Hong Kong, 26 March 2013

Biographical Details of the Directors and Company Secretary

EXECUTIVE DIRECTORS

Mr. HU Changyuan, aged 64, 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 24 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)(the "CNMFIA"), a member of the People's Political and Consultation Commission of Cixi City(慈溪市政協)and was a representative to the People's Congress of Ningbo City(寧波市人大). 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). 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. CHEN Jianhua, aged 45, 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 24 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.

Mr. WANG Jianli, aged 41, 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 24 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. Mr. Wang completed the Management Ph.D. seminar program organized by Beijing Normal University in October 2012. He is now a vice-president of the sixth council of the CNMFIA.

Mr. MA Wanjun, aged 46, 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 24 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 CNMFIA 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). 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) since July 2010. From October 2011, he has been the vice president of the council of the CNMFIA.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CUI Ming, aged 56, is an independent non-executive Director of the Company since December 2007. 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 8 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 68, is an independent non-executive Director of the Company since December 2007. 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), 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), a committee member of the Beijing Mechanical Engineering Society (中國機械工程學會) and the head of the Pressure Processing Society of the Chinese Mechanical Engineering Society (壓力加工學會), 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); 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 350 articles in various international and Chinese academic journals, has published 23 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.

Mr. CHAI Chaoming, aged 43. is an independent non-executive Director of the Company since May 2009. 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, a company listed on the Shenzhen Stock Exchange (stock code: 002673). Mr. Chai has extensive experience in corporate management and investment.

Ms. LI Li, aged 40, is an independent non-executive Director of the Company since December 2007. 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.

Various aspects of the business and operations of the Group are respectively under direct responsibilities of the Executive Directors who are regarded as the senior management of the Company.

COMPANY SECRETARY

Mr. CHAN Chung Kik, Lewis, aged 40, is the chief financial officer and the Company Secretary of the Group since July 2007, 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 16 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 fellow member of the Hong Kong Institute of Certified Public Accountants and a member of the CPA of Australia.

信永中和
ShineWing

SHINEWING (HK) CPA Limited
43/F., The Lee Gardens
33 Hysan Avenue
Causeway Bay, Hong Kong

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS 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 (collectively referred to as the "Group") set out on pages 42 to 126, which comprise the consolidated statement of financial position as at 31 December 2012, and 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 the 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 and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Except as described in the basis for qualified opinion paragraph below, 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 qualified opinion.

信永中和
ShineWing

SHINEWING (HK) CPA Limited
43/F., The Lee Gardens
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Causeway Bay, Hong Kong

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
XINGYE COPPER INTERNATIONAL GROUP LIMITED (continued)
(Incorporated in the Cayman Islands with limited liability)

BASIS FOR QUALIFIED OPINION

Limitation of scope on the impairment assessment of available-for-sale investments

The carrying amount of the Group's available-for-sale investments as at 31 December 2012 amounted to approximately RMB37,870,000 of which approximately RMB35,000,000 is held by a 60% owned subsidiary of the Group. As detailed in note 21 to the consolidated financial statements, the directors of the Company had performed impairment assessment on the available-for-sale investments with reference to the latest financial information available and considered that the Group is able to recover the carrying amount of such investments in full, and therefore no provision for impairment loss were considered necessary by the directors on such balances. However, we were unable to obtain sufficient appropriate audit evidence we consider necessary in order to ascertain as to whether (i) the carrying amount of the available-for-sale investments could be recovered in full and (ii) sufficient provision for impairment loss has been made against such investments for the year ended 31 December 2012. There were no practical alternative audit procedures that we could perform to satisfy ourselves that the carrying amount of the Group's available-for-sale investments and the relevant provision for impairment loss were fairly stated as at 31 December 2012.

Limitation of scope on interest in associate

As further detailed in note 19 to the consolidated financial statements, the carrying amount of the Group's interest in an associate as at 31 December 2012 was approximately RMB21,083,000. During the year ended 31 December 2012, the Group recorded a share of profit of approximately RMB1,083,000 from such an associate. We were unable to obtain sufficient audit evidence to ascertain the financial position of this associate as at 31 December 2012 and of the result of its operations for the year then ended. Accordingly, we were unable to satisfy ourselves as to whether (i) the carrying amount of the Group's interest in an associate of approximately RMB21,083,000 as at 31 December 2012; (ii) the Group's share of profit from such associate of approximately RMB1,083,000, which were included in the Group's share of profits of associates of approximately RMB3,796,000, for the year ended 31 December 2012 and (iii) the related note disclosures as included in the consolidated financial statements were fairly stated.

Any adjustments to the carrying amounts of the abovementioned (i) available-for-sale investments; (ii) interest in an associate and (iii) share of profit from such associate found to be necessary would affect the Group's net assets as at 31 December 2012 and the Group's profit for the year then ended and the related note disclosures to the consolidated financial statements.

SHINEWING (HK) CPA Limited
43/F., The Lee Gardens
33 Hysan Avenue
Causeway Bay, Hong Kong

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
XINGYE COPPER INTERNATIONAL GROUP LIMITED (continued)
(Incorporated in the Cayman Islands with limited liability)

Qualified opinion arising from limitation of audit scope

In our opinion, except for the possible effects of the matters described in the basis for qualified opinion paragraph above, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2012 and of its 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.

EMPHASIS OF MATTER

Without further qualifying our opinion, we draw attention to note 2 to the consolidated financial statements, which indicates that the Group has net current liabilities of approximately RMB20,509,000 as at 31 December 2012. Such condition indicates the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 December 2011 were audited by another auditor who expressed an unqualified opinion on those statements on 16 March 2012.

SHINEWING (HK) CPA Limited
Certified Public Accountants

Chong Kwok Shing
Practising Certificate Number: P05139

Hong Kong
26 March 2013

Consolidated Income Statement

For the year ended 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000 (Restated)
Revenue	8	**3,229,126**	3,508,781
Cost of sales		**(3,081,455)**	(3,328,167)
Gross profit		**147,671**	180,614
Other income	9	**40,435**	41,924
Other gains and losses, net	12	**14,245**	66,947
Distribution expenses		**(21,275)**	(20,165)
Administrative expenses		**(77,348)**	(80,809)
Share of profits of associates	19	**3,796**	–
Share of loss of a jointly-controlled entity	20	**(470)**	(8,034)
Finance costs	10	**(49,603)**	(52,834)
Profit before tax		**57,451**	127,643
Income tax expenses	11	**(24,357)**	(37,569)
Profit for the year	12	**33,094**	90,074
Profit for the year attributable to:			
Owners of the Company		**32,411**	89,671
Non-controlling interests		**683**	403
		33,094	90,074
Earnings per share			
Basic (RMB)	16	**0.05**	0.13
Diluted (RMB)	16	**0.05**	0.13

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012

	2012 *RMB'000*	2011 *RMB'000*
Profit for the year	**33,094**	90,074
Other comprehensive expenses		
Exchange differences arising on translation of foreign operations	**(1,384)**	(1,989)
Total comprehensive income for the year	**31,710**	88,085
Total comprehensive income attributable to:		
Owners of the Company	**31,027**	87,682
Non-controlling interests	**683**	403
	31,710	88,085

Consolidated Statement of Financial Position

As at 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
Non-current assets			
Property, plant and equipment	17	**608,414**	549,684
Lease prepayments	18	**35,852**	18,443
Interests in associates	19	**21,083**	35,000
Interest in a jointly-controlled entity	20	**12,032**	12,502
Available-for-sale investments	21	**37,870**	–
Deposit for acquisition of property, plant and equipment		**34,998**	–
		750,249	615,629
Current assets			
Inventories	22	**467,244**	534,827
Trade and other receivables	23	**446,196**	594,865
Loan receivables	24	**28,274**	–
Trading securities	25	**–**	12,772
Derivative financial instruments	26	**3,734**	3,951
Pledged deposits	27	**117,854**	32,351
Cash and cash equivalents	27	**87,603**	240,345
		1,150,905	1,419,111
Current liabilities			
Trade and other payables	28	**390,497**	480,002
Interest-bearing borrowings	29	**765,655**	843,711
Income tax payable		**15,262**	6,792
		1,171,414	1,330,505
Net current (liabilities) assets		**(20,509)**	88,606
Total assets less current liabilities		**729,740**	704,235
Non-current liabilities			
Interest-bearing borrowings	29	**1,420**	–
Deferred income	30	**9,986**	3,603
Deferred tax liabilities	31	**19,889**	18,177
		31,295	21,780
Net assets		**698,445**	682,455

Consolidated Statement of Financial Position

As at 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
Capital and Reserves			
Share capital	*32(a)*	**64,881**	64,881
Reserves	*32(b)*	**615,161**	614,134
Equity attributable to owners of the Company		**680,042**	679,015
Non-controlling interests		**18,403**	3,440
Total Equity		**698,445**	682,455

The consolidated financial statements on pages 42 to 126 were approved and authorised for issue by the board of directors on 26 March 2013 and are signed on its behalf by:

Hu Changyuan
Director

Chen Jianhua
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2012

		Attributable to owners of the Company									
	Notes	**Share capital** *RMB'000*	**Share premium** *(note 32(b)(i))* *RMB'000*	**Capital reserve** *(note 32(b)(ii))* *RMB'000*	**PRC statutory reserve** *(note 32(b)(iii))* *RMB'000*	**Translation reserve** *RMB'000*	**Share-based compensation reserve** *(note 32(b)(iv))* *RMB'000*	**Retained earnings** *RMB'000*	**Total** *RMB'000*	**Non-controlling interests** *RMB'000*	**Total** *RMB'000*
At 1 January 2011		62,511	207,035	259,726	44,027	(10,805)	4,157	70,632	637,283	2,387	639,670
Profit for the year		–	–	–	–	–	–	89,671	89,671	403	90,074
Other comprehensive expense for the year		–	–	–	–	(1,989)	–	–	(1,989)	–	(1,989)
Total comprehensive income for the year		–	–	–	–	(1,989)	–	89,671	87,682	403	88,085
Dividend approved in respect of the previous year	*15*	–	–	–	–	–	–	(28,875)	(28,875)	–	(28,875)
Share options exercised	*32(a)(i)*	134	2,385	–	–	–	(924)	–	1,595	–	1,595
Share options lapsed		–	–	–	–	–	(3,233)	3,233	–	–	–
Warrants exercised	*32(a)(ii)*	2,236	18,558	–	–	–	–	–	20,794	–	20,794
Transfer to reserve		–	–	–	3,820	–	–	(3,820)	–	–	–
Dividend declared in respect of the current year	*15*	–	–	–	–	–	–	(39,464)	(39,464)	–	(39,464)
Capital contribution from non-controlling interests		–	–	–	–	–	–	–	–	650	650
At 31 December 2011		64,881	227,978	259,726	47,847	(12,794)	–	91,377	679,015	3,440	682,455

		Attributable to owners of the Company									
	Notes	**Share capital** *RMB'000*	**Share premium** *(note 32(b)(i))* *RMB'000*	**Capital reserve** *(note 32(b)(ii))* *RMB'000*	**PRC statutory reserve** *(note 32(b)(iii))* *RMB'000*	**Translation reserve** *RMB'000*	**Share-based compensation reserve** *(note 32(b)(iv))* *RMB'000*	**Retained earnings** *RMB'000*	**Total** *RMB'000*	**Non-controlling interests** *RMB'000*	**Total** *RMB'000*
At 1 January 2012		64,881	227,978	259,726	47,847	(12,794)	–	91,377	679,015	3,440	682,455
Profit for the year		–	–	–	–	–	–	32,411	32,411	683	33,094
Other comprehensive expense for the year		–	–	–	–	(1,384)	–	–	(1,384)	–	(1,384)
Total comprehensive income for the year		–	–	–	–	(1,384)	–	32,411	31,027	683	31,710
Dividend approved in respect of the previous year	*15*	–	–	–	–	–	–	(34,154)	(34,154)	–	(34,154)
Equity-settled share-based payments		–	–	–	–	–	4,154	–	4,154	–	4,154
Transfer to reserve		–	–	–	12,605	–	–	(12,605)	–	–	–
Capital contribution from non-controlling interests		–	–	–	–	–	–	–	–	14,280	14,280
At 31 December 2012		64,881	227,978	259,726	60,452	(14,178)	4,154	77,029	680,042	18,403	698,445

Consolidated Statement of Cash Flows

For the year ended 31 December 2012

	2012	2011
	RMB'000	*RMB'000*
		(Restated)
OPERATING ACTIVITIES		
Profit before tax	**57,451**	127,643
Adjustments for:		
Finance costs	**49,603**	52,834
Bank interest income	**(3,258)**	(4,774)
Interest income from trading securities	**(317)**	(795)
Interest income from non-controlling interests	**(377)**	–
Interest income on loan receivables	**(2,050)**	–
(Reversal of) write-down of inventories	**(5,548)**	7,984
Amortisation of deferred income	**(617)**	(53)
Share of profits of associates	**(3,796)**	–
Share of loss of a jointly-controlled entity	**470**	8,034
Depreciation of property, plant and equipment	**45,392**	43,260
Impairment loss recognised in respect of property, plant and equipment	**2,700**	–
Amortisation of lease prepayments	**710**	401
Equity-settled share-based payment transactions	**4,154**	–
Unrealised fair value change on derivative financial instruments	**(3,734)**	(3,951)
(Gain) loss on disposal of property, plant and equipment	**(216)**	572
Gain on disposal of lease prepayments	**(2,870)**	–
Gain on disposal of investment in an associate	**–**	(1,534)
Operating cash flows before movements in working capital	**137,697**	229,621
Decrease in inventories	**73,131**	44,945
Decrease (increase) in trade and other receivables	**10,546**	(32,829)
(Decrease) increase in trade and other payables	**(93,908)**	203,868
Decrease (increase) in derivative financial instruments	**3,951**	(34,460)
Decrease (increase) in trading securities	**12,772**	(12,772)
Cash generated from operations	**144,189**	398,373
Interest paid	**(52,578)**	(52,834)
Tax paid	**(14,175)**	(42,110)
NET CASH GENERATED FROM OPERATING ACTIVITIES	**77,436**	303,429

Consolidated Statement of Cash Flows

For the year ended 31 December 2012

	2012 *RMB'000*	2011 *RMB'000* (Restated)
INVESTING ACTIVITIES		
Interest received	**4,981**	5,569
Acquisition of available-for-sale investments	**(37,870)**	–
Payment for investment in a jointly-controlled entity	**–**	(3,290)
Proceeds from disposal of investment in an associate	**–**	21,534
Proceeds from deregistration of an associate	**17,713**	–
Proceeds from disposal of lease prepayments	**323**	–
Proceeds from disposal of property, plant and equipment	**2,088**	172
Acquisition of property, plant and equipment	**(105,719)**	(90,504)
Placement of deposit for acquisition of property, plant and equipment	**(34,998)**	–
Acquisition of lease prepayments	**(20,572)**	(634)
Loan advances made	**(27,630)**	–
NET CASH USED IN INVESTING ACTIVITIES	**(201,684)**	(67,153)
FINANCING ACTIVITIES		
Dividends paid	**(34,154)**	(68,339)
Repayment of borrowings	**(1,671,714)**	(1,678,485)
New borrowings raised	**1,738,578**	1,520,783
Interest-free advance received	**12,190**	11,415
Repayment of interest-free advance	**(7,787)**	(7,340)
Proceeds from issue of shares	**–**	22,389
Capital contribution from non-controlling interests	**14,280**	650
Government grants received	**7,000**	2,710
Placement of pledged deposits	**(117,854)**	(32,351)
Withdrawal of pledged deposits	**32,351**	154,378
NET CASH USED IN FINANCING ACTIVITIES	**(27,110)**	(74,190)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(151,358)**	162,086
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**240,345**	80,248
Effect of foreign exchange rate changes	**(1,384)**	(1,989)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	**87,603**	240,345

1. GENERAL INFORMATION AND BASIS OF PRESENTATION

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"). The Company's registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, the Cayman Islands and its principal place of business is 1 Linfang Road Bailiangqiao, Zonghan, Cixi City, Ningbo City, Zhejiang Province, 315301, the People's Republic of China ("PRC"). As at the end of the reporting period and the date of these consolidated financial statements, the Company did not have any holding company.

The principal activity of the Company is investment holding. The principal activities of the Company's principal subsidiaries are set out in note 40.

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company's PRC subsidiaries. The functional currency of the Company is Hong Kong dollar ("HK$").

2. BASIS OF PREPARATION

As at 31 December 2012, the Group had net current liabilities of RMB20,509,000.

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group for the twelve months from the end of the reporting period in light of the Group's substantial capital commitment.

In the opinion of the directors of the Company, the Group will have sufficient working capital for the twelve months after the end of the reporting period taking into account the profitable operations of the Group, and the Group's unutilised banking facilities of RMB204 million that will be expiring in 2014.

Taking into the Group's financial position, results of operations and credit history, the directors of the Company do not believe that it is probable that the banks will terminate the facilities granted to the Group prior to their expiry. Thus, the directors of the Company consider that it is appropriate to prepare the consolidated financial statements on the going concern basis.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

In the current year, the Group has applied the following new and revised IFRSs issued by the International Accounting Standard Board ("IASB").

IFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
IFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets
International Accounting Standard ("IAS") 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets

Except as described below, the application of the above amendments to IFRSs in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or on the disclosures set out in these consolidated financial statements.

Amendments to IFRS 7 Disclosures – Transfers of Financial Assets

The Group has applied for the first time the amendments to IFRS 7 *Disclosures – Transfers of Financial Assets* in the current year. The amendments increase the disclosure requirements for transactions involving the transfer of financial assets in order to provide greater transparency around risk exposures when financial assets are transferred.

The Group has arrangements with various banks to transfer to the banks its contractual rights to receive cash flows from certain trade receivables. The arrangements are made through discounting those receivables to banks on a full recourse basis. Specifically, if the trade receivables are not paid at maturity, the banks have the right to request the Group to pay the unsettled balance. As the Group has not transferred the significant risks and rewards relating to these trade receivables, it continues to recognise the full carrying amount of the receivables and has recognised the cash received on the transfer as a secured borrowing (see note 29). The relevant disclosures have been made regarding the transfer of these trade receivables on application of the amendments to IFRS 7 (see note 38). In accordance with the transitional provisions set out in the amendments to IFRS 7, the Group has not provided comparative information for the disclosures required by the amendments.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

The Group has not early applied new or revised standards that have been issued but are not yet effective.

IFRSs (Amendments)	Annual Improvements 2009-2011 Cycle[2]
IFRS 1 (Amendments)	First-time Adoption of IFRSs – Government Loan[2]
IFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
IFRS 7 (Amendments) and IFRS 9 (Amendments)	Mandatory Effective Date of IFRS 9 and Transition Disclosure[4]
IFRS 9	Financial Instruments[4]
IFRS 10	Consolidated Financial Statements[2]
IFRS 11	Joint Arrangements[2]
IFRS 12	Disclosure of Interests in Other Entities[2]
IFRS 13	Fair Value Measurement[2]
IFRS 10, IFRS 11 and IFRS 12 (Amendments)	Transition Guidance[2]
IFRS 10, IFRS 12 and IAS 27 (Amendments)	Investment entities[3]
IAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[1]
IAS 19 (as revised in 2011)	Employee Benefits[2]
IAS 27 (as revised in 2011)	Separate Financial Statements[2]
IAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
IAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[3]
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine[2]

[1] *Effective for annual periods beginning on or after 1 July 2012.*
[2] *Effective for annual periods beginning on or after 1 January 2013.*
[3] *Effective for annual periods beginning on or after 1 January 2014.*
[4] *Effective for annual periods beginning on or after 1 January 2015.*

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

Annual Improvements to IFRSs 2009 – 2011 Cycle issued in May 2012

The Annual Improvements to IFRSs 2009 – 2011 Cycle include a number of amendments to various IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2013. Amendments to IFRSs include the amendments to IAS 16 *Property, Plant and Equipment* and the amendments to IAS 32 *Financial Instruments: Presentation*.

The amendments to IAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in IAS 16 and as inventory otherwise. The directors do not anticipate that the application of the amendments will have a material effect on the Group's consolidated financial statements.

The amendments to IAS 32 clarify that income tax on distributions to holders of an equity instrument and transaction costs of an equity transaction should be accounted for in accordance with IAS 12 *Income Taxes*. The directors anticipate that the amendments to IAS 32 will have no effect on the Group's consolidated financial statements as the Group has already adopted this treatment.

IAS 1 requires an entity that changes accounting policies retrospectively, or makes a retrospective restatement or reclassification to present a statement of financial position as at the beginning of the preceding period (third statement of financial position). The amendments to IAS 1 clarify that an entity is required to present a third statement of financial position only when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position and that related notes are not required to accompany the third statement of financial position.

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities and amendments to IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities

The amendments to IAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement. The amendments to IFRS 7 are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should also be provided retrospectively for all comparative periods. However, the amendments to IAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

The directors anticipate that the application of these amendments to IAS 32 and IFRS 7 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

IFRS 9 Financial Instruments

IFRS 9 issued in November 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 amended in October 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of IFRS 9 are described as follows:

- IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

IFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

The directors of the Company anticipate that IFRS 9 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2015 and that the application of the new standard will have a significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

New and revised standards on consolidation, joint arrangements, associates and disclosures

The new standards on consolidation, joint arrangements and disclosures including IFRS 10, IFRS 11, IFRS 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011) were issued by the IASB in May 2011 and are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of the new standards are applied early at the same time. The directors of the Company anticipate that these new standards will be applied in the Group's consolidated financial statements for the year ended 31 December 2013 and the potential impact is described below.

IFRS 10 replaces the parts of IAS 27 "Consolidated and Separate Financial Statements" that deal with consolidated financial statements and SIC-12 Consolidation-Special Purpose Entities. IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in IFRS 10 to deal with complex scenarios. Overall, the application of IFRS 10 requires a lot of judgement. The application of IFRS 10 might result in the Group no longer consolidating some of its investees, and consolidating investees that were not previously consolidated.

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly Controlled Entities-Non-Monetary Contributions by Venturers. IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under IFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under IAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under IFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under IAS 31 can be accounted for using the equity method of accounting or proportionate consolidation.

IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

New and revised standards on consolidation, joint arrangements, associates and disclosures (Continued)

In June 2012, the amendments to IFRS 10, IFRS 11 and IFRS 12 were issued to clarify certain transitional guidance on the application of these five IFRSs for the first time.

These five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The directors of the Company anticipate that the application of the above five standards will have no material impact on the amount reported in the consolidated financial statements of the Group.

Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities

The amendments to IFRS 10 introduce an exception to consolidating subsidiaries for an investment entity, except where the subsidiaries provide services that relate to the investment entity's investment activities. Under the amendments to IFRS 10, an investment entity is required to measure its interests in subsidiaries at fair value through profit or loss.

To qualify as an investment entity, certain criteria have to be met. Specifically, an entity is required to:

- obtain funds from one or more investors for the purpose of providing them with professional investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments to IFRS 12 and IAS 27 have been made to introduce new disclosure requirements for investment entities.

The amendments to IFRS 10, IFRS 12 and IAS 27 are effective for annual periods beginning on or after 1 January 2014, with early application permitted. The directors anticipate that the application of the amendments will have no effect on the Group as the Company is not an investment entity.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 Financial Instruments: Disclosures will be extended by IFRS 13 to cover all assets and liabilities within its scope.

IFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors of the Company anticipate that IFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new standard may affect the amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income

The amendments to IAS 1 Presentation of Items of Other Comprehensive Income introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to IAS 1, a 'statement of comprehensive income' is renamed as a 'statement of profit or loss and other comprehensive income' and an 'income statement' is renamed as a 'statement of profit or loss'. The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments to IAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

The directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated income statement and consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates (Continued)

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with IAS 39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Jointly-controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly-controlled entities.

The results and assets and liabilities of jointly-controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly-controlled entities are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the jointly-controlled entities. When the Group's share of losses of a jointly-controlled entity equals or exceeds its interest in that jointly-controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly-controlled entity), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly-controlled entity.

The financial statements of jointly-controlled entities used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a jointly-controlled entity. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its jointly-controlled entity, profits and losses resulting from the transactions with the jointly-controlled entity are recognised in the Group's consolidated financial statements only to the extent of interests in the jointly-controlled entity that are not related to the Group.

Revenue recognition

Revenue is mesasured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Deposits and instalments received from purchasers prior to meeting the above criteria for revenue recognition are included in the consolidated statement of financial position under current liabilities.

Service income is recognised when services are provided.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production of goods or supply of services, or for administrative purposes (other than construction in progress as described below) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment other than construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Construction in progress is classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

As item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land

The Group assesses the classification of leasehold land as a finance or an operating lease based on the assessment as to whether substantially all the risks and rewards incidental to ownership of leasehold land has been transferred to the Group.

Interest in leasehold land that is accounted for as an operating lease is presented as "lease prepayments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government grants (Continued)

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

Retirement benefit costs

Payments to state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before tax" as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in jointly-controlled entities, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and deposits that are subject to an insignificant risk of changes in value.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represented the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sales.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified as financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Financial assets at fair value through profit or loss

Financial assets at FVTPL are financial assets held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the financial statement line of other income in the consolidated income statement. Fair value is determined in the manner described in note 26.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, loan receivables, pledged deposits, and cash and cash equivalent) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investment.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at the end of the reporting period (see accounting policy on impairment of financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

For certain categories of financial assets, such as trade and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period or observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade and other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised directly in other comprehensive income and accumulated in investment revaluation reserve.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities at fair value through profit or loss

Financial liabilities at FVTPL are financial liabilities held for trading.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised directly in profit or loss in the period in which they arise.

Other financial liabilities

Other financial liabilities including interest-bearing borrowings, and trade and other payables are subsequently measured at amortised cost, using the effective interest method.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share-based compensation reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share-based compensation reserve.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payment transactions (Continued)

Equity-settled share-based payment transactions (Continued)

When share options are exercised, the amount previously recognised in share-based compensation reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based compensation reserve will be transferred to retained earnings.

Impairment of tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately in profit or loss.

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies which are described in note 4, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgments in applying the entity's accounting policies

The following is the critical judgment, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements:

Going concern basis

As explained in note 2 to the consolidated financial statements, the consolidated financial statements have been prepared on a going concern basis and do not include any adjustments that would be required should the Group fail to continue as a going concern since the directors of the Company are satisfied that the liquidity of the Group can be maintained in the coming twelve months taking into consideration that the unutilsied bank facilities of the Group will only be expiring in 2014 and the profitable operations of the Group. The directors of the Company also believe that the Group will have sufficient cash resources to satisfy its future working capital and capital commitments for the next twelve months from 31 December 2012.

Legal title of buildings

As further detailed in note 17, despite the Group has paid the full consideration for ceratin buildings, the Group has not yet obtained the rights to the use of these building from the relevant government authorities. The directors of the Company are of the opinions that the risks and rewards of using these assets have been transferred to the Group and the absence of formal titles to these buildings do not impair the value of the relevant properties to the Group.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year.

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Useful lives and residual value of property, plant and equipment

The directors of the Company determine the residual value, useful lives and related depreciation charges for its property, plant and equipment, as disclosed in note 17. This estimate is based on the historical experience of the actual residual value and useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and keen competitions from competitors. The directors of the Company will increase the depreciation charge where residual value or useful lives are less than previously estimated, or it will write-off or write-down the carrying values of those technically obsolete assets.

The carrying amount of property, plant and equipment of the Group as at 31 December 2012 is RMB608,414,000 (2011: RMB549,684,000).

Impairment loss recognised in respect of property, plant and equipment

The carrying value of property, plant and equipment is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. The recoverable amount of these assets, or, where appropriate, the cash-generating unit to which they belong, is the higher of their fair value less costs to sell and value in use. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

As at 31 December 2012, the accumulated impairment loss recognised in respect of the Group's property, plant and equipment is RMB10,737,000 (2011: RMB8,037,000).

Estimated write-down on inventories

Inventories are valued at the lower of cost and net realisable value. The Group regularly inspects and reviews its inventories to identify slow-moving and obsolete inventories. When the Group identifies items of inventories which have a market price that is lower than its carrying amount or are slow-moving or obsolete, the Group would write down such inventories in that period.

As at 31 December 2012, the Group's inventories amounted to approximately RMB467,244,000 (2011: RMB534,827,000), net of provision for write-down of approximately RMB2,436,000 (2011: RMB7,984,000).

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Estimated impairment loss of trade and other receivables and loan receivables

When there is objective evidence of impairment loss of trade and other receivables and loan receivables, the Group takes into consideration the estimation of future cash flows of respective trade and other receivable and loan receivables. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise.

As at 31 December 2012, the carrying amount of the Group's trade and other receivables and loan receivables are RMB446,196,000 (2011: RMB594,865,000) and RMB28,274,000 (2011: nil) respectively. No impairment has been recognised for trade and other receivables and loan receivables as at 31 December 2012 and 2011.

Estimated impairment loss on interest in associate and available-for-sale investments

In determining whether the Group's interests in associate and available-for-sale investment are impaired requires an estimation of the recoverable amount. Impairment assessment had been carried out at the end of the reporting period on the investments in their entirety. In the opinion of the directors, no impairment is considered necessary. As at 31 December 2012, the carrying amounts of the Group's interests in associates and available-for-sale investments are RMB21,083,000 (2011: RMB35,000,000) and RMB37,870,000 (2011: nil) respectively.

Estimated impairment loss on interest in a jointly-controlled entity

In determining whether the Group's interest in a jointly-controlled entity are impaired requires an estimation of the future cash flows expected to arise and expected dividend yield from the investment and a suitable discount rate in order to calculate the present value. Impairment assessment had been carried out at the end of the reporting period on the investments in their entirety. In the opinion of the directors, no impairment is considered necessary. As at 31 December 2012, the carrying amounts of the Group's interest in a jointly-controlled entity is RMB12,032,000 (2011: RMB12,502,000).

Measurement of equity-settled share-based payment

The directors estimate the number of share options that are expected to ultimately vest based on the Group's historical information and their past experience. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share-based compensation reserve. In assessing the fair value of the share options, the generally accepted option pricing models were used to calculate the fair value of the share options. The option pricing models require the input of subjective assumptions, including the volatility of its own ordinary shares and the expected life of options. As at 31 December 2012, the Group's share-based compensation reserve was RMB4,154,000 (2011: nil).

6. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities within the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of 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 maximum level of 70% (2011: 70%). As at 31 December 2012, the debt-to-equity ratio and the liability-to-asset ratio of the Group were 52% (2011: 55%) and 63% (2011: 66%), respectively.

	2012 ***RMB'000***	2011 *RMB'000*
Total interest bearing borrowings	**767,075**	843,711
Equity	**698,445**	682,455
Capital	**1,465,520**	1,526,166
Debt-to-capital ratio	**52%**	55%
Total liabilities	**1,202,709**	1,352,285
Total assets	**1,901,154**	2,034,740
Liability-to-assets ratio	**63%**	66%

During the year ended 31 December 2012, the Group's strategy, which was unchanged from 2011, was to maintain the debt-to-equity ratio at below 70%. 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.

7. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2012 RMB'000	2011 RMB'000
Financial assets		
Held for trading financial assets:		
Trading securities	**–**	12,772
Derivative financial instruments	**3,734**	3,951
	3,734	16,723
Loans and receivables (including cash and cash equivalents)	**610,571**	735,372
Available-for-sale investments	**37,870**	–
	652,175	752,095
Financial liabilities		
Financial liabilities at amortised cost	**1,109,490**	1,288,604

(b) Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale investments, held-for-trading investments, trade and other receivables, derivative financial instruments, pledged deposits, cash and cash equivalents, trade and other payables and interest-bearing borrowings. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and commodity price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The directors of the Company manage and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

7. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk

(i) Currency risk

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the directors of the Company monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	2012 ***RMB'000***	2011 *RMB'000*
Assets		
United States dollars ("USD")	**195,136**	189,613
Hong Kong dollars ("HKD")	**1,046**	18,962
Japanese Yen ("JPY")	**–**	706
European dollars ("EURO")	**28,618**	24
	224,800	209,305
Liabilities		
USD	**182,521**	371,249
HKD	**826**	–
JPY	**833**	–
	184,180	371,249

7. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(i) Currency risk (Continued)

Sensitivity analysis

The Group is mainly exposed to fluctuation against foreign currencies of HKD, JPY, EURO and USD.

The following table details the Group's sensitivity to a 5% (2011: 5%) increase and decrease in functional currency of respective group entities against the relevant foreign currencies. 5% (2011: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2011: 5%) change in foreign currency rates. A positive number below indicates an increase in post-tax profit where the functional currency of respective group entities strengthens 5% (2011: 5%) against the relevant foreign currencies. For a 5% (2011: 5%) weakening of the functional currency of respective group entities against the relevant foreign currencies, there would be an equal and opposite impact on the post-tax profit.

	2012	2011
	RMB'000	*RMB'000*
Effect on post-tax profit		
USD	**(473)**	6,811
HKD	**(8)**	(711)
JPY	**31**	(26)
EURO	**(1,073)**	(1)

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings and loan receivables. The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank borrowings.

7. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(ii) Interest rate risk (Continued)

The Group currently does not have an interest rate hedging policy to hedge against their exposures. However, the directors of the Company closely monitors interest rate exposures and will consider entering into interest rate swap transactions to hedge significant interest rate risk should the risk arises.

The directors of the Company considered that the exposure to cash flow interest rate risk in relation to pledged bank deposits and bank balances is mininal, accordingly, no sensitivity analysis is presented for both years.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of People's Bank of China ("PBOC") lending rate arising from the Group's Reminbi denominated borrowings.

Sensitivity analysis

The sensitivity analysis below has been determined based on the variable interest rates borrowings at the end of the reporting period. The analysis is prepared assuming the variable interest rates borrowings outstanding at the end of the reporting period were outstanding for the whole year. A 100 basis point (2011: 100 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points (2011: 100 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2012 would decrease/increase by RMB1,115,000 (2011: RMB4,124,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate borrowings.

(iii) Commodity price risk

The Group is exposed to price risk of copper, which is the major raw material for the production process and trading. To mitigate the commodity price risk, the Group has entered into copper future contracts to hedge against the fluctuations of copper price. Details of the copper future contracts outstanding at the end of reporting period are set out in note 26.

7. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(iii) Commodity price risk (Continued)

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to commodity price risk arising from the Group's outstanding copper future contracts at the end of the reporting period.

If market prices of copper had been 5% (2011: 5%) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2012 would decrease/increase by RMB5,909,000 (2011: RMB9,415,000).

Credit risk

As at 31 December 2012, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the directors of the Company has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group's loan receivables were due from two (2011: nil) debtors. The directors of the Company consider the credit risk associated with loan receivables is under control since the directors of the Company have exercised due care in granting credit and check the financial position of the debtors on a regular basis.

The credit risk on liquid funds is limited because the counterparties are banks and other financial institutions with high credit ratings assigned by international credit-rating agencies.

The Group has concentration of credit risk as 12% (2011: 10%) and 33% (2011: 31%) of the total trade receivables as at 31 December 2012 was due from the Group's largest customer and the five largest customers respectively.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 93% (2011: 95%) of the total trade receivables as at 31 December 2012.

7. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group had not breached any of the covenants for its bank borrowings.

The Group relies on bank borrowings as a significant source of liquidity. As at 31 December 2012, the Group has available unutilised bank loan facilities of approximately RMB996,642,000 (2011: RMB518,330,000). Details of bank borrowings are set out in note 29.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

	Within 1 year or on demand *RMB'000*	Over 1 year *RMB'000*	Total undiscounted cash flow *RMB'000*	Carrying amount *RMB'000*
As at 31 December 2012				
Non-derivative				
Trade and other payables	**342,415**	**–**	**342,415**	**342,415**
Interest-bearing borrowings	**781,877**	**1,804**	**783,681**	**767,075**
	1,124,292	**1,804**	**1,126,096**	**1,109,490**

7. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

	Within 1 year or on demand RMB'000	Over 1 year RMB'000	Total undiscounted cash flow RMB'000	Carrying amount RMB'000
As at 31 December 2011				
Non-derivative				
Trade and other payables	444,893	–	444,893	444,893
Interest-bearing borrowings	866,445	–	866,445	843,711
	1,311,338	–	1,311,338	1,288,604

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted cash flows on those derivatives that require net settlement. When the amount payable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the end of the reporting period. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as the management consider that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

	Within 1 year or on demand ***RMB'000***	**Total undiscounted cash flow** ***RMB'000***	**Carrying amount** ***RMB'000***
As at 31 December 2012			
Derivative – net settlement			
Copper future contracts	**3,734**	**3,734**	**3,734**

7. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

	Within 1 year or on demand *RMB'000*	Total undiscounted cash flow *RMB'000*	Carrying amount *RMB'000*
As at 31 December 2011			
Derivative – net settlement			
Copper future contracts	3,951	3,951	3,951

(c) Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices and ask prices respectively;
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis; and
- the fair value of derivative instruments is calculated using quoted prices.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

7. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value (Continued)

Fair value measurements recognised in the consolidated statement of financial position

The Group's derivative financial instruments of RMB3,734,000 (2011: RMB3,951,000) as at 31 December 2012 and trading securities of RMB12,772,000 as at 31 December 2011 are measured subsequent to initial recognition at fair value. The fair values are measured using Level 1 fair value measurement.

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

8. TURNOVER AND SEGMENT INFORMATION

The Group's operating and reportable segments, based on information reported to the board of directors, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided are as follows:

1) Sales of copper products segment reports sales of high precision copper plates and strips products.

2) Trading of raw materials segment reports trading of raw materials.

3) Processing services segment reports provision of processing services to customers who provide raw materials to the Group for processing.

4) Investment segment reports listed and unlisted investments made by the Group.

Segment turnover and results

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

The measure used for reporting segment profit for sales of copper products, trading of raw materials and the provision of processing services is gross profit. The measure used for reporting segment profit for investment segment is the net income and losses from investments.

8. TURNOVER AND SEGMENT INFORMATION (Continued)

Segment turnover and results (Continued)

The following is an analysis of the Group's revenue and results by reportable and operating segment.

For the year ended 31 December 2012

	Sales of copper products *RMB'000*	Trading of raw materials *RMB'000*	Processing services *RMB'000*	Investments *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
SEGMENT TURNOVER	3,995,254	2,871,359	119,443	14,571	(3,756,930)	3,243,697
SEGMENT REVENUE						
External sales	2,248,219	862,398	118,509	–	–	3,229,126
Inter-segment sales	1,747,035	2,008,961	934	–	(3,756,930)	–
Other income and gains	–	–	–	4,214	–	4,214
	3,995,254	2,871,359	119,443	4,214	(3,756,930)	3,233,340
Segment profit	112,714	4,072	30,885	8,010		155,681
Unallocated income and gains						53,166
Unallocated expenses						(101,323)
Finance costs						(49,603)
Share of loss of a jointly-controlled entity						(470)
Consolidated profit before tax						57,451

8. TURNOVER AND SEGMENT INFORMATION (Continued)

Segment turnover and results (Continued)

For the year ended 31 December 2011

	Sales of copper products *RMB'000*	Trading of raw materials *RMB'000*	Processing services *RMB'000*	Investments *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
SEGMENT TURNOVER	4,471,735	3,438,621	140,841	21,534	(4,542,416)	3,530,315
SEGMENT REVENUE						
External sales	2,433,313	957,418	118,050	–	–	3,508,781
Inter-segment sales	2,038,422	2,481,203	22,791	–	(4,542,416)	–
Other income and gains	–	–	–	2,329	–	2,329
	4,471,735	3,438,621	140,841	2,329	(4,542,416)	3,511,110
Segment profit (loss)	130,400	10,874	39,340	(617)		179,997
Unallocated income and gains						110,060
Unallocated expenses						(101,546)
Finance costs						(52,834)
Share of loss of a jointly-controlled entity						(8,034)
Consolidated profit before tax						127,643

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 4. Segment profit loss represents the profit earned by (loss from) each segment without allocation of distribution expenses, administrative expenses, other income, other expenses, share of loss of a jointly-controlled entity and finance costs. This is the measure reported to the board of directors of the Company for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market rates.

8. TURNOVER AND SEGMENT INFORMATION (Continued)

Segment assets and liabilities

	2012	2011
	RMB'000	*RMB'000*
SEGMENT ASSETS		
Investments	**87,227**	47,772
Jointly shared by sales of copper products, trading of raw materials and provision of processing services	**1,813,927**	1,986,968
Consolidated assets	**1,901,154**	2,034,740
SEGMENT LIABILITIES		
Jointly shared by sales of copper products, trading of raw materials and provision of processing services and consolidated liabilities	**1,202,709**	1,352,285

The Group's CODM is of the view that except for available-for-sale investments, interests in associates, loan receivables and trading securities in aggregate of RMB87,227,000 (2011: RMB47,772,000) that are dedicated to investment segment, the Group's principal assets and liabilities are jointly used and shared by sales of copper products, trading of raw materials and provision of processing services.

8. TURNOVER AND SEGMENT INFORMATION (Continued)

Revenue from major product and services

The following is an analysis of the Group's revenue from its major products and services:

	2012 *RMB'000*	2011 *RMB'000*
Sales of high precision copper plates and strips	**2,248,219**	2,433,313
Trading of raw materials	**862,398**	957,418
Provision of processing services	**118,509**	118,050
	3,229,126	3,508,781

Geographical information

The Group's operations are mainly located in the PRC – the country of domicile and all of its non-current assets, excluding financial instruments, are located in the PRC.

Information about the Group's turnover from external customers is presented based on the location of the customers.

	2012 *RMB'000*	2011 *RMB'000*
PRC	**2,998,515**	3,271,107
Others	**230,611**	237,674
	3,229,126	3,508,781

8. TURNOVER AND SEGMENT INFORMATION (Continued)

Information about major customers

No customer has contributed over 10% of the total revenue of the Group for both years.

Other segment information

	Jointly shared by sales of copper products, trading of raw materials and provision of processing services *RMB'000*	Investments *RMB'000*	Total *RMB'000*
For the year ended 31 December 2012			
Amounts included in the measure of segment results or assets:			
Depreciation of property, plant and equipment	45,392	–	45,392
Additions to property, plant and equipment	108,694	–	108,694
Additions to lease prepayments	20,572	–	20,572
Amortisation of lease prepayments	710	–	710
Gains on disposals of property, plant and equipment	(216)	–	(216)
Reversal of write-down of inventories	(5,548)	–	(5,548)
Interest income on trading securities	–	(317)	(317)
Interest income on loan receivables	–	(2,050)	(2,050)
Interests in associates	–	21,083	21,083
Share of profits of associates	–	(3,796)	(3,796)
Gain on disposal of trading securities	–	(1,847)	(1,847)
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment results or segment assets:			
Government grants	(33,883)	–	(33,883)
Gain on disposal of lease prepayments	(2,870)	–	(2,870)
Impairment losses on property, plant and equipment	2,700	–	2,700
Interest income on bank deposits	(3,258)	–	(3,258)
Gains from derivative financial instruments	(10,777)	–	(10,777)
Finance costs	49,603	–	49,603

8. TURNOVER AND SEGMENT INFORMATION (Continued)

Other segment information (Continued)

	Jointly shared by sales of copper products, trading of raw materials and provision of processing services	Investments	Total
	RMB'000	*RMB'000*	*RMB'000*
For the year ended 31 December 2011			
Amounts included in the measure of segment results or assets:			
Depreciation of property, plant and equipment	43,260	–	43,260
Additions to property, plant and equipment	82,308	–	82,308
Additions to lease prepayments	634	–	634
Amortisation of lease prepayments	401	–	401
Interest income on trading securities	–	(795)	(795)
Write-down of inventories	7,984	–	7,984
Gain on disposal of an associate	–	(1,534)	(1,534)
Interests in associates	–	35,000	35,000
Net change in fair value of trading securities	–	2,946	2,946
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment results or segment assets:			
Government grant	(35,813)	–	(35,813)
Interest income on bank deposits	(4,774)	–	(4,774)
Losses on disposals of property, plant and equipment	572	–	572
Gains from derivative financial instruments	(63,662)	–	(63,662)
Finance costs	52,834	–	52,834

9. OTHER INCOME

	2012 RMB'000	2011 RMB'000 (Restated)
Government grants		
– amortisation of deferred income *(note 30)*	**617**	53
– grants related to research and development expenses*	**33,266**	35,760
Interest income on bank deposits	**3,258**	4,774
Interest income on trading securities	**317**	795
Interest income from non-controlling interest** *(note 39)*	**377**	–
Interest income on loan receivables	**2,050**	–
Others	**550**	542
	40,435	41,924

Note:

* Government grants mainly represent subsidies provided by local government authorities for the Group's research and development activities and there are no conditions attached to the subsidies.

** Interest income from non-controlling interest was derived from outstanding capital contribution.

10. FINANCE COSTS

	2012 RMB'000	2011 RMB'000 (Restated)
Interest on bank borrowings wholly repayable within five years	**52,578**	52,834
Less: amounts capitalised	**(2,975)**	–
	49,603	52,834

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 5.87% (2011: nil) per annum to expenditure on qualifying assets.

11. INCOME TAX EXPENSES

	2012	2011
	RMB'000	*RMB'000*
Current tax		
Provision for PRC Enterprise Income Tax		
– Current year	**22,645**	37,808
Deferred tax *(note 31)*	**1,712**	(239)
	24,357	37,569

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

(b) No provision for Hong Kong Profits Tax has been made as the Group did not have assessable profits subject to Hong Kong Profits Tax for both years.

(c) Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the subsidiaries and the associate registered in PRC is 25% from 1 January 2008 onwards. The provision for PRC income tax is based on the respective corporate income tax rates applicable to the subsidiaries located in the PRC as determined in accordance with the relevant income tax rules and regulations of the PRC.

(d) On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the PRC ("the New Tax Law"). Pursuant to the New Tax Law, 5% withholding tax is levied on the foreign investor in respect of dividend distributions arising from the profits of a foreign investment enterprise 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 the earnings would be distributed in the foreseeable future.

(e) One of the subsidiaries of the Company is recognised as a High and New-technology Enterprise which have been granted tax concessions by the local tax bureau and are entitled to PRC Enterprise Income Tax at concessionary rate of 15% for both years.

11. INCOME TAX EXPENSES (Continued)

The tax expenses for the year can be reconciled to the consolidated profit before tax per the consolidated income statement as follows:

	2012 ***RMB'000***	2011 *RMB'000*
Profit before tax	**57,451**	127,643
Tax at the domestic income tax rate of 25% (2011: 25%)	**14,363**	31,911
Share of loss of an jointly-controlled entity	**118**	2,009
Share of profit of associates	**(949)**	–
Tax effect of expenses not deductible for tax purpose	**3,785**	435
Tax effect of income not taxable for tax purpose	**(1,047)**	–
Tax effect of tax losses not recognised	**5,209**	2,699
Effect of preferential tax rate	**1,576**	–
Tax effect of deductible temporary differences not recognised	**1,302**	–
Withholding tax on distributable profits of subsidiaries operating in the PRC	**–**	515
Income tax expenses	**24,357**	37,569

Details of the Group's deferred tax are set out in note 31.

12. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging (crediting):

	2012 RMB'000	2011 RMB'000
Depreciation for property, plant and equipment	**45,392**	43,260
Amortisation of lease prepayments	**710**	401
Total depreciation and amortisation	**46,102**	43,661
Auditor's remuneration	**936**	2,330
Other (gains) losses:		
(Gains) losses on disposal of property, plant and equipment	**(216)**	572
Gain on disposal of lease prepayments	**(2,870)**	–
Gain on disposal of an associate	**–**	(1,534)
Net changes in far value of trading securities	**–**	2,946
Gain on disposal of trading securities	**(1,847)**	–
Gains from derivative financial instruments *(note 26)*		
– unrealised gain on fair value changes	**(3,734)**	(3,951)
– realised	**(7,043)**	(59,711)
Net foreign exchange gain	**(1,235)**	(5,269)
Impairment loss recognised in respect of property, plant and equipment	**2,700**	–
Sub-total	**(14,245)**	(66,947)
(Reversal of) write-down of inventories (included in cost of sales)	**(5,548)**	7,984
Cost of inventories recognised as an expense	**3,087,003**	3,320,183
Minimum lease payments under operating leases in respect of office premises	**2,013**	3,044
Directors' remuneration *(note 13)*	**4,029**	3,896
Salaries and other benefits	**54,313**	58,745
Retirement benefits scheme contributions	**6,239**	5,531
Share-based payments expense	**3,018**	–
Total staff costs	**67,599**	68,172

13. DIRECTOR'S AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the 9 (2011: 10) directors and chief executive were as follows:

	Year ended 31 December 2012					
Name of directors	Directors' fee *RMB'000*	Basic salaries and allowances *RMB'000*	Contributions to retirement schemes *RMB'000*	Discretionary bonus *(note)* *RMB'000*	Share-based payments *RMB'000*	Total *RMB'000*
Executive directors						
Mr. Hu Changyuan	–	443	–	–	–	443
Mr. Chen Jianhua	–	620	7	–	284	911
Mr. Wang Jianli	–	360	7	405	284	1,056
Mr. Ma Wanjun	–	300	7	420	284	1,011
Independent non-executive directors						
Mr. Cui Ming	72	–	–	–	71	143
Mr. Xie Shuisheng	72	–	–	–	71	143
Ms. Li Li	72	–	–	–	71	143
Mr. He Changming *(resigned on 22 June 2012)*	36	–	–	–	–	36
Mr. Chai Chaoming	72	–	–	–	71	143
	324	1,723	21	825	1,136	4,029

13. DIRECTOR'S AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

	Year ended 31 December 2011					
Name of directors	Directors' fee *RMB'000*	Basic salaries and allowances *RMB'000*	Contributions to retirement schemes *RMB'000*	Discretionary bonus *(note)* *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

Note: The discretionary bonus is determined with reference to the individual performance in both years.

Mr. Chen Jianhua is also the chief executive of the Company and his emoluments disclosed above include those for services rendered by him as chief executive.

14. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, four (2011: four) were directors (including the chief executive) of the Company whose emoluments are included in the disclosures in note 13 above. The emoluments of the remaining one (2011: one) individual were as follows:

	2012	2011
	RMB'000	*RMB'000*
Basic salaries and allowances	**1,275**	1,223
Contributions to retirement schemes	**11**	11
Share-based payments	**294**	–
	1,580	1,234

Their emoluments were within the following bands:

	2012	2011
	RMB'000	*RMB'000*
HK$1,000,001 to HK$1,500,000 (2012: equivalent to RMB813,759 to RMB1,220,637 and 2011: equivalent to RMB829,701 to RMB1,244,550)	**–**	1
HK$1,500,001 to HK$2,000,000 (2012: equivalent to RMB1,220,638 to RMB1,627,516 and 2011: equivalent to RMB1,244,551 to RMB1,659,400)	**1**	–

No emoluments were paid by the Group to any of the directors (including the chief executive) or the five highest paid individual as an inducement to join or upon joining the Group or as compensation for loss of office for the year ended 31 December 2012 and 2011.

No directors (including the chief executive) or the five highest paid individual waived any emolument for the year ended 31 December 2012 and 2011.

15. DIVIDENDS

	2012 RMB'000	2011 RMB'000
Dividends recognised as distribution during the year:		
2012 Interim – nil (2011: 2011 interim dividend HK7 cents) per share	–	39,464
2011 Final – HK6 cents (2011: 2010 final dividend – HK6 cents) per share	**34,154**	28,875
	34,154	68,339

Subsequent to the end of the reporting period, a final dividend of HK5 cents in respect of the year ended 31 December 2012 (2011: HK6 cents) per share has been proposed by the directors and is subject to approval by the shareholders in the forthcoming general meeting.

16. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	2012 RMB'000	2011 RMB'000
Earnings		
Earnings for the purpose of basic and diluted earnings per share, being profit for the year attributable to the owners of the Company	**32,411**	89,671

	2012 '000	2011 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**699,502**	684,888
Effect of dilutive potential ordinary shares:		
Share options	–	888
Warrants	–	7,141
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**699,502**	692,917

16. EARNINGS PER SHARE (Continued)

The computation of diluted earnings per share for the year ended 31 December 2012 does not assume the exercise of the Company's outstanding share options as the exercise price of those options is higher than the average market price for shares.

17. PROPERTY, PLANT AND EQUIPMENT

	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 2011	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 and 1 January 2012	122,376	613,525	6,676	7,826	92,269	842,672
Additions	968	1,369	1,029	1,560	103,768	108,694
Transfer from construction in progress	15,907	52,892	971	–	(69,770)	–
Disposals	(2,059)	–	–	(1,197)	–	(3,256)
At 31 December 2012	137,192	667,786	8,676	8,189	126,267	948,110
DEPRECIATION AND IMPAIRMENT						
At 1 January 2011	25,676	216,689	1,900	2,256	4,042	250,563
Charge for the year	5,859	35,891	927	583	–	43,260
Eliminated on disposals	–	–	(164)	(671)	–	(835)
At 31 December 2011 and 1 January 2012	31,535	252,580	2,663	2,168	4,042	292,988
Charge for the year	6,737	36,311	1,130	1,214	–	45,392
Eliminated on disposals	(298)	–	–	(1,086)	–	(1,384)
Impairment loss recognised in profit or loss	–	2,700	–	–	–	2,700
At 31 December 2012	37,974	291,591	3,793	2,296	4,042	339,696
CARRYING VALUES						
At 31 December 2012	99,218	376,195	4,883	5,893	122,225	608,414
At 31 December 2011	90,841	360,945	4,013	5,658	88,227	549,684

17. PROPERTY, PLANT AND EQUIPMENT (Continued)

The above items of property, plant and equipment, except for construction in progress, are depreciated on a straight-line basis at the following rates per annum:

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

The buildings are situated in the PRC and held under medium term lease.

During the year, the directors conducted a review of the Group's plant and machinery and determined that certain assets were impaired, due to physical damage and being left idle. Accordingly, impairment losses of RMB2,700,000 (2011: nil) has been recognised in respect of machinery for the year ended 31 December 2012.

As at 31 December 2012, the Group's property, plant and equipment with a carrying value of approximately RMB248,336,000 (2011: RMB187,381,000) has been pledged to secure general banking facilities granted to the Group.

As at 31 December 2012, the Group has not yet obtained the certificates for certain properties with an aggregate carrying value of RMB3,782,000 (2011: RMB4,202,000) located in the PRC. The directors of the Company are of the opinion that the Group is lawfully entitled to occupy and use the above mentioned properties.

18. LEASE PREPAYMENTS

	2012 ***RMB'000***	2011 *RMB'000*
Analysed for reporting purposes as:		
Current assets (included in prepayments)	**770**	412
Non-current assets	**35,852**	18,443
	36,622	18,855

18. LEASE PREPAYMENTS (Continued)

	2012 RMB'000	2011 RMB'000
The Group's lease prepayments comprise:		
Leasehold land in the PRC		
Medium lease	**36,622**	18,855

As at 31 December 2012, the Group's lease prepayments with a carrying value of approximately RMB14,474,000 (2011: RMB10,339,000) has been pledged to secure general banking facilities granted to the Group.

19. INTERESTS IN ASSOCIATES

	2012 RMB'000	2011 RMB'000
Cost of investments in associates, unlisted	**20,000**	35,000
Share of post-acquisition profits and losses	**1,083**	–
	21,083	35,000

As at 31 December 2012 and 2011, the Group had interests in the following significant associates:

Name of entity	Form of business structure	Place of incorporation and operation	Issued and paid-up/ registered capital	Proportion of equity interest attributable to the Group 2012	2011	Principal activities
Ningbo Kairui Investment Partnership ("Ningbo Kairui")	Partnership	The PRC	RMB100,000,000/ RMB100,000,000	20% *(note)*	20% *(note)*	Equity investment and portfolio management
Ningbo Ruiju Investment Partnership ("Ningbo Ruiju")	Partnership	The PRC	RMB20,000,000/ RMB100,000,000	–	15% *(note)*	Equity investment and portfolio management

Note: The Group is able to exercise significant influence over Ningbo Kairui and Ningbo Ruiju as each partner is entitled to one equal weight vote at partners' meetings, regardless of their equity interest.

19. INTERESTS IN ASSOCIATES (Continued)

Ningbo Haoyuan Investment Co., Ltd, an independent third party to the Group, 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.

On 29 February 2012, Ningbo Ruiju was deregistered upon a resolution passed between its partners. The initial capital contribution of RMB15,000,000, together with the cumulative profits attributable to the Group of RMB2,713,000, were remitted to the Group and no gain or losses were recognised in the Group's consolidated income statement.

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 of RMB1,534,000 (included in other gains and losses, net), and the Group's equity interest in Ningbo Kairui was reduced to 20% thereupon.

The summarised financial information in respect of the Group's associates is set out below:

	2012	2011
	RMB'000	*RMB'000*
Total assets	**107,639**	119,988
Total liabilities	**2,223**	–
Net assets	**105,416**	119,988
Group's share of net assets of associates	**21,083**	35,000

	2012	2011
	RMB'000	*RMB'000*
Revenue	**11,314**	–
Profit (loss) for the year	**9,033**	(12)
Group's share of profits of associates for the year	**3,796**	–

20. INTEREST IN A JOINTLY-CONTROLLED ENTITY

	2012	2011
	RMB'000	*RMB'000*
Cost of investment in a jointly-controlled entity, unlisted in the PRC	**24,473**	24,473
Share of post-acquisition losses	**(12,441)**	(11,971)
	12,032	12,502

As at 31 December 2012 and 2011, the Group had interest in the following jointly-controlled entity:

Name of entity	Form of business structure	Place of incorporation and operation	Issued and paid-up/ registered capital	Proportion of equity interest and voting power attributable to the Group 2012	2011	Principal activities
Yingtan Ulba Shine Metal Materials Co., Ltd. ("Yingtan Ulba")	Incorporated	The PRC	USD7,200,000/ USD7,200,000	50%	50%	Manufacture of high precision beryllium copper plates and strips

On 27 January 2011, the Group made additional capital contribution in cash of US$500,000 (equivalent to RMB3,290,000) to Yingtan Ulba and maintained its 50% equity interest in this entity.

The summarised financial information in respect of the Group's interest in the jointly-controlled entity which is accounted for using the equity method is set out below:

	2012	2011
	RMB'000	*RMB'000*
Current assets	**37,920**	25,668
Non-current assets	**25,080**	27,350
Total assets	**63,000**	53,018
Current liabilities	**(38,937)**	(28,015)
Net assets	**24,063**	25,003
Group's share of net assets of a jointly-controlled entity	**12,032**	12,502

20. INTEREST IN A JOINTLY-CONTROLLED ENTITY (Continued)

	2012 RMB'000	2011 RMB'000
Income recognised in profit or loss	**55,946**	33,404
Expenses recognised in profit or loss	**(56,886)**	(49,472)
Group's share of loss of a jointly-controlled entity for the year	**(470)**	(8,034)

21. AVAILABLE-FOR-SALE INVESTMENTS

	2012 RMB'000	2011 RMB'000
Unlisted equity investments funds in the PRC, at cost	**37,870**	–

The Group's available-for-sale investments as at 31 December 2012 amounted to RMB37,870,000 of which RMB35,000,000 is held by a 60% owned subsidiary. These investments are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably. As at 31 December 2012, the directors of the Company performed a review of the recoverable amount of the Group's available-for-sale investments with reference to latest financial information of the funds and investment reports prepared by the fund managers and concluded that no impairment loss was necessary.

22. INVENTORIES

	2012 RMB'000	2011 RMB'000
Raw materials	**39,990**	67,028
Work-in-progress	**296,670**	346,406
Finished goods	**130,083**	116,405
Others	**501**	4,988
	467,244	534,827

22. INVENTORIES (Continued)

During the year ended 31 December 2012, there was a significant increase in the net realisable value of inventories as the Group sold inventory which had been written down in prior years at price higher than the carrying amount. As a result, a reversal of write-down of inventories of RMB5,548,000 (2011: nil) has been recognised and included in cost of sales in the current year.

As at 31 December 2012, inventories of the Group of RMB303,432,000 (2011: RMB282,000,000) have been pledged as security for banking facilities granted to the Group.

23. TRADE AND OTHER RECEIVABLES

	2012	2011
	RMB'000	*RMB'000*
Trade and bills receivables	**300,283**	370,373
Trade receivable due from a jointly-controlled entity	**7,966**	12,312
Sub-total	**308,249**	382,685
Other receivables	**68,591**	79,991
Prepayments	**68,586**	131,777
Current portion of lease prepayments	**770**	412
Trade and other receivables	**446,196**	594,865

The Group does not hold any collateral over its trade and other receivables.

The Group allows a credit period of 0 to 90 days to its trade customers. The following is an aged analysis of trade and bills receivables presented based on the invoice date, which approximated the respective revenue recognition dates, at the end of the reporting period.

	2012	2011
	RMB'000	*RMB'000*
Within 3 months	**281,163**	314,853
Over 3 months but less than 6 months	**16,652**	58,772
Over 6 months but less than 1 year	**3,711**	2,660
Over 1 year	**6,723**	6,400
	308,249	382,685

Before accepting any new customer, the Group carries out research on the creditability of the new customer and assesses the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed once a year.

23. TRADE AND OTHER RECEIVABLES (Continued)

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of RMB20,678,000 (2011: RMB56,303,000) which are past due as at the reporting date for which the Group has not provided for impairment loss.

Ageing of trade receivables which are past due but not impaired:

	2012	2011
	RMB'000	*RMB'000*
Over 3 months but less than 6 months	**16,652**	56,012
Over 6 months but less than 1 year	**2,981**	291
Over 1 year	**1,045**	–
	20,678	56,303

As at 31 December 2012, the Group's trade and other receivables with a carrying value of approximately RMB184,864,000 (2011: RMB143,500,000) has been pledged to secure general banking facilities granted to the Group.

The Group's trade and other receivables as at 31 December 2012 that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2012	2011
	RMB'000	*RMB'000*
USD	**99,616**	148,525
HKD	**2**	–
JPY	**–**	706

Included in the Group's other receivables as at 31 December 2012 were deposits of RMB9,562,000 (2011: RMB21,383,000) kept at certain financial institutions as margin deposits for the Group's outstanding copper future contracts.

Included in the Group's other receivables as at 31 December 2012 were interest receivables of RMB377,000 (2011: nil) from non-controlling interests which are unsecured and repayable on demand.

24. LOAN RECEIVABLES

	2012 *RMB'000*	2011 *RMB'000*
Loan receivables	**28,274**	–

The loan receivables are secured, interest-bearing at 12% per annum and are repayable in December 2013.

The loan receivables have been reviewed by the directors to assess impairment which are based on the evaluation of collectability, aging analysis of accounts and on their judgement, including the current creditworthiness. The directors of the Company considered that no impairment is necessary.

25. TRADING SECURITIES

	2012 *RMB'000*	2011 *RMB'000*
Quoted debentures in the PRC	**–**	12,772

26. DERIVATIVE FINANCIAL INSTRUMENTS

	2012 *RMB'000*	2011 *RMB'000*
Derivative financial assets not under hedge accounting		
Copper future contacts	**3,734**	3,951

26. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

During the years ended 31 December 2012 and 2011, the Group entered into a number of non-deliverable copper future contracts to manage its commodity prices fluctuation exposures. These instruments are to be settled on net basis on the maturity dates of the instruments. The notional contract value and the related terms are summarised as follows:

	2012	2011
	RMB'000	*RMB'000*
Sales contracts		
Volume (tonne)	**3,685**	5,985
Notional contract value	**187,860**	261,134
Market value	**(185,584)**	(256,843)
Fair value	**2,276**	4,291
Purchase contracts		
Volume (tonne)	**(1,680)**	(500)
Notional contract value	**(26,549)**	(6,120)
Market value	**28,007**	5,780
Fair value	**1,458**	(340)
Contract maturity date	January, February and March 2013	January, February and March 2012

The market value of future contracts is based on quoted market bid/ask prices at the reporting date. The unrealised change in fair value on the outstanding future contracts was RMB3,734,000 (2011: RMB3,951,000) as at 31 December 2012, and the net realised and unrealised gains, in aggregate, of RMB10,777,000 (2011: RMB63,662,000) were recognised in profit or loss.

Included in the Group's derivative financial instruments as at 31 December 2012 that are derivative financial instruments donominated in USD of RMB3,815,000 (2011: RMB322,000) and the remaining balances are denominated in RMB.

27. PLEDGED DEPOSITS AND CASH AND CASH EQUIVALENTS

Bank balances carry interest at market rates which range from 0.35% to 0.5% (2011: 0.36% to 0.5%) per annum. The pledged deposits carry fixed interest rate of 0.35% to 0.5% (2011: 0.36% to 0.5%) per annum. The pledged bank deposits will be released upon the settlement of relevant bank borrowings. Pledged bank deposits are pledged to banks to secure short-term bank borrowings granted to the Group and the issuance of commercial bills that are repayable within 1 year from the date of draw down.

The Group's pledged deposits and cash and cash equivalents as at 31 December 2012 that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2012	2011
	RMB'000	*RMB'000*
USD	**91,075**	41,088
HKD	**1,044**	18,962
EURO	**28,618**	24

28. TRADE AND OTHER PAYABLES

	2012	2011
	RMB'000	*RMB'000*
Trade and bills payables	**315,736**	418,748
Trade payable due to a jointly controlled entity	**438**	295
Sub-total	**316,174**	419,043
Other payables*	**22,685**	11,547
Accruals	**15,392**	20,752
Receipts in advance	**36,246**	28,660
Trade and other payables	**390,497**	480,002

28. TRADE AND OTHER PAYABLES (Continued)

The following is an aged analysis of trade and bills payable presented based on the invoice date at the end of the reporting period.

	2012 **RMB'000**	2011 *RMB'000*
Within 3 months	**255,465**	364,584
Over 3 months but less than 6 months	**55,463**	51,317
Over 6 months but less than 1 year	**3,392**	1,377
Over 1 year	**1,854**	1,765
	316,174	419,043

The average credit period on purchases of goods is 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

* Included in other payables are advances of RMB8,643,000 (2011: RMB4,240,000) received from independent third parties, Yingtan local government authorities and a non-controlling interest. These advances are unsecured, interest-free and repayable on demand.

The Group's trade and other payables as at 31 December 2012 that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2012 **RMB'000**	2011 *RMB'000*
USD	**105,622**	337,350
HKD	**826**	–
JPY	**833**	–

29. INTEREST-BEARING BORROWINGS

	2012	2011
	RMB'000	*RMB'000*
Secured bank loans	**503,778**	362,600
Discounted bills	**177,996**	143,500
Unsecured bank loans	**85,301**	337,611
	767,075	843,711
Carrying amount repayable:		
Within one year	**765,655**	843,711
More than one year, but not exceeding two years	**1,420**	–
	767,075	843,711
Less: Amounts due within one year shown under current liabilities	**(765,655)**	(843,711)
Amounts shown under non-current liabilities	**1,420**	–

The secured bank loans as at 31 December 2012 bore interest at rates ranging from 4.08% to 7.89% (2011: 5.81% to 7.22%) per annum. The bank loans and certain banking facilities were secured by the following assets:

	2012	2011
	RMB'000	*RMB'000*
Carrying amount of assets pledged:		
Inventories	**303,432**	282,000
Trade and other receivables	**184,864**	143,500
Property, plant and equipment	**248,336**	187,381
Lease prepayments	**14,474**	10,339
Pledged deposits	**117,854**	32,351
	868,960	655,571

Unsecured bank loans as at 31 December 2012 bore interest at rates ranging from 2.31% to 4.76% (2011: 3.35% to 7.87%) per annum.

29. INTEREST-BEARING BORROWINGS (Continued)

Included in the balance as at 31 December 2012 are fixed-rate borrowings of RMB618,354,000 (2011: RMB293,812,000) and carry interest rates ranging from 4.08% to 7.89% (2011: from 3.44% to 7.22%).

The remaining borrowings are carried interest at variable market interest rates, which are based on The PBOC lending rate plus a specific margin, ranging from 2.31% to 6.72% (2011: 3.99% to 7.87%) per annum.

Included in the Group's interest-bearing borrowings as at 31 December 2012 are borrowings denominated in USD of RMB76,899,000 (2011: RMB33,899,000) and the remaining balances are denominated in RMB.

30. DEFERRED INCOME

During the current year, the Group received a government subsidy of RMB7,000,000 (2011: RMB2,710,000) towards the cost of construction and improvement of its production lines and other facilities. The amount has been treated as deferred income. The amount is transferred to income over the useful lives of the relevant assets. This policy has resulted in a credit to income in the current year of RMB617,000 (2011: RMB53,000).

The movement for deferred income is as follows:

	2012 ***RMB'000***	2011 *RMB'000*
Balance as at 1 January	**3,603**	946
Additions during the year	**7,000**	2,710
Amortisation (included in other income and gains)	**(617)**	(53)
Balance as at 31 December	**9,986**	3,603

31. DEFERRED TAXATION

The following are the major deferred tax liabilities (assets) recognised and movements thereon during the current and prior years:

	Accelerated tax depreciation	Write-down on inventories	Change in fair value of derivative financial instruments	Withholding tax on profits retained by the Group's PRC subsidiaries	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2011	14,133	–	(1,817)	6,100	18,416
Charge (credit) to consolidated income statement	2,947	(1,996)	2,814	(4,004)	(239)
At 31 December 2011 and at 1 January 2012	17,080	(1,996)	997	2,096	18,177
Charge (credit) to consolidated income statement	1,260	1,592	(63)	(1,077)	1,712
At 31 December 2012	**18,340**	**(404)**	**934**	**1,019**	**19,889**

At the end of the reporting period, the Group has unused tax losses of RMB38,867,000 (2011: RMB11,803,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams. The Group's unused tax losses expire within next five years are as follows:

	2012	2011
	RMB'000	*RMB'000*
Tax loss expiring on 31 December 2014	**2,191**	2,191
Tax loss expiring on 31 December 2015	**4,185**	4,185
Tax loss expiring on 31 December 2016	**5,427**	5,427
Tax loss expiring on 31 December 2017	**27,064**	–
	38,867	11,803

31. DEFERRED TAXATION (Continued)

At the end of the reporting period, the Group has deductible temporary differences of RMB6,823,000 (2011: RMB10,308,000). A deferred tax asset has been recognised in respect of RMB1,615,000 (2011: RMB10,308,000) of such deductible temporary differences. No deferred tax asset has been recognised in respect of the remaining RMB5,208,000 (2011: nil) as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries amounted to RMB56,521,000 (2011: RMB55,768,000). No deferred tax liabilities have been recognised in respect of undistributed earnings of RMB36,141,000 (2011: RMB13,848,000) because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

32. SHARE CAPITAL AND RESERVES

(a) Share capital

	Number of shares	Share capital
	'000	*HK$'000*
Ordinary shares of HK$0.1 each		
Authorised		
At 1 January 2011, 31 December 2011 and 31 December 2012	5,000,000	500,000

	Number of shares	Share capital	
	'000	*HK$'000*	*RMB'000*
Issued and fully paid			
At 1 January 2011	670,927	67,092	62,511
Exercise of share options *(note (i))*	1,600	160	134
Exercise of warrants *(note (ii))*	26,975	2,698	2,236
At 31 December 2011 and 31 December 2012	699,502	69,950	64,881

32. SHARE CAPITAL AND RESERVES (Continued)

(a) Share capital (Continued)

(i) During the year ended 31 December 2011, 1,600,000 share options under the Pre-IPO Option (see note 33) were exercised for 1,600,000 ordinary shares of the Company of HK$0.1 each at an exercise price of HK$1.19 per share. The gross proceeds of HK$1,904,000 (equivalent to RMB1,595,000) were credited to the Company's share capital and share premium account. An amount of HK$1,114,000 (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 4.

(ii) During the year ended 31 December 2011, 26,975,000 warrants (see note 34) were exercised for 26,975,000 ordinary shares of the Company of HK$0.1 each at an exercise price of HK$0.93 per share. The gross proceeds of HK$25,087,000 (equivalent to RMB20,794,000) were credited to the Company's share capital and share premium account.

(b) 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 HK$0.10 each in the Company were issued at par value on 27 December 2007 by way of capitalisation of HK$44,999,000 (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 HK$0.10 each in the Company were issued at HK$1.70 under the Hong Kong Public Offering and the International Placement ("the Placement") on 27 December 2007. The excess of the proceeds totalling HK$240,000,000 (equivalent to RMB224,688,000) over the nominal value of the total number of ordinary shares issued, less certain listing costs of HK$51,972,000 (equivalent to RMB48,656,000) incurred in connection with the issue of share capital, amounting to HK$188,028,000 (equivalent to RMB176,032,000), was credited to the share premium account of the Company.

22,500,000 ordinary shares of HK$0.10 each in the Company were issued at HK$1.70 per share on 10 January 2008 pursuant to the over-allotment option related to the Placement. The excess of the proceeds totalling HK$36,000,000 (equivalent to RMB33,530,400) over the nominal value of the total number of ordinary shares issued, less certain listing costs of HK$4,828,600 (equivalent to RMB4,305,400) incurred in connection with the issue of share capital, amounting to HK$31,171,400 (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 HK$0.10 each in the Company were issued at HK$1.19 per share as a result of the exercise of vested options (see note 33). The excess of the proceeds totalling HK$1,744,000 (equivalent to RMB1,461,000) was credited to the share premium of the Company. HK$1,114,000 (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 4.

32. SHARE CAPITAL AND RESERVES (Continued)

(b) Reserves (Continued)

i) Share premium (Continued)

During the year ended 31 December 2011, 26,974,850 shares of HK$0.10 each in the Company were issued at HK$0.93 per share as a result of the exercise of warrants (see note 34). The remaining proceeds of HK$22,389,126 (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.

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 a group reorganisation for the purpose of the listing of the Company's shares, amounting to RMB259,726,000, over the consideration paid by the Company of HK$1,000 (equivalent to RMB968), representing the nominal value of the shares issued by the Company in exchange thereof.

iii) 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.

iv) 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 33.

v) 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.

33. EQUITY-SETTLED SHARE-BASED PAYMENTS

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 Group were given the rights to subscribe for up to 18,000,000 ordinary 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 options in cash.

The terms and conditions of the grants are as follows:

Option type	**Vesting conditions**	**Exercise price**	**Contractual life of options**	**Number of options** *'000*
Options granted to directors	One-third on each of the first, second and third anniversary of 27 December 2007	HK$1.19	3 years	5,700
Options granted to senior management	One-third on each of the first, second and third anniversary of 27 December 2007	HK$1.19	3 years	5,340
Options granted to employees	One-third on each of the first, second and third anniversary of 27 December 2007	HK$1.19	3 years	6,960
				18,000

33. EQUITY-SETTLED SHARE-BASED PAYMENTS (Continued)

Share option scheme

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

The total number of shares in respect of which options may be granted under the Pre-IPO Option and any other share option scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

Options granted must be taken up upon a notional payment of HK$1 in total by grantees. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

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 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 and directors of the Company with an exercise price of HK$0.82 per share pursuant to the Share Option Scheme. The options are exercisable during the period from 12 May 2009 to 26 December 2011.

On 19 March 2012, a total of 41,670,000 share options were granted to certain directors and employees of the Company with an exercise price of HK$1.34 per share pursuant to the Share Option Scheme. One-third of the share options were exercisable on the first, second and third anniversary of the date of grant and all share options will expire on 30 June 2016.

During the year ended 31 December 2012, 1,290,000 (2011: nil) share options under the Share Option Scheme were forfeited and no share options were exercised. As at 31 December 2012, 40,380,000 (2011: nil) share options remained outstanding under the Share Option Scheme.

33. EQUITY-SETTLED SHARE-BASED PAYMENTS (Continued)

Share option scheme (Continued)

The following table discloses details and movements of the Company's share options held by directors, senior management and employees during the year:

For the year ended 31 December 2012

Grant date	Exercise price	Exercisable period	Balance as at 1.1.2012	Granted during the year	Forfeited during the year *(note i)*	Lapsed during the year	Balance as at 31.12.2012
19.3.2012	HK$1.34	19.3.2013 to 30.6.2016	–	**41,670,000**	**(1,290,000)**	–	**40,380,000**
Exercisable at the end of the year							–
Weighted average exercise price			**N/A**	**HK$1.34**	**HK$1.34**	**N/A**	**HK$1.34**

Note:

(i) Mr. HE Changming resigned as an independent non-executive director of the Company on 22 June 2012. Therefore, the relevant share options granted to him during the current year were forfeited.

For the year ended 31 December 2011

Grant date	Exercise price	Exercisable period	Balance as at 1.1.2011	Granted during the year	Exercised during the year	Lapsed during the year	Balance as at 31.12.2011
1.12.2007	HK$1.19	27.12.2008 to 28.12.2011	6,170,000	–	(1,600,000)	(4,570,000)	–
11.5.2009	HK$0.82	12.5.2011 to 26.12.2011	80,000	–	–	(80,000)	–
			6,250,000	–	(1,600,000)	(4,650,000)	–
Exercisable at the end of the year							–
Weighted average exercisable price			HK$1.19	N/A	HK$1.19	HK$1.18	N/A

In respect of the share options exercised during the year ended 31 December 2011, the weighted average share price was HK$1.65.

33. EQUITY-SETTLED SHARE-BASED PAYMENTS (Continued)

Share option scheme (Continued)

As at 31 December 2012, the number of shares in respect of which options had been granted and remained outstanding under the Share Option Scheme was 40,380,000 (2011: nil), representing 5.77% (2011: nil) of the shares of the Company in issue at that date.

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 inputs into the model were as follows:

	Date of grant 19.3.2012
Weighted average share price	HK$1.31
Exercise price	HK$1.34
Expected volatility	55.57％-60.30%
Expected life	3-4 years
Risk-free rate	0.42%-0.55%
Expected dividend yield	9.92%

Expected volatility was determined by using the historical volatility of the Company's share price over the previous 5 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Group recognised total expense of RMB4,154,000 for the year ended 31 December 2012 (2011: nil) in relation to share options granted by the Company.

34. 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 HK$0.93 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, 26,975,000 warrants have been exercised for 26,975,000 ordinary shares of the Company of HK$0.1 each at a subscription price of HK$0.93 per share.

All outstanding warrants were lapsed on 3 November 2011.

35. OPERATING LEASE COMMITMENTS

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2012	2011
	RMB'000	*RMB'000*
Within one year	**2,501**	900
Over one year but less than five year	**1,500**	1,974
	4,001	2,874

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for an average term of 2.75 years and rentals are fixed for an average of 2.75 years.

36. CAPITAL AND OTHER COMMITMENTS

Capital commitments outstanding at the end of the reporting period were as follows:

	2012	2011
	RMB'000	*RMB'000*
Authorised but not contracted for in respect of acquisition of property, plant and equipment	**–**	40,406
Contracted but not provided for in respect of acquisition of:		
– Property, plant and equipment	**268,635**	49,250
– Available-for-sale investment	**15,000**	–
	283,635	89,656

37. RETIREMENT BENEFITS SCHEME

The Group operates a pension scheme under the rules and regulations of the Mandatory Provident Fund Schemes Ordinance ("MPF Scheme") for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes the lower of HK$1,000 per month before 1 June 2012 and HK$1,250 per month, commencing from 1 June 2012 as a mandatory contribution or 5% of the relevant monthly payroll costs to the MPF Scheme.

The employees of the Group's subsidiaries in PRC are members of a state-managed retirement benefit scheme operated by the PRC government. The subsidiary is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The total cost charged to the consolidated income statement of RMB6,260,000 (2011: RMB5,549,000) represents contributions payable to these schemes by the Group in respect of the current year.

38. TRANSFER OF FINANCIAL ASSETS

The following table details the Group's trade and bills receivables as at the end of the reporting period that were transferred to banks by discounting those receivables on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognise the full carrying amount of the receivables and has recognised the cash received on the transfer as a secured borrowing (see note 29). These financial assets are carried at amortised cost in the Group's consolidated statement of financial position.

	2012	2011
	RMB'000	*RMB'000*
Carrying amount of transferred assets	**184,864**	144,844
Carrying amount of associated liabilities	**(177,996)**	(143,500)
	6,868	1,344

39. RELATED PARTY TRANSACTIONS

(a) Save as disclosed elsewhere in the consolidated financial statements, during the year, the Group entered into the following transactions with related parties:

Name of related companies	Relationship with the Group	Nature of transactions	2012 RMB'000	2011 RMB'000
Hu Mingda and Hu Minglie	*	Interest income	**377**	–
Yingtan Ulba	Jointly-controlled entity	Sales of goods	**35,116**	7,032
		Purchase of goods	**4,905**	10,829
		Acquisition of property, plant and equipment	**562**	–
		Rental income	**792**	505

The above transactions were carried on mutually agreed terms.

* Hu Mingda and Hu Minglie are the close family members of the chairman of the board of directors. On 10 April 2012, the Group, Hu Mingda and Hu Minglie entered into a partnership agreement, pursuant to which the partners agreed to form Shanghai Yuanzhan Houde Investment Partnership ("Houde") which will then invest in an unlisted PRC fund. The transaction has been classified as connected transaction under Chapter 14A of the Listing Rules. Details of the transactions are set out in the Company's announcement dated 10 April 2012.

In accordance with the partnership agreement, an interest income at 10% per annum will be charged on partners who failed to pay up their contribution at the agreed date. As at 31 December 2012, the unpaid contribution was RMB6.2 million.

(b) Compensation of key management personnel

The remuneration of directors and other members of key management who have authority and responsibility, directly or indirectly, for planning, directing and controlling the activities of the Group during the year were as follows:

	2012 RMB'000	2011 RMB'000
Short-term benefits	**2,872**	5,101
Post-employment benefits	**21**	29
Share-based payments	**1,136**	–
	4,029	5,130

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period includes:

	Note	2012 RMB'000	2011 RMB'000
Non-current asset			
Investments in unlisted subsidiaries	*41*	**407,249**	407,249
Current assets			
Amount due from subsidiaries *(note i)*		**294,224**	279,488
Cash and cash equivalents		**399**	570
		294,623	280,058
Current liabilities			
Other payables		**814**	1,391
Amount due to subsidiaries *(note i)*		**22,548**	10,054
		23,362	11,445
Net current assets		**271,261**	268,613
Net assets		**678,510**	675,862
Capital and Reserves			
Share capital		**64,881**	64,881
Reserves *(note ii)*		**613,629**	610,981
		678,510	675,862

Note i: The amount due from (to) subsidiaries are interest-free, unsecured and repayable on demand.

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note ii:

	Share capital *RMB'000*	Share premium *RMB'000*	Translation reserve *RMB'000*	Share-based compensation reserve *RMB'000*	Contributed surplus* *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*
At 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 for the year	–	–	(13,288)	–	–	–	(13,288)
Total comprehensive income for the year	–	–	(13,288)	–	–	73,545	60,257
Dividend approved in respect of previous year	–	–	–	–	–	(28,875)	(28,875)
Share options exercised	134	2,385	–	(924)	–	–	1,595
Share options lapsed	–	–	–	(3,233)	–	3,233	–
Warrants exercised	2,236	18,558	–	–	–	–	20,794
Dividend approved in respect of the current year	–	–	–	–	–	(39,464)	(39,464)
At 31 December 2011 and at 1 January 2012	64,881	227,978	(35,946)	–	407,248	11,701	675,862
Change in equity for 2012:							
Profit for the year	–	–	–	–	–	31,417	31,417
Other comprehensive income for the year	–	–	1,231	–	–	–	1,231
Total comprehensive income for the year	–	–	1,231	–	–	31,417	32,648
Dividend approved in respect of the previous year	–	–	–	–	–	(34,154)	(34,154)
Equity-settled share-based payments	–	–	–	4,154	–	–	4,154
At 31 December 2012	64,881	227,978	(34,715)	4,154	407,248	8,964	678,510

* Contributed surplus 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 a group reorganisation for the purpose of the listing of the Company's shares over the consideration paid by the Company in exchange thereof.

41. INVESTMENTS IN SUBSIDIARIES

Details of the principal subsidiaries held by the Company as at 31 December 2012 and 2011 are as follows:

Name of subsidiaries	Place and date of incorporation/ establishment and operation	Classes of shares held	Issued and fully paid registered capital	Equity interest and voting power attributable to the Company 2012	2011	Principal activities
Ningbo Xingye Shengtai Group Limited*	PRC 30 November 2001	Paid-up capital	US$69,800,000	100%	100%	Manufacture and sales of high precision copper plates and strips
Yingtan Xingye Electronic Metal Materials Co., Ltd#	PRC 13 November 2006	Paid-up capital	RMB80,000,000	100%	100%	Manufacture and sales of high precision copper plates and strips
Ningbo Xingtong Metal Materials Co., Ltd#	PRC 11 August 2008	Paid-up capital	RMB36,000,000	100%	100%	Trading of high precision copper plates and strips
Ningbo Jingyang Machinery Co., Ltd.*	PRC 2 December 2009	Paid-up capital	HK$70,000,000	100%	100%	Machinery repair and maintenance
Cixi Xingxin Investment Co., Ltd#	PRC 21 May 2010	Paid-up capital	RMB30,000,000	100%	100%	Equity investments
Ningbo Hangzhou Bay New Zone Qiangtai Metal Materials Co., Ltd*	PRC 18 March 2010	Paid-up capital	HK$5,000,000	100%	100%	Trading of high precision copper plates and strips
Yingtan Ruiju Investment Co., Ltd#	PRC 24 February 2012	Paid-up capital	RMB15,000,000	100%	–	Property holding
Houde**	PRC 10 April 2012	Paid-up capital	RMB44,880,000	60%	–	Investments holding

* *Registered as wholly-foreign-owned enterprise under the laws of the PRC*

\# *Registered as domestic enterprises under the laws of the PRC*

** *Registered as a partnership under the laws of the PRC*

The above table lists the subsidiaries of the Group which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at the end of both years.

42. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the presentation of the current year for the purpose of better representation of the Group's activities:

(a) Interest income on bank deposits of approximately RMB4,774,000 which had previously been recorded under "Net finance costs" in the consolidated financial statements of 2011, was reclassified to "Other income".

(b) Interest income on trading securities of approximately RMB795,000 which had previously been recorded under "Net finance costs" in the consolidated financial statements of 2011, was reclassified to "Other income".

(c) Net foreign exchange gain of approximately RMB5,269,000 which had previously been recorded under "Net finance costs" in the consolidated financial statements of 2011, was reclassified to "Other gains and losses, net".

(d) Bank charges of approximately RMB6,385,000 which had previously been recorded under "Net finance costs" in the consolidated financial statements of 2011, was reclassified to "Administrative expenses".

(e) Net decrease in fair value of trading securities of approximately RMB2,946,000 which had previously been recorded under "Net finance costs" in the consolidated financial statements of 2011, was reclassified to "Other gains and losses, net".

(f) Loss on disposal of property, plant and equipment of approximately RMB572,000 which had previously been recorded under "Other operating expenses" in the consolidated financial statements of 2011 had been reclassified to "Other gains and losses, net". The remaining "Other operating expenses" of approximately RMB7,811,000 had been reclassified to "Administrative expenses".

(g) Cash flow from acquisition of trading securities of approximately RMB15,718,000 which had previously been recorded under "Cash flows from investing activities" in the consolidated financial statements of 2011 had been reclassified to "Cash flows from operating activities".

(h) Interest-free advance and repayment of interest-free advance of approximately RMB11,415,000 and RMB7,340,000 respectively which had previously been recorded under "Cash flows from operating activities" in the consolidated financial statements of 2011 had been reclassified to "Cash flows from financing activities".

The above changes to the comparative figures had no impact on the balances previously reported on the consolidated statement of financial position as at 31 December 2011 and thus the Group's consolidated statement of financial position as at 1 January 2011 was not presented.

Five Years Financial Summary

RESULTS

	2012	2011	2010	2009	2008
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Turnover	**3,229,126**	3,508,781	2,894,048	1,795,184	1,758,016
Gross profit	**147,671**	180,614	226,608	186,937	15,883
Profit/(loss) attributable to equity shareholders of the Company	**32,411**	89,671	98,690	152,355	(72,294)

EARNINGS PER SHARE

	2012	2011	2010	2009	2008
Basic earnings/(loss) per share[(1)] *(RMB)*	**0.05**	0.13	0.15	0.24	(0.12)
Diluted earnings/(loss) per share[(1)] *(RMB)*	**0.05**	0.13	0.14	0.24	(0.12)

ASSETS, LIABILITIES AND EQUITY

	2012	2011	2010	2009	2008
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets	**750,249**	615,629	601,836	535,954	536,139
Current assets	**1,150,905**	1,419,111	1,384,418	838,516	528,874
Total assets	**1,901,154**	2,034,740	1,986,254	1,374,470	1,065,013
Non-current liabilities	**31,295**	21,780	23,362	18,240	87,825
Current liabilities	**1,171,414**	1,330,505	1,323,222	762,971	547,934
Total liabilities	**1,202,709**	1,352,285	1,346,584	781,211	635,759
Net current assets/(liabilities)	**(20,509)**	88,606	61,196	75,545	(19,060)
Total assets less current liabilities	**729,740**	704,235	663,032	611,499	517,079
Total equity attributable to equity shareholders of the Company	**680,042**	679,015	637,283	593,259	429,254
Minority interests	**18,403**	3,440	2,387	–	–

Five Years Financial Summary

FINANCIAL RATIOS AND OTHER FINANCIAL INFORMATION

	2012	2011	2010	2009	2008
EBITDA (RMB'000)	**154,902**	230,665	203,108	234,113	(6,255)
Profitability ratios:					
Gross profit margin(2) (%)	**4.6%**	5.1%	7.8%	10.4%	0.9%
Operating profit/(loss) margin(3) (%)	**1.8%**	5.3%	5.6%	11.0%	(2.3)%
Net profit/(loss) margin(4) (%)	**1.0%**	2.6%	3.4%	8.5%	(4.1)%
EBITDA margin(5) (%)	**4.8%**	6.8%	7%	13.0%	(0.4)%
Rate of return on equity(6) (%)	**4.8%**	13.2%	15.5%	25.7%	(16.8)%
Liquidity ratios:					
Current ratio(7) (times)	**1.0**	1.1	1.0	1.1	1.0
Quick ratio(8) (times)	**0.6**	0.7	0.6	0.6	0.7
Inventory turnover(9) (days)	**43**	49	45	41	42
Trade receivable turnover(10) (days)	**38**	34	29	28	32
Trade payable turnover(11) (days)	**44**	33	18	15	12
Capital adequacy ratios:					
Gearing ratio(12) (%)	**40.3%**	41.5%	50.4%	45.0%	49.0%
Net gearing ratio(13) (%)	**82.6%**	84.1%	120.3%	68.8%	72.3%
Interest coverage ratio(14) (times)	**3.1**	4.4	5.4	9.7	(0.2)

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.