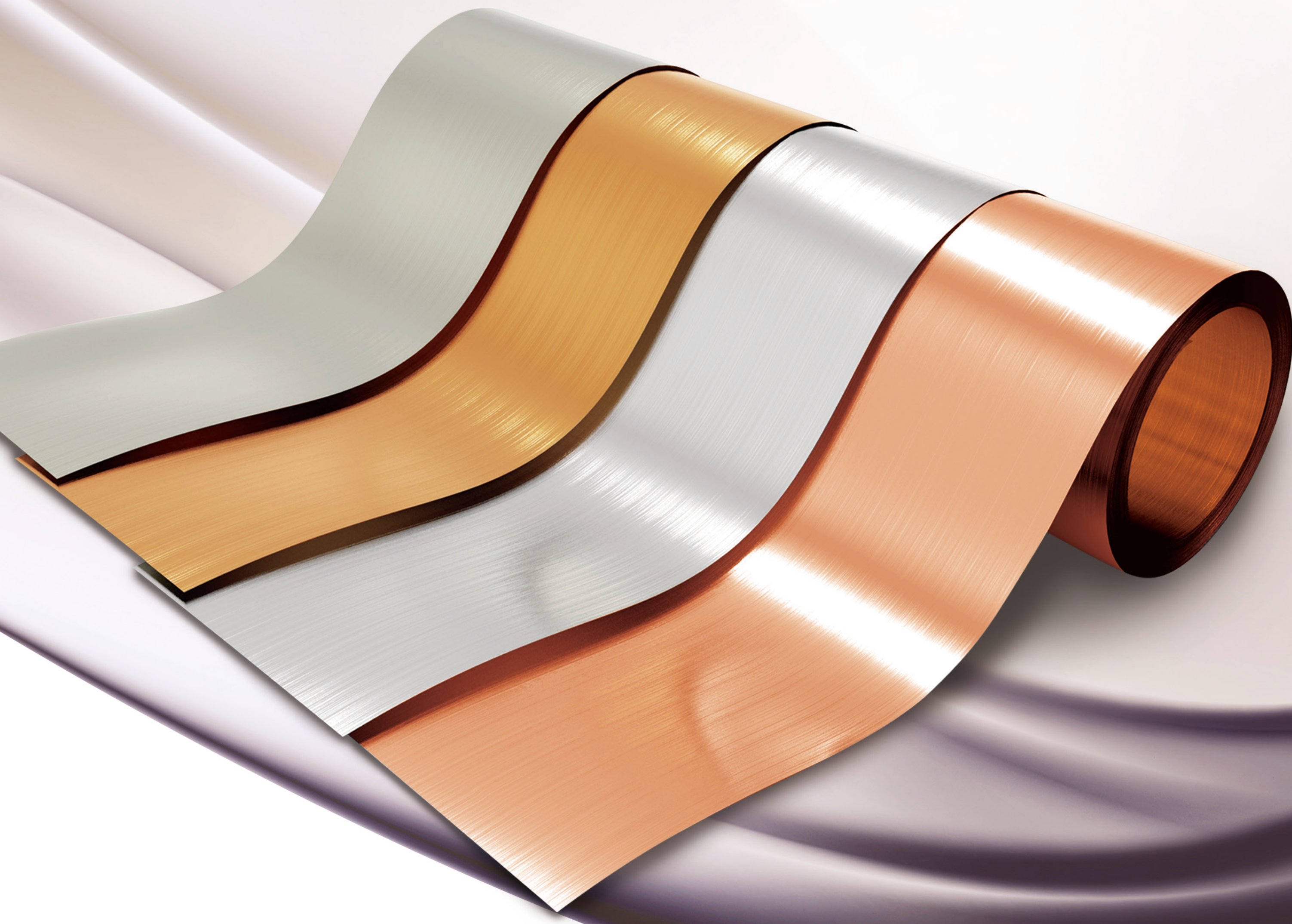
Xingye Copper International Group Limited
興業銅業國際集團有限公司

(incorporated in the Cayman Islands with limited liability)
Stock Code : 00505

2015
Annual Report



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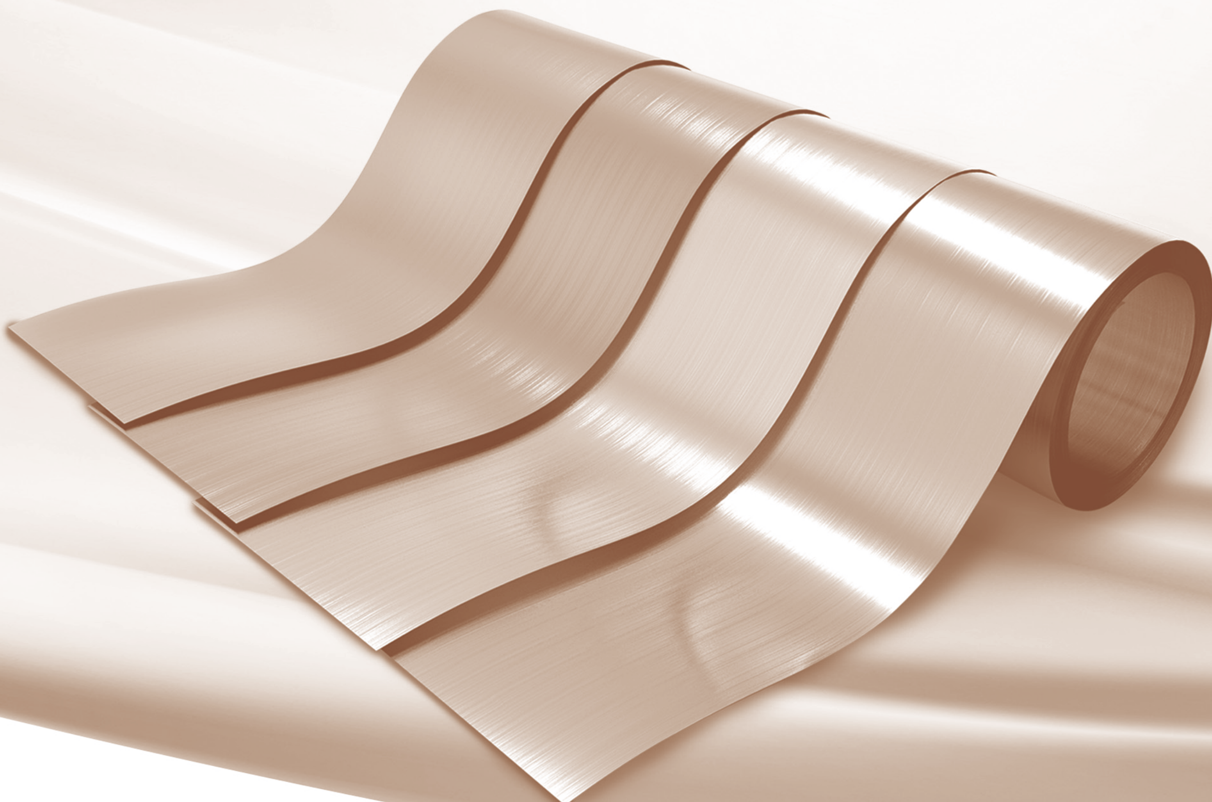


Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Non-Executive Director

Mr. DAI Jianchun *(Appointed as an independent non-executive director on 19 January 2015 and re-designated as a non-executive director on 17 August 2015)*

Independent Non-Executive Directors

Mr. MAO Xuechang
Mr. CHAI Chaoming
Dr. LOU Dong *(Appointed on 17 August 2015)*
Ms. LI Li *(Resigned on 14 January 2015)*
Mr. CUI Ming *(Resigned on 19 January 2015)*

Audit Committee

Mr. CHAI Chaoming *(Chairman)*
Mr. MAO Xuechang
Mr. DAI Jianchun

Remuneration Committee

Dr. LOU Dong *(Chairman)* *(Appointed on 17 August 2015)*
Mr. MAO Xuechang
Mr. WANG Jianli
Mr. DAI Jianchun *(ex-Chairman)* *(Resigned on 17 August 2015)*

Nomination Committee

Mr. CHAI Chaoming *(Chairman)*
Mr. MAO Xuechang
Mr. DAI Jianchun
Mr. MA Wanjun
Dr. LOU Dong *(Appointed on 17 August 2015)*

COMPANY SECRETARY

Ms. MUI Ngar May, Joel

AUTHORISED REPRESENTATIVES

Mr. WANG Jianli
Ms. MUI Ngar May, Joel

PRINCIPAL LEGAL ADVISORS

Hong Kong

Woo Kwan Lee & Lo

Cayman Islands

Conyers Dill & Pearman, Cayman

AUDITORS

KPMG

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS

Hong Kong

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

PRC

No. 68, Jin Xi Road
Hangzhou Bay New Zone
Ningbo
Zhejiang Province
315336, 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
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Agricultural Bank of China
China Construction Bank
Bank of China

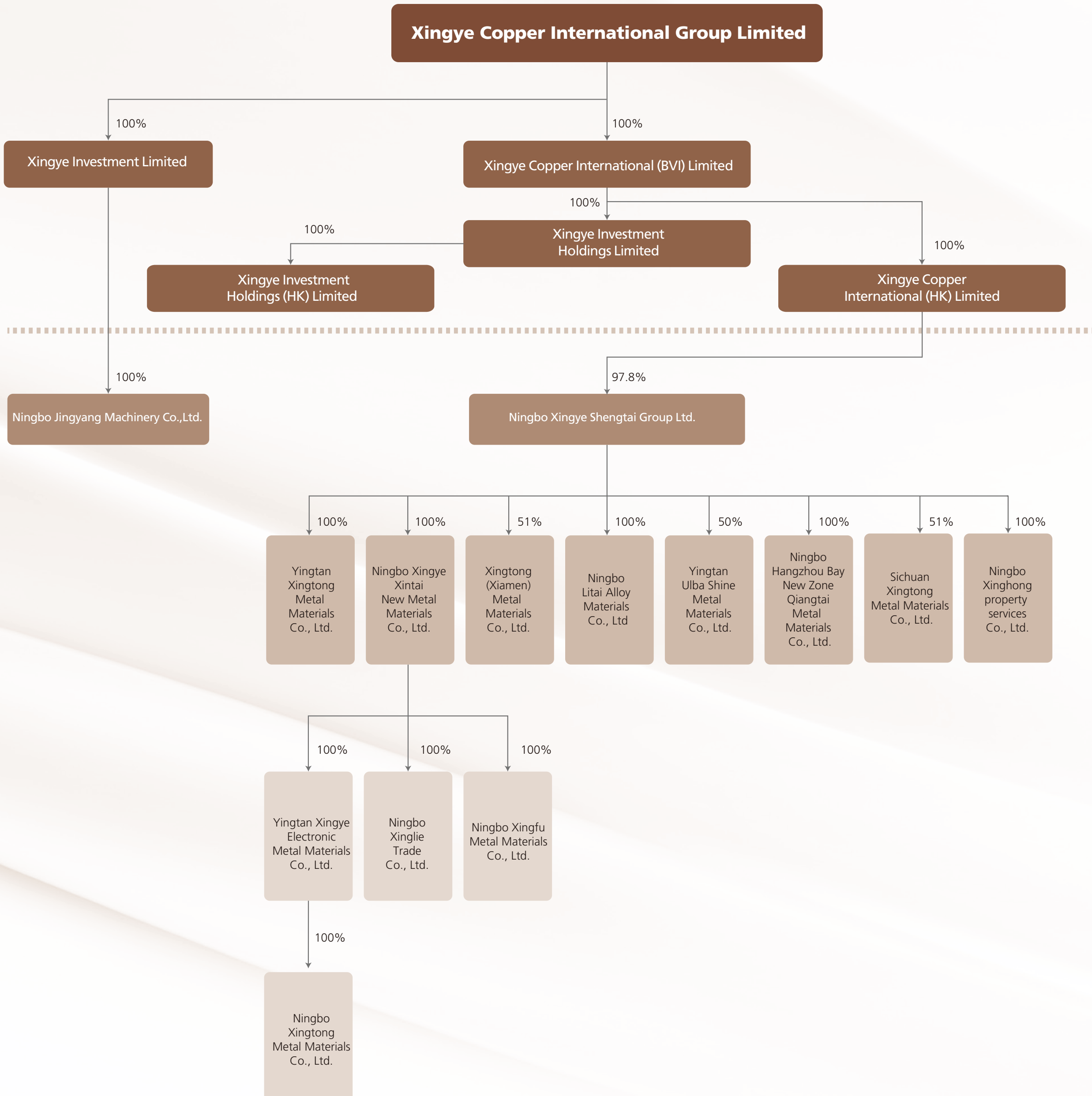
COMPANY WEBSITE

www.xingyecopper.com

STOCK CODE

505

Corporate Structure



On behalf of the Board of Directors, I am pleased to present the annual report of Xingye Copper International Group Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2015.

In 2015, the global economy remained sluggish except for the United States, and China's economy experienced a continuous slowdown. According to the releases from the National Bureau of Statistics of the PRC, the GDP of China grew by 6.9% in 2015, which hit a near 25-year low, resulting in international demand for energy and raw materials being affected and most of the non-ferrous metal prices dropped to a record low in the last 5 years. The Chinese government vigorously promoted economic transformation and reform of supply side in 2015, and the relevant policies are expected to move forward in 2016. Traditional model of economic growth has been facing challenges and the growth rate of the Chinese economy will remain clouded for the foreseeable period of time.

In 2015, as influenced by the receding economy, demand from the downstream of the copper processing industry in China also shrank further. As a result, price competitions in the industry intensified and overcapacity was yet to be effectively mitigated, leading to operating environment encountered greater challenges. Facing the severe development trend and operating pressure, our team upheld the aims of pioneering innovation and operated steadily. Meanwhile, we positively adjusted product structures and accelerated the progress of our new production lines construction that drove the Group recorded a double-digit growth of output again. The Group continued to secure its leading position in the high-precision copper plates and strips industry in China in 2015. As of 31 December 2015, the Group recorded a profit attributed to the shareholders of the Group of RMB18.8 million and a turnover of RMB2,942.7 million.

PROSPECT

Against the backdrop of an increase in the US dollar interest rates and the reform of supply side in China, the global economy will still be in turmoil. In light of such uncertainties, the Group formulated a working plan for 2016 as "output increase, revenue increment and cost reduction, as well as steady development", and concurrently it will continue to deepen works of "product innovation, management innovation, and culture innovation". In 2016, under the premise of reinforcing its principal businesses, the Group hopes for a breakthrough in extension development and endeavours to create more values for the shareholders, employees and society.

APPRECIATION

On behalf of the Board of Directors, I would like to express my sincere gratitude and blessings to all shareholders, employees and all sectors of the community for their care towards the Company.

HU Changyuan
Chairman

29 March 2016

Management Discussion and Analysis

MARKET REVIEW

In 2015, prices of global bulk commodities decreased significantly under the pressure from falling prices of crude oil. Prices of certain nonferrous metals even decreased to a level lower than the prices during the financial crisis in 2008. Although the international prices of copper were slightly higher than those of other commodities, there was still a relatively large decline at the end of 2015 as compared to that of the beginning of 2015. With the start of the cycle of increasing interest rate in the U.S. in 2015, strong US Dollar has returned to the international monetary system, thus it is hard for dollar-denominated copper prices to perform well.

INDUSTRY REVIEW

In 2015, the Chinese government vigorously promoted the new economic pattern of internet plus and positively encouraged the transformation and upgrade of enterprises; meanwhile, the government proposed the theme of the supply-side reform, which brought significant impact on the traditional economic growth pattern. The economic growth of China slowed down significantly in 2015, and China's GDP growth rate recorded a new low in recent 25 years, posing major challenges to the copper processing industry and worsening the situation of structural excess production capacity in the copper plates and strips processing industry. According to a report issued by Antaike, a consultancy institution in the nonferrous industry, in September 2015, the average utilization rate of production capacity in the industry was only around 62%, while homogeneous competition was extremely fierce, certain copper plates and strips enterprises in the PRC were forced to restructure their businesses and sought to develop in new industries. Under the irreversible trend of slowdown in the economic growth, there were also adjustment in industrial structure and reshuffle in the copper processing industry.

BUSINESS REVIEW

Sales of precision copper plates and strips

During the year under review, the revenue of sales of high precision copper plates and strips was RMB2,560.8 million, which decreased by 3.8% from RMB2,662.5 million of the previous year. The decrease was mainly due to the decline of copper price. The volume of sales of high precision copper plates and strips were 66,619 tonnes, which increased by 13.6% from 58,619 tonnes of the last corresponding year. The Group continuously offer competitive prices to customers to maintain its market shares, and as at the end of 2015, the Group continued to be a leading manufacturer of high precision copper plates and strips in mainland China.

Trading of raw materials

During the year under review, the revenue of trading of raw materials was RMB239.2 million, which decreased by 57.1% from RMB557.0 million of the previous year. The decrease is mainly due to the Group had significantly reduced its raw material trading business. The gross volume of sales of raw materials were 8,545 tonnes, which decreased by 17.7% from 10,389 tonnes of the previous year.

Processing services

During the year under review, the revenue of processing service was RMB142.7 million, which decreased by 5.7% from RMB151.4 million of the previous year. The volume of processing services were 27,799 tonnes, which decreased by 7.4% from 30,024 tonnes of last year.

Business Development

Continuous R&D and innovations

In 2015, the Group made more efforts in research and development ("**R&D**") and innovations. A kind of copper strips used for manufacturing currencies (coins) realized mass production successfully, thereby the main operating subsidiary, Ningbo Xingye Shengtai ("**Shengtai**") becoming a major supplier of domestic mint companies. In addition, Shengtai was the only company in Hangzhouwan New Economic Zone, which was granted the independent innovation award by the local government. In 2015, Shengtai obtained two national invention patents, namely "A Kind of Copper Alloy at Low Cost Connecting Plug-in And Its Processing Method" (《一種低成本接外掛程式用銅合金及其加工方法》) and "Copper-silver Alloy Materials Used for Motor Commutator and Its Preparation Method" (《電機整流轉子用銅銀合金材料及其製備方法》); led in drafting the national standard of "Copper and Copper Alloy Strips Used for Connectors" (《端子連接器用銅及銅合金帶材》), participated in revising three national standards, and obtained the first and third class awards of the National Nonferrous Metals Industrial Technology. In the same year, Shengtai established the provincial-level corporate technology center and the post-doctorate work station.

Strengthening information-based management

Under the guidelines of the development plan of Made in China 2025 (《中國製造2025》) and Industry 4.0 (工業4.0) promulgated by the State Council in 2015, the Group strengthened the establishment of information-based management, vigorously enhanced the establishment and optimization of production and information-based financial systems, strengthened the integration of informatization and industrialization. Furthermore, the Group planned to establish the office of informatization-industrialization integration in the second half of 2015 and pushed forward such integration in a focused and efficient manner, so as to satisfy the demand for industrial transformation and upgrade. In addition, Shengtai has become a model enterprise of Ningbo City for full integration of informatization and industrialization in 2015.

Deepening the establishment of corporate culture

In 2015, the Group placed a focus on the establishment of Happy Working Life in Xingye (興業幸福家園), launched a series of activities such as employees development program and employees family care program, and developed training courses for young employees. Meanwhile, Shengtai organized training courses with the Jiangxi University of Science and Technology to improve the quality and professional standards of the employees and help them set a reasonable career plan for facilitating their personal growth. These kinds of activities enhanced the unity of the Group and sense of belonging of the employees, thus laying a solid foundation for the stable and sustainable development of the enterprise.

The Group will deepen the establishment of corporate culture pertaining to the theme of the employees' happiness, customers' delight and the shareholders' satisfaction, in order to foster the employees with Xingye's spirit and serve the customers with corporate philosophy, dedicating to becoming a respected enterprise with a long history.

Pushing forward the progress of establishing new production lines

2015 was a critical year for the Group to establish new production lines of copper plates and strips, all of which were entered the phases of trial and operation. The Group concentrated resources to ensure accurate test and early operation of such production lines. With the efforts made by all employees and cooperative units, new lines were put into production on schedule, and contributed to the double-digit growth of the Group's sales volume of copper plates and strips under adverse circumstances in 2015, laying a more solid foundation for the Group to fulfill its vision of becoming a world-leading manufacturer of copper plates and strips.

OUTLOOK

Against the backdrop of an increase in the US dollar interest rates and the reform of supply side in China, the macro economy environment is still expected to be in turmoil. In light of such uncertainties, the Group formulated a working direction of "Enhancing Production, Increasing Revenue while Reducing Expenditure, and Stablizing Development" (加大產出、增收節支、穩健發展) for 2016, with an aim to push forward the progress of new lines to meet their production target, continue to adhere to the concept of development and innovations, speed up the R&D and market promotion of new products, actively encourage the promotion and guidance of improvement of craftsmanship, securing the leading position of the Group in the manufacturing sector of high-precision copper plates and strips in China.

In 2016, on the basis of strengthening principal businesses, the Group will strive to expand its business in order to create new room for development to the enterprise and bring greater value to shareholders of the Group.

FINANCIAL REVIEW

Revenue and gross profit

For the year ended 31 December 2015, the Group recorded a total sales revenue of RMB2,942.7 million, of which revenue from sales of precision copper plates and strips, processing services and revenue of trading of raw materials amounted to RMB2,560.8 million, RMB142.7 million and RMB239.2 million respectively. The total revenue of the Group decreased by 12.7% from RMB3,371.0 million of last year. The decrease in sales revenue was mainly due to the decrease in the sales of trading of raw materials, and the decline of copper price during 2015. Sales of raw materials decreased by RMB317.9 million compared to that of the previous year, because the Group has reduced the raw material trading volume.

The Group recorded a gross profit of RMB258.3 million in 2015, which decreased by 4.1% as compared with that of 2014. The drop in gross profit is mainly due to the decline in copper price, while it was partly offset by the improvement of production efficiency.

Other income

For the year ended 31 December 2015, the Group recorded other income of RMB57.0 million, which increased by RMB21.3 million as compared to 2014, which was mainly attributable to the increase of government grants.

Other expenses

For the year ended 31 December 2015, the other expenses of the Group was RMB11.3 million, which decreased by RMB32.3 million from RMB43.6 million in 2014. This was mainly attributable to the loss recorded on written-off and impairment loss of property, plant and equipment in previous year.

Distribution expenses

For the year ended 31 December 2015, the distribution expenses of the Group increased by RMB0.8 million from RMB26.2 million of 2014 to RMB27 million, which was mainly attributable to the increase of freight expenses due to the increase of sales volume.

Administrative expenses

For the year ended 31 December 2015, the administrative expenses of the Group increased by RMB34.5 million from RMB169.8 million of 2014 to RMB204.3 million, which was mainly due to the increase of the R&D (research and development) expenses.

Net finance costs

For the year ended 31 December 2015, the Group's net finance costs increased to RMB46.5 million from RMB36.8 million of 2014, which was mainly due to the net loss of foreign exchange of RMB14.7 million.

Income tax

For the year ended 31 December 2015, the Group's income tax expenses decreased by RMB3.9 million to RMB5.3 million from RMB9.2 million of 2014, while the effective tax rate decreased to 20.3% from 32.0% of last year. Such decrease was mainly due to certain subsidiaries had distributed profit to overseas subsidiaries with provision for PRC withholding tax in 2014, and over-provision in respect of prior year's tax annual filing.

Profit attributable to the shareholders of the Company

As a result of the aforementioned factors, during the year, the profit attributable to the shareholders of the Company was RMB18.8 million, which was comparable to RMB18.7 million of 2014.

Liquidity and financial resources

As at 31 December 2015, the Group recorded net current assets of RMB6.5 million, representing an increase of RMB75.1 million from 31 December 2014, which was primarily due to better operating cash inflows from the Group's operations. In addition, the Group was able to obtain additional long-term financing of RMB208.1 million to finance the capital expenditure of RMB192.6 million made during the year so as to reduce the reliance on short-term bank borrowings for capital expenditures. Capital expenditures were used to purchase manufacturing equipment, land and buildings according to the development plan of the Group.

The short-term interest-bearing borrowings represented 59.1% of total interest-bearing borrowings as of 31 December 2015. As at the date of this announcement, 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.

The Group is able to generate cash from operating activities, has good credit standing and relationships with principal lending banks, and possesses available undrawn banking facilities together with bank deposits of RMB582.6 million (including long term loan facilities amounted to RMB191.6 million effective until 2017) and RMB243.2 million (comprised of pledged deposits of RMB33.3 million and cash and cash equivalents of RMB209.9 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.

As at 31 December 2015, the Group had outstanding bank loans and other borrowings of approximately RMB487.7 million which shall be repaid within 1 year. As at 31 December 2015, 85.3% of the Group's debts were on secured basis.

The gearing ratio as at 31 December 2015 was 44.1% (31 December 2014: 59.6%), which is calculated as net debt divided by total capital. Net debt is calculated as total debt (including all interest-bearing borrowings as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as equity attributable to equity shareholders of the Company, as shown in the consolidated statement of financial position, plus net debt.

Charge on assets

As at 31 December 2015, the Group pledged assets with an aggregate carrying value of RMB968.2 million (31 December 2014: RMB779.0 million) to secure bank loan facilities.

Capital expenditure

For the year ended 31 December 2015, the Group had invested RMB192.6 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 2015, the future capital expenditures, for which the Group had contracted but not provided for, amounted to approximately RMB40.5 million.

CONTINGENT LIABILITIES

As at 31 December 2015, 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.

EMPLOYEES

As at 31 December 2015, the Group had 1,192 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 performances. 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 skills required to perform their functions and the existing employees can upgrade or improve their skills.

ENVIRONMENTAL AND REGULATORY POLICIES

Environmental protection and energy conservation is the foundational standard that pervades our production and operations. The Group has made vigorous endeavors to foster the recycling of resources and has established dedicated recovery plants that recycle the relevant metals and other resources for remanufacturing purposes in order to minimize the impact on the environment. As part of our efforts to cut energy consumption, the Group has renovated certain equipments with high energy consumption. For instance, certain heating and annealing equipments have switched from electricity to natural gas as energy sources so as to reduce the demand for energy. The Group will keep on seeking different ways to lower energy consumption and augment utilization efficiency of energy.

The Group has required the strict compliance of the suppliers with environmental regulations and will return and reject raw materials containing hazardous substances exceeding the recommended limits in terms of concentration or goods for which the certificates, approval and verification issued by relevant regulatory authorities have been obtained.

In 2015, the operating company of the Group in mainland China, Shengtai was honored by the local government as a Clean Production Enterprise of Ningbo City. Shengtai was recognized by the Corporate Social Responsibility Evaluation Center of Ningbo and was awarded the Certificate of Outstanding Performance in Corporate Social Responsibilities as well.

The principal operating companies of the Group are situated in mainland China, whilst the Company was incorporated in the Cayman Islands and its shares are listed in Hong Kong. The Group has complied with all the relevant laws, rules and regulations in mainland China, the Cayman Islands and Hong Kong.

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 2015, the Company has complied with the code provisions set out in the Corporate Governance Code and Corporate Governance Report (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 by the Board 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 2015.

BOARD

Board composition

The Board currently has five executive Directors, namely, Mr. HU Changyuan (Chairman), Mr. HU Minglie (Chief Executive Officer), Mr. WANG Jianli, Mr. MA Wanjun and Mr. CHEN Jianhua, one non-executive Director, namely, Mr. DAI Jianchun (appointed on 19 January 2015, and re-designated on 17 August 2015) and three independent non-executive Directors, namely, Mr. MAO Xuechang, Mr. CHAI Chaoming and Dr. LOU Dong (appointed on 17 August 2015). The size and composition of the Board are reviewed regularly to ensure that they are well balanced with each Director having sound knowledge, experience and expertise relevant to the business and development of the Group. There is no financial, business, family or other material relationships among members of the Board except that family relationship between Mr. HU Changyuan (Chairman) and Mr. HU Minglie (Chief Executive Officer). Biographical details of the Directors and relationship among Directors are set forth in the section headed "Biographical Details of the Directors and Chief Financial Officer" 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**").

At least one-third of the members of the Board are independent non-executive Directors and the Board comprises at least three independent non-executive Directors, which meet the minimum requirements of the Listing Rules. Therefore the number of the independent non-executive Directors appointed by the Company is in compliance with Rule 3.10 and Rule 3.10A 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 three independent non-executive Directors. The Board is of the view that all independent non-executive Directors are independent within the definition of the Listing Rules.

Responsibilities of the Board

The principal duty of the Board is to ensure that the Company is properly managed in the 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 2015, the Board convened a total of 5 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)*	5	5
Mr. HU Minglie *(Chief Executive Officer)*	5	5
Mr. WANG Jianli	5	5
Mr. MA Wanjun	5	5
Mr. CHEN Jianhua	5	5
Non-executive Director		
Mr. DAI Jianchun *(Appointed on 19 January 2015 and re-designated on 17 August 2015)*	5	5
Independent Non-executive Directors		
Mr. MAO Xuechang	5	5
Mr. CHAI Chaoming	5	5
Mr. LOU Dong *(Appointed on 17 August 2015)*	1	1
Ms. LI Li *(Resigned on 14 January 2015)*	0	0
Mr. CUI Ming *(Resigned on 19 January 2015)*	0	0

Notice of at least 14 days should be given to the Directors of a regular Board meeting to give all Directors an opportunity to attend the meeting. All Directors are supplied with comprehensive Board papers and relevant materials within a reasonable period of time before the intended meeting date (usually no less than one week before the Board meeting). In respect of regular Board meetings, and so far as practicable in all other cases, an agenda and accompanying Board papers should be sent in full to all Directors in a timely manner and at least 3 days before the intended date of Board meeting or Board committees meeting, which ensure that all Directors would have the opportunity to include matters in the agenda.

Directors are free to express their views at the meetings of the Board. Important decisions will only be made after detailed discussion at the Board meetings. Directors 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 concerns 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.

During the year under review, the Board had performed the above duties.

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 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 2015.

DIRECTORS' APPOINTMENT, RE-ELECTION AND REMOVAL

The Company follows a formal considered and transparent procedure for the appointment of new directors. The Nomination Committee has formulated a nomination policy and is responsible for identifying and nominating suitable candidates for the Board's consideration as additional directors or to fill in casual vacancies on the Board and making recommendations to the shareholders regarding any directors proposed or re-election at annual general meetings.

Details of the selection process of new directors and a summary of work performed by the Nomination Committee in 2015 are set out under the "Nomination Committee" section below.

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 had entered into a service contract with the Company with effect from their respective date of appointment 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.

The non-executive Director and each of the independent non-executive Directors of the Company had entered into an appointment letter with the Company and were appointed for a term of 3 years.

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. HU Minglie, respectively.

The Board has three independent non-executive Directors who have brought in strong independent judgment, knowledge and experience. In addition, each executive Director is delegated individual responsibilities to monitor and oversee operations of a specific area, and to implement strategies and policies that are set by the Board. Currently, the majority members of each of the Audit Committee, 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 a 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 are published on the Company's website and the Exchange's website. During the year under report, the Audit Committee comprises three members, including two independent non-executive Directors, namely, Mr. MAO Xuechang and Mr. CHAI Chaoming (Chairman), and one non-executive Director, namely, Mr DAI Jianchun (appointed on 19 January 2015). The Audit Committee meets formally at least twice a year.

In view of the new requirements in respect of risk management and internal control systems of listed issuers under the revised CG Code which apply to accounting periods beginning on or after 1 January 2016, the terms of reference of the Audit Committee were revised effective on 1 January 2016 to align with the revised CG Code. The Audit Committee will continue to oversee the Company's financial reporting system, risk management and internal control systems. In addition, the Company had set up a department for risk control and internal audit of the Group.

Two Audit Committee meetings were held during the year ended 31 December 2015. At the meetings, the members of the Audit Committee executed the major duties and responsibilities which are provided below. The individual attendance record of each member of the Audit Committee is tabulated as follows:

Name of Member	Number of meetings held while being a Member	Number of meetings attended
Mr. DAI Jianchun *(Appointed on 19 January 2015)*	2	2
Mr. MAO Xuechang	2	2
Mr. CHAI Chaoming *(Chairman)*	2	2

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

– to review the Group's annual and interim reports as well as financial reports, recommendations on management put forward by auditors and responses from the Company's management;

– to review matters related to accounting policies and accounting practices adopted by the Group;

– to review internal control matters with the external auditors;

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

– to advise the Board on appointment, re-appointment and removal of hired external auditors, approve remuneration and terms of appointment of external auditors and to handle any problems in relation to the resignation or dismissal of auditors; and

– to review connected transactions and examine the adequacy of internal controls of the Group as part of the standard procedures.

The duties of the Audit Committee include reviewing the scope and results of the audit and its cost effectiveness, and the independence and the objectivity of the Company's auditor. The Audit Committee will review the independence of the Company's auditor and the resources and adequacy of the internal audit function at least once a year. Where the auditor also supplies non-audit services to the Company, the Committee will keep the nature and extent of such services under review, and seek a balance between the maintenance of objectivity and value for money.

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 Audit 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 are published on the Company's website and the Exchange's website. During the year under report, the Remuneration Committee comprises two independent non-executive Directors and one executive Director, namely Mr. MAO Xuechang and Dr. LOU Dong (Chairman) (appointed on 17 August 2015) 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 a similar position. The Remuneration Committee shall aim to meet at least twice a year.

Two Remuneration Committee meetings were held during the year ended 31 December 2015. At the meetings, the Remuneration Committee reviewed remuneration policy and packages of the Directors and senior management and made recommendation to the Board for approval. The individual attendance record of each member of the Remuneration Committee is tabulated as follows:

Name of Member	**Number of meetings held while being a Member**	**Number of meetings attended**
Dr. LOU Dong *(Appointed on 17 August 2015)*	0	0
Mr. MAO Xuechang	2	2
Mr. WANG Jianli	2	2
Mr. DAI Jianchun *(Appointed on 19 January 2015, and resigned on 17 August 2015)*	2	2

The remuneration of members of the senior management (including all executive directors of the Company) by band for the year ended 31 December, 2015 is set out below:

Remuneration bands *(RMB)*	**Number of person(s)**
0 to 1,000,000	6
1,000,001 to 2,000,000	0

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 CG Code, which are published on the Company's website and the Exchange's website. During the year under report, the Nomination Committee comprises three independent non-executive Directors, one non-executive Director and one executive Director, namely, Mr. MAO Xuechang, Mr. CHAI Chaoming (Chairman), Dr. LOU dong (appointed on 17 August 2015), Mr. DAI Jianchun and Mr. MA Wanjun. The Nomination Committee meets formally at least once a year.

Two Nomination Committee meetings were held during the year ended 31 December 2015. At the meetings, the members of the Nomination Committee executed the major duties and responsibilities which are provided below. The individual attendance record of each member of the Nomination Committee is tabulated as follows:

Name of Member	Number of meetings held while being a Member	Number of meetings attended
Mr. CHAI Chaoming *(Chairman)*	2	2
Mr. MAO Xuechang	2	2
Dr. LOU Dong *(Appointed on 17 August 2015)*	0	0
Mr. DAI Jianchun *(Appointed on 19 January 2015)*	2	2
Mr. MA Wanjun	2	2

According to the written terms of reference of the Nomination Committee, the major duties and 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.

During 2015, Mr. DAI Jianchun and Dr. LOU Dong were appointed as Directors by the Board. In considering the new appointments of directors, the Nomination Committee assessed the candidates on criteria such as integrity, independent mindedness, experience, skill and ability to commit time and effort to carry out their duties and responsibilities effectively, as well as independent factors as required under the Listing Rules, etc., and made recommendations to the Board for approval.

The Nomination Committee had convened a meeting for the nomination of Directors for re-election at 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.

BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy with effect from 28 August 2013 and discussed all measurable objectives set for implementing the policy.

The Company recognises and embraces the benefits of diversity of Board members. It endeavours to ensure that the Board will be immensely beneficial for the enhancement of the Company's performance. All Board appointments will continue to be made on a merit basis with due regard for the benefits of diversity of the Board members. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional and industry experience, skills, knowledge and length of service. The ultimate decision will be made upon the merits and contribution that the selected candidates will bring to the Board.

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 2015, 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 auditors 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 the auditor about their reporting responsibility is set out in the Independent Auditor's Report.

Auditors' Remuneration

During the year, the Company engaged KPMG as the external auditors of the Group until the conclusion of next Annual General Meeting.

The fees in respect of audit services provided by KPMG for the year ended 31 December 2015 amounted to approximately RMB1.7 million.

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 reviewed the effectiveness of the internal control system, and considered the internal control system to be effective and adequate.

The relevant executive Directors and 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 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 achieve and maintain 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

The Company has engaged and appointed a representative from an external secretarial services provider as the Company Secretary of the Company. The primary contact person of the Company with the company secretary is Mr. ZHU Wenjun, the Chief Financial Officer of the Group. The biographical details of Mr. ZHU Wenjun are set out under the section headed "Biographical Details of Directors and Chief Financial Officer".

According to the Rule 3.29 of the Listing Rules, the Company Secretary has taken no less than 15 hours of relevant professional training during the financial year ended 31 December 2015.

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 reports, interim reports, 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 provide 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 representative of external auditors are available to answer Shareholders' questions at the annual general meeting. The chairman of the independent board committee or his/her delegate will be also available to answer questions at any general meeting if a connected transaction or any other transaction that is subject to independent shareholders' approval is required.

The individual attendance record of the Directors at the 2015 annual general meeting ("**AGM**") held on 28 May 2015 is tabulated below:

	AGM held being a Director	AGM attended
Executive Directors		
Mr. HU Changyuan *(Chairman)*	1	1
Mr. HU Minglie *(Chief Executive Officer)*	1	1
Mr. WANG Jianli	1	1
Mr. MA Wanjun	1	1
Mr. CHEN Jianhua	1	1
Non-executive Director		
Mr. DAI Jianchun *(Appointed on 19 January 2015 and re-designated on 17 August 2015)*	1	1
Independent Non-executive Directors		
Mr. MAO Xuechang	1	1
Mr. CHAI Chaoming	1	1
Dr. LOU Dong *(Appointed on 17 August 2015)*	0	N/A
Ms. LI Li *(Resigned on 14 January 2015)*	0	N/A
Mr. CUI Ming *(Resigned on 19 January 2015)*	0	N/A

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 an 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 propose 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 (i.e. the memorandum and Articles of Association) 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.

Report of the Directors

The Directors are pleased to present their report together with the audited financial statements of the Group for the year ended 31 December 2015.

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 5 to the financial statements.

BUSINESS REVIEW

A fair review of the business of the Company and a discussion and analysis of the Group's performance during the year and the material factors underlying its results and financial position as well as the outlook of the Company's business are provided in the "Chairman's Statement" and "Management Discussion & Analysis" on page 5 and pages 6 to 11 of this annual report. Description of the principal risks and uncertainties facing the Company can be found throughout this annual report particularly in the section of "Management Discussion & Analysis" on page 11 of this annual report. Environmental policies and performance, compliance with rules and regulations as well as relationships with employees, customers and suppliers are provided in this report and "Management Discussion & Analysis" from pages 6 to 11 of this annual report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2015 are set out in the accompanying financial statements on page 39.

The Board does not recommend the payment of any dividend for the year ended 31 December 2015.

CLOSURE OF REGISTER OF MEMBERS

For determining the identity of the shareholders of the Company (the "**Shareholders**") who are entitled to attend and vote at forthcoming annual general meeting, the register of members of the Company will be closed from 25 May 2016 to 27 May 2016, 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 level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on 24 May 2016.

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 107 to page 108.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 29 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment during the year are set out in note 14 to the financial statements.

INTEREST-BEARING BORROWINGS

Particulars of interest-bearing borrowings of the Group as at 31 December 2015 are set out in note 24 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 27 to the financial statements.

PLACING OF NEW SHARES UNDER GENERAL MANDATE

On 3 July 2015, the Group completed a placing of new shares (the "**Placing Shares**") under general mandate (the "**Placing**"). An aggregate of 109,914,000 Placing Shares (representing approximately 13.55% of the issued share capital of the Company as enlarged by 109,914,000 Placing Shares) have been allotted and issued to not less than six placees at the placing price of HK$0.88 per Placing Share. The gross proceeds from the Placing of 109,914,000 Placing Shares at the placing price of HK$0.88 per Placing Share are approximately HK$96.72 million and the net proceeds, after deducting the placing commission payable to the Placing Agent and other expenses incurred in the Placing, are approximately HK$95.49 million. Right after the Placing, the total number of shares in issue of the Company is 811,115,950. The Directors considered that the Placing would allow the Company to raise capital for the Group and widen its capital and shareholder base. The Company applied the net proceeds raised from the Placing for general working capital of the Group. Details of the Placing are set out in the announcements of the Company on 22 June 2015 and 3 July 2015.

KEY RELATIONSHIPS WITH CUSTOMERS AND SUPPLIERS

The Group has always paid great attention to and maintained a good working relationship with its upstream raw material suppliers, and has been providing quality professional and systemic customer services for its downstream customers. The aforementioned suppliers and customers are good working partners creating value for the Group.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2015, the aggregate revenue from sales of goods attributable to the five largest customers and the largest customer of the Group accounted for approximately 15.4% and 4.5% of the Group's aggregate revenue from sales of goods, while the aggregate purchases attributable to five largest suppliers and the largest supplier of the Group accounted for approximately 46% and 16.6% of the Group's aggregate purchases.

At no time during the year have the Directors, their close 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 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 of the Company which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme shall not in aggregate exceed 10% of the issued shares of the Company, which is equivalent to 60,000,000 shares immediately following completion of the Global Offering and Capitalization Issue (as defined in the Prospectus dated 27 December 2007).

As at the date of this report, a total of 12,540,000 shares of the Company (representing 1.55% of the existing issued share of the Company) may be issued upon exercise of all options which may be granted under the Share Option Scheme.

There is no general requirement that an option must be held for any minimum period before it can be exercised but the Board is empowered to impose at its discretion any such minimum period at the time of grant of any particular option. The period during which an option may be exercised will be determined by the Board at its absolute discretion, save that no option may be exercised more than 10 years from the date of grant. A consideration of HK$1.00 is payable on acceptance of an offer of the grant of options.

The total number of shares of the Company 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 of the Company 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 at a general meeting.

The subscription price of a share of the Company 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 at 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. 1 December 2007.

The following table discloses movements in the Company's share options during the year:

Name or type of grantee	Date of grant	Exercisable period	Exercise price HK$	Number of share options: Outstanding as at 1 January 2015	Cancelled during the year	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31 December 2015	Approximate percentage of total issued shares of the Company (Note 1)
Directors										
HU Changyuan	1-4-2014	1-4-2014 to 31-3-2015	0.65	500,000	–	–	–	(500,000)	–	–
CHEN Jianhua	1-4-2014	1-4-2014 to 31-3-2015	0.65	2,000,000	–	–	–	(2,000,000)	–	–
WANG Jianli	1-4-2014	1-4-2014 to 31-3-2015	0.65	4,500,000	–	–	–	(4,500,000)	–	–
MA Wanjun	1-4-2014	1-4-2014 to 31-3-2015	0.65	3,500,000	–	–	–	(3,500,000)	–	–
MAO Xuechang	26-5-2014	26-5-2014 to 31-3-2015	0.53	500,000	–	–	(500,000)	–	–	–
CHAI Chaoming	1-4-2014	1-4-2014 to 31-3-2015	0.65	99,000	–	–	–	(99,000)	–	–
CUI Ming *(Note 3)*	1-4-2014	1-4-2014 to 31-3-2015	0.65	99,000	–	–	–	(99,000)	–	–
LI Li *(Note 4)*	1-4-2014	1-4-2014 to 31-3-2015	0.65	99,000	–	–	–	(99,000)	–	–
Subtotal				11,297,000	–	–	(500,000)	(10,797,000)	–	–
Employees	1-4-2014	1-4-2014 to 31-3-2015	0.65	1,000,000	–	–	–	(1,000,000)	–	–
	26-5-2014	26-5-2014 to 31-3-2015	0.53	1,600,000	–	–	(1,200,000)	(400,000)	–	–
Subtotal				2,600,000	–	–	(1,200,000)	(1,400,000)	–	–
Total				13,897,000	–	–	(1,700,000)	(12,197,000)	–	–

Notes:

1. The percentages are calculated based on the total issued shares of the Company of 811,115,950 as at 31 December 2015.

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

3. Mr. CUI Ming has resigned as an independent non-executive Director on 19 January 2015.

4. Ms. LI Li has resigned as an independent non-executive Director on 14 January 2015.

5. The weighted average closing share price immediately before the date of exercise of share options was HK$0.62.

6. These options represent personal interests hold by the above Directors as beneficial owners.

Save as disclosed above, no options had been granted, exercised, lapsed or cancelled under the Share Option Scheme during the year.

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. HU Minglie *(Chief Executive Officer)*
Mr. WANG Jianli
Mr. MA Wanjun
Mr. CHEN Jianhua

Non-Executive Director

Mr. DAI Jianchun *(appointed on 19 January 2015 and re-designated on 17 August 2015)*

Independent Non-Executive Directors

Mr. MAO Xuechang
Mr. CHAI Chaoming
Dr. LOU Dong *(appointed on 17 August 2015)*
Ms. LI Li *(resigned on 14 January 2015)*
Mr. CUI Ming *(resigned on 19 January 2015)*

Pursuant to Articles 87(1) and 87(2) of the Company's Articles of Association, Mr, HU Changyuan, Mr. WANG Jianli, and Mr. MA Wanjun shall retire from their office by rotation at the forthcoming annual general meeting and, being eligible, offered themselves for re-election. Pursuant to Article 86 (3) of the Company's Articles of Association, Dr. LOU Dong was appointed Director by the Board on 17 August 2015, who shall hold office only until the next annual general meeting, and being eligible, offers himself 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 to the Company.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors had entered into a service contract with the Company with effect from their respective date of appointment 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.

Each of non-executive Directors of the Company (including independent non-executive Directors) had entered into an appointment letter with the Company for a term of 3 years until terminated by either the Company or non-executive Director (including independent non-executive Director) by giving not less than two months prior notice in writing.

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

DISCLOSURE OF INTERESTS

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

As at 31 December 2015, 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 *(Note 1)*
HU Changyuan	Founder of a discretionary trust	265,200,000 *(Note 2)*	32.69%
HU Minglie	Beneficial owner	400,000	0.05%
WANG Jianli	Beneficial owner	1,060,000	0.13%
MA Wanjun	Beneficial owner	1,060,000	0.13%
CHEN Jianhua	Beneficial owner	1,480,000	0.18%
CHAI Chaoming	Beneficial owner	134,000	0.02%
MAO Xuechang	Beneficial owner	500,000	0.06%

Notes:

1 The percentages are calculated based on the total issued shares of 811,115,950 as at 31 December 2015.

2. 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 Changyuan. Mr. HU was deemed to be interested in these shares by virtue of the SFO.

Details of the Directors' interests in share options granted by the Company are set out in the section of "Share Option Scheme" in this report.

Save as disclosed above, as at 31 December 2015, 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 in the section of "Share Option Scheme" above, at no time during the year was the Company, its parent company (if any), or any of its subsidiaries or fellow 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 2015, 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	Derivative Interest	Approximate percentage of shareholding *(Note 1)*
Luckie Strike Limited	Beneficial owner	110,000,000 (L)	–	13.56 %
Come Fortune International Limited	Beneficial owner	155,200,000 (L)	–	19.13%
Dynamic Empire Holdings Limited *(Note 2)*	Interest of a controlled corporation	265,200,000 (L)	–	32.69%
Barclays Wealth Trustees (Singapore) Limited *(Note 2)*	Trustee (other than a bare trustee)	265,200,000 (L)	–	32.69%
Barclays PLC *(Note 3)*	Interest of a controlled corporation	2,000 (S) 307,000 (L)	– 2,000 (L)	0.000% 0.004%
	Trustee (other than a bare trustee)	265,200,000 (L)	–	32.69%
Yu Yuesu *(Note 4)*	Interest of spouse	265,200,000 (L)	–	32.69%

The letter "S" denotes a short position in the share

The letter "L" denotes a long position in the share

Notes:

1. The percentages are calculated based on the total issued shares of 811,115,950 as at 31 December 2015.

2. The shares were held by Luckie Strike Limited and Come Fortune International Limited which were 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.

3. Barclays PLC, through its 100% controlled corporations, is interested in (i) an aggregate of 265,509,000 shares (including unlisted derivative interests of 2,000 shares with cash settled and (ii) 2,000 shares in short position. Among them, 265,200,000 shares were held by Barclays Wealth Trustees (Singapore) Limited as trustee. 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.

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

Save as disclosed herein, as at 31 December 2015, 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 of the Company as recorded in the register required to be kept under section 336 of the SFO.

EQUITY-LINKED AGREEMENTS

Save as disclosed in this annual report relating to "Share Option Scheme", no equity-linked agreements were entered into during the year or subsisted at the end of the year.

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's Articles of Association, subject to relevant laws, every Director shall be indemnified out of the assets of the Company against all losses and damages, etc. which he/she may sustain or incur in or about the execution of his/her duties in respect of his/her office or otherwise in relation thereto.

The Company has taken out insurance against the liabilities and costs associated with defending any proceedings which may be brought against the Directors and directors of subsidiaries of the Company.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

There was no transaction, arrangement or 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 or his connected entities 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.

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

Details of the related party transactions and connected transactions of the Group are set out in note 32 to the financial statements. Those related party transactions constituted exempted connected transactions under the Listing Rules.

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 listed securities during the year ended 31 December 2015.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of any business of the Company were entered into during the year or subsisted at the end of the year.

PRE-EMPTIVE RIGHTS

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

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions set out in the Corporate Governance Code in Appendix 14 of the Listing Rules during the year ended 31 December 2015. Details of the corporate governance practices of the Company are set out in the Corporate Governance Report 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 report, the Company has maintained the prescribed public float under the Listing Rules.

REVIEW BY AUDIT COMMITTEE

The Audit Committee of the Company comprises two independent non-executive Directors, namely, Mr. CHAI Chaoming and Mr. MAO Xuechang and one non-executive Director, namely, Mr. DAI Jianchun. The Audit Committee has reviewed the audited financial statements for the year ended 31 December 2015 and has also discussed auditing, internal control and financial reporting matters including accounting practices and principles adopted by the Group.

AUDITOR

KPMG ceased to act as auditor of the Company with effect from 5 July 2012. SHINEWING (HK) CPA Limited ("**SHINEWING**") had replaced KPMG to act as auditor of the Company since 5 July 2012 and acted as auditor of the Company for the years ended 31 December 2012, 2013 and 2014.

SHINEWING resigned as the auditor of the Company during the reporting year. Besides, KPMG was appointed by the Board to act as the new auditor of the Company on 10 June 2015. The consolidated financial statements for the year have been audited by KPMG. A resolution for the re-appointment of KPMG as auditor of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board
HU Changyuan
Chairman

Hong Kong, 29 March 2016

EXECUTIVE DIRECTORS

Mr. HU Changyuan, aged 67, 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 26 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. HU Minglie, aged 34, is an executive Director of the Company and Chief Executive Officer of the Group. He graduated from the University of Arizona with a master degree in Optical Science Engineering, and has received a MBA degree from Anderson Management School of UCLA. Mr. HU is the founding partner and chairman of Lighthouse Capital Management LLC (the "**Lighthouse Capital**"), an equity investment fund management company established in Mainland China. At the time when he established Lighthouse Capital, he had been the partner of Tianjin Raystone Taihe Fund Management LLP, another equity investment fund management company established in Mainland China, for more than four years. During his service in Lighthouse Capital, he was responsible for the structuring and management of two funds with assets under management of over RMB300 million. The funds invested in more than 20 growth oriented projects in China and overseas, which were mainly medical, equipment and mobile internet projects. Mr. HU has also actively participated in the charity activities in Mainland China and Hong Kong, and is the director of Cixi Xingye Xi Yang Hong Charitable Foundation and Si Ming Care for Aged and Children Charitable Foundation Limited. Mr. HU is the son of Mr. HU Changyuan.

Mr. WANG Jianli, aged 45, is an executive Director and a member of Remuneration Committee of the Company. He obtained a diploma in urban planning and management from Hangzhou University in 1996 and 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. Mr. WANG also attended the Fifth Operation Workshop of Jingci Amiba (京瓷阿美巴經營研修班) organized by Jingci Amiba Management Consultancy (Shanghai) Co., Ltd. (京瓷阿美巴管理顧問(上海)有限公司) and finished full courses and obtained the pass certificate. He was recognized as a senior economist in 2011. Mr. WANG has been working for the Group since 1998 and 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 26 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). In 2013, Mr. WANG was awarded as "Outstanding Entrepreneur of Ningbo City". In the same year, he received one first class prize and one second class prize of China Nonferrous Metals Industry Science and Technology Award (中國有色金屬工業科學技術獎) and involved in the setup of two national industry standards. In 2013 and 2014, he was named by the Management Committee of Hangzhou Bay New District of Ningbo as the Annual Influential Person of Industrial Economy for two consecutive years.

Mr. MA Wanjun, aged 49, is an executive Director and a member of Nomination Committee 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 26 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. In 2013, he received one first class prize and one second class prize of China Nonferrous Metals Industry Science and Technology Award (中國有色金屬工業科學技術獎) and involved in the setup of two national industry standards. In 2014, Mr. MA attended the President Workshop in New Material Industry of Ningbo organized by Ningbo Executives Academy and finished full courses and obtained the pass certificate. He is currently the Deputy Director of the Sixth Council of China's Nonferrous Processing Industry Association (中國有色金屬加工工業協會第六屆理事會).

Mr. CHEN Jianhua, aged 48, 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 and has been working for the Group since 1998. Mr. CHEN is responsible for supervisory work for the Group. Mr. CHEN has more than 26 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.

NON-EXECUTIVE DIRECTOR

Mr. DAI Jianchun, aged 39, is a non-executive Director and a member of Audit Committee and Nomination Committee of the Company since August 2015. He had been an independent non-executive Director and the chairman of Remuneration Committee of the Company from January to August 2015. He was re-designated as a non-executive Director and resigned from the chairman of Remuneration Committee in August 2015. He graduated from the School of Economics and Management at Tsinghua University, with the degree of Bachelor of Engineering in Management Information Systems in July 2000, where he also obtained a Master's Degree in Quantitive Economics in July 2002. Between August 2002 and July 2006, Mr. DAI worked as a portfolio manager in the capital markets department in the headquarters of China CITIC Bank. Mr. DAI then became a manager in Crédit Agricole Corporate and Investment Bank's Hong Kong office until January 2009. Mr. DAI is currently a founding partner of Ferry Venture Capital, a company that performs venture capital for entrepreneurial enterprises with an industry focus on the mobile internet, innovation of products and services through mobile internet (O2O) commerce.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. MAO Xuechang, aged 62, is an independent non-executive Director of the Company since May 2014. He is also a member of Audit Committee, Remuneration Committee and Nomination Committee of the Company. He graduated from the Zhejiang University, major in internal combustion engineering in 1978. Mr. MAO was recognized as a senior economist by the Municipal Personnel Bureau of Zhejiang Province (浙江省人事廳) in December 1996. From September 1983 to June 1988, he has been engaged as the deputy factory manager of the Cixi dynamic factory (慈溪動力機廠), the factory manager of the Cixi agricultural and organic factory (慈溪農機廠). From July 1988 to August 1997, he has been engaged as the general manager of the Cixi import and export corporation (慈溪進出口公司), the chairman of the Cixi foreign investment group (慈溪外貿集團), the deputy head and head of the Cixi Bureau of Foreign Economic and Trade (慈溪外經貿局). From July 1997 to July 2002, he was a deputy mayor of the Cixi Municipality (慈溪市人民政府). Mr. MAO has extensive corporate management and administrative experience.

Mr. CHAI Chaoming, aged 46. is an independent non-executive Director of the Company since May 2009. He is the chairman of Audit Committee and Nomination Committee of the Company. He graduated and obtained a Bachelor degree in economics from Shanghai University of Finance & Economics and a Master degree in business administration from Guanghua School of Management of Beijing University. Mr. CHAI is a partner of Raystone Capital Management, LLP, a fund which focuses on private equity investment in China. Mr. CHAI has extensive corporate management and investment experience.

Dr. LOU Dong, aged 34, is an independent non-executive Director of the Company since August 2015. He is also the chairman of Remuneration Committee and a member of Nomination Committee of the Company. He graduated from Columbia University with a degree of Bachelors of Computer Science in 2004 and obtained a doctoral degree from Yale University in Financial Economics in 2009. Dr. LOU worked as an assistant professor in Finance at the London School of Economics and Political Science from 2009–2015, where he is currently an associate professor (tenured professor) in Finance. Dr. LOU is a researcher at the Centre for Economic Policy Research in the United Kingdom from 2013 to the present and an associate editor at Management Science and Journal of Empirical Finance from 2014 to the present.

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.

CHIEF FINANCIAL OFFICER

Mr. ZHU Wenjun, aged 34, is the Chief Financial Officer of the Company since April 2015. Prior to joining the Group, he worked with Shanghai Guohe Capital, where he had led private equity investment deals in media, software, internet and financial services sectors. Mr. ZHU has over 10 years of experience of finance, investment and corporate management. He started his career with KPMG assurance services, and also worked at Deloitte Financial Advisory with its Corporate Restructuring Services. Mr. ZHU holds an M.B.A. degree from UCLA Anderson School of Management, and bachelor's degree in law from Shanghai University of International Business and Economics.

To the shareholders of Xingye Copper International Group Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Xingye Copper International Group Limited ("**the Company**") and its subsidiaries (together "**the Group**") set out on pages 39 to 106, which comprise the consolidated statement of financial position as at 31 December 2015, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015 and of the Group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

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

29 March 2016

Consolidated Statement of Profit or Loss

For the year ended 31 December 2015 (Expressed in RMB)

	Note	2015 *RMB'000*	2014 *RMB'000*
Revenue	5(a)	**2,942,663**	3,370,976
Cost of sales		**(2,684,335)**	(3,101,539)
Gross profit		**258,328**	269,437
Other income	6	**57,010**	35,746
Distribution expenses		**(26,992)**	(26,205)
Administrative expenses		**(204,364)**	(169,821)
Other expenses	7	**(11,319)**	(43,601)
Profit from operations		**72,663**	65,556
Finance income		**6,655**	10,459
Finance costs		**(53,176)**	(47,245)
Net finance costs	8(a)	**(46,521)**	(36,786)
Share of loss of associate		**–**	(34)
Profit before taxation		**26,142**	28,736
Income tax	9	**(5,293)**	(9,186)
Profit for the year		**20,849**	19,550
Attributable to:			
Equity shareholders of the Company		**18,848**	18,753
Non-controlling interests		**2,001**	797
Profit for the year		**20,849**	19,550
Earnings per share	13		
Basic *(RMB)*		**0.02**	0.03
Diluted *(RMB)*		**0.02**	0.03

The notes on pages 47 to 106 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 27(d).

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2015 (Expressed in RMB)

	Note	2015 *RMB'000*	2014 *RMB'000*
Profit for the year		**20,849**	19,550
Other comprehensive income for the year (after tax and reclassification adjustments)	12		
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of overseas operations		**3,505**	(2,855)
Other comprehensive income for the year		**3,505**	(2,855)
Total comprehensive income for the year		**24,354**	16,695
Attributable to:			
Equity shareholders of the Company		**22,353**	15,898
Non-controlling interests		**2,001**	797
Total comprehensive income for the year		**24,354**	16,695

The notes on pages 47 to 106 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2015 (Expressed in RMB)

	Note	2015 *RMB'000*	2014 *RMB'000* (Restated) *(note 4)*
Non-current assets			
Property, plant and equipment	14	**1,160,914**	1,058,412
Lease prepayments	15	**14,199**	14,557
Interest in an associate	16	**–**	6,579
Interest in a joint venture	17	**–**	–
Available-for-sale investment		**–**	33,908
Deposits for acquisition of property, plant and equipment		**15,973**	12,596
		1,191,086	1,126,052
Current assets			
Inventories	18	**424,654**	497,998
Trade and other receivables	19	**364,729**	425,647
Loan receivables		**–**	49,334
Derivative financial instruments	20	**830**	3,809
Available-for-sale investment		**9,000**	–
Pledged bank deposits	21	**33,298**	222,319
Cash and cash equivalents	22	**209,915**	123,058
		1,042,426	1,322,165
Current liabilities			
Trade and other payables	23	**545,863**	547,444
Interest-bearing borrowings	24	**487,662**	840,800
Derivative financial instruments	20	**1,711**	–
Current income tax payables		**718**	2,568
		1,035,954	1,390,812
Net current assets/(liabilities)		**6,472**	(68,647)
Total assets less current liabilities		**1,197,558**	1,057,405

The notes on pages 47 to 106 form part of these financial statements.

Consolidated Statement of Financial Position (Continued)

At 31 December 2015 (Expressed in RMB)

	Note	2015 RMB'000	2014 RMB'000 (Restated) (note 4)
Non-current liabilities			
Interest-bearing borrowings	24	**336,710**	284,691
Deferred income	25	**50,721**	43,056
Deferred tax liabilities	9(c)	**7,052**	12,488
		394,483	340,235
NET ASSETS		**803,075**	717,170
CAPITAL AND RESERVES			
Share capital	27(b)	**73,687**	64,881
Reserves		**705,085**	615,837
Total equity attributable to equity shareholders of the Company		**778,772**	680,718
Non-controlling interests		**24,303**	36,452
TOTAL EQUITY		**803,075**	717,170

Approved and authorised for issue by the board of directors on 29 March 2016.

Hu Changyuan

Directors

Chen Jianhua

The notes on pages 47 to 106 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015 (Expressed in RMB)

		Attributable to equity shareholders of the Company									
	Note	Share capital *RMB'000*	Share premium *RMB'000*	Capital reserve *RMB'000*	PRC statutory reserve *RMB'000*	Translation reserve *RMB'000*	Share-based compensation reserve *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2014		64,881	227,978	259,726	66,785	(15,524)	7,596	51,905	663,347	19,567	682,914
Changes in equity for 2014:											
Profit for the year		–	–	–	–	–	–	18,753	18,753	797	19,550
Other comprehensive income		–	–	–	–	(2,855)	–	–	(2,855)	–	(2,855)
Total comprehensive income		–	–	–	–	(2,855)	–	18,753	15,898	797	16,695
Equity-settled share-based payment	27(c)(v)	–	–	–	–	–	2,663	–	2,663	–	2,663
Share options cancelled	27(c)(v)	–	–	–	–	–	(9,908)	9,908	–	–	–
Share options forfeited	27(c)(v)	–	–	–	–	–	(2)	2	–	–	–
Transfer to reserves		–	–	–	14,041	–	–	(14,041)	–	–	–
Disposal of interest in a subsidiary without a change in control		–	–	–	–	–	–	(156)	(156)	690	534
Dilution of interest in a subsidiary without a change in control		–	–	–	–	–	–	(1,034)	(1,034)	15,938	14,904
Dividend to a non-controlling shareholder		–	–	–	–	–	–	–	–	(540)	(540)
Balance at 31 December 2014 and 1 January 2015		64,881	227,978	259,726	80,826	(18,379)	349	65,337	680,718	36,452	717,170

The notes on pages 47 to 106 form part of these financial statements.

Consolidated Statement of Changes in Equity (Continued)

For the year ended 31 December 2015 (Expressed in RMB)

		Attributable to equity shareholders of the Company									
	Note	Share capital *RMB'000*	Share premium *RMB'000*	Capital reserve *RMB'000*	PRC statutory reserve *RMB'000*	Translation reserve *RMB'000*	Share-based compensation reserve *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 31 December 2014 and 1 January 2015		**64,881**	**227,978**	**259,726**	**80,826**	**(18,379)**	**349**	**65,337**	**680,718**	**36,452**	**717,170**
Profit for the year		–	–	–	–	–	–	18,848	18,848	2,001	20,849
Other comprehensive income		–	–	–	–	3,505	–	–	3,505	–	3,505
Total comprehensive income		–	–	–	–	3,505	–	18,848	22,353	2,001	24,354
Share options exercised	27(b)&(c)	135	628	–	–	–	(49)	–	714	–	714
Issuance of new shares	27(b)&(c)	8,671	66,645	–	–	–	–	–	75,316	–	75,316
Share options lapsed	27(c)(v)	–	–	–	–	–	(300)	–	(300)	–	(300)
Disposal of interest in a subsidiary		–	–	–	(29)	–	–	–	(29)	(14,150)	(14,179)
At 31 December 2015		**73,687**	**295,251**	**259,726**	**80,797**	**(14,874)**	**–**	**84,185**	**778,772**	**24,303**	**803,075**

The notes on pages 47 to 106 form part of these financial statements.

Consolidated Cash Flows Statement

For the year ended 31 December 2015 (Expressed in RMB)

	Note	2015 RMB'000	2014 RMB'000
Cash flows from operating activities			
Profit for the year		**20,849**	19,550
Adjustment for:			
Depreciation of property, plant and equipment		**63,918**	64,195
Amortisation of lease prepayments		**358**	659
Impairment losses on property, plant and equipment		**–**	19,795
Net loss on disposal of property, plant and equipment and lease prepayments		**4,776**	13,076
Net finance costs		**46,521**	36,786
Write-off of loan receivables		**–**	7,844
Equity-settled share-based payment transactions		**(300)**	2,663
Unrealised fair value change on derivative financial instruments		**1,711**	(3,809)
Loss on disposal of interest in an associate		**2,629**	–
Loss on disposal of a subsidiary		**426**	–
Income tax expense		**5,293**	9,186
Amortisation of deferred income		**(1,245)**	(717)
		144,936	169,228
Changes in working capital:			
Inventories		**73,344**	7,619
Trade and other receivables		**68,648**	(157,086)
Trade and other payables		**47,259**	74,963
Cash generated from operations		**334,187**	94,724
Interest paid		**(53,622)**	(51,970)
Income tax paid		**(12,579)**	(24,838)
Net cash generated from operating activities		**267,986**	17,916

The notes on pages 47 to 106 form part of these financial statements.

Consolidated Cash Flows Statement (Continued)

For the year ended 31 December 2015 (Expressed in RMB)

	Note	2015 *RMB'000*	2014 *RMB'000*
Cash flows from investing activities			
Interest received		**5,825**	6,332
Proceeds from disposal of lease prepayments and property, plant and equipment		**125**	22,741
Net proceeds from disposal of a subsidiary		**19,151**	–
Acquisition of property, plant and equipment, net of deposits placed in previous year		**(176,578)**	(301,699)
Acquisition of available-for-sale investment		**(9,000)**	–
Placement of deposit for acquisition of property, plant and equipment		**(15,973)**	(12,596)
Capital repatriation from an available-for-sale investment		**–**	1,092
Loans to a third party		**–**	(143,500)
Loans collected from a third party		**49,334**	149,965
Government grants received		**8,910**	34,260
Net cash used in investing activities		**(118,206)**	(243,405)
Cash flows from financing activities			
Dividend paid to non-controlling shareholders		**–**	(540)
Repayment of borrowings		**(2,061,170)**	(1,446,795)
Proceeds from borrowings		**1,760,051**	1,842,722
Proceeds from sale of interest in a subsidiary without loss of control		**–**	534
Capital contribution from a non-controlling shareholder		**–**	14,904
Change in pledged deposits		**159,054**	(119,025)
Proceeds from exercise of share options		**714**	–
Proceeds from issue of shares, net off issuance expenses		**75,316**	–
Net cash (used in)/generated from financing activities		**(66,035)**	291,800
Net increase in cash and cash equivalents		**83,745**	66,311
Cash and cash equivalents at 1 January		**123,058**	56,730
Effect of movements in exchange rates on cash held		**3,112**	17
Cash and cash equivalents at 31 December		**209,915**	123,058

The notes on pages 47 to 106 form part of these financial statements.

1. REPORTING ENTITY AND BACKGROUND INFORMATION

Xingye Copper International Group Limited (the "**Company**") was incorporated in the Cayman Islands as an exempted company with limited liability on 19 July 2007 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 27 December 2007 (the "**Listing Date**").

The consolidated financial statements for the year ended 31 December 2015 comprise the Company and its subsidiaries (together referred to as the "**Group**"). The principal activities of the Group are the manufacture and sales of high precision copper plates and strips, trading of raw materials, and provision of processing services.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. None of these developments are relevant to the Group's operation and therefore have not significantly impacted on the financial position and results of the Group. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (note 35).

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2015 comprise the Company and its subsidiaries (together referred to the "**Group**") and the Group's interest in associates and joint ventures.

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

- financial instruments classified as available-for-sale; and

- derivative financial instruments (see note 2(h)).

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

(c) Functional and presentation currency

These consolidated financial statements are presented in Renminbi ("**RMB**"), which is the functional currency of the Group's subsidiaries located in the PRC. All financial information presented in RMB has been rounded to the nearest thousands, except when otherwise indicated. The functional currency of the Company and its subsidiaries incorporated in Hong Kong is Hong Kong dollar ("**HKD**").

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Subsidiaries and non-controlling interests (Continued)

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

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

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

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

(e) Associates and jointly ventures

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

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Associates and jointly ventures (Continued)

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

Unrealised profits and losses resulting from transactions between the Group and its associates and joint venture are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

In the Company's statement of financial position, investments in associates and joint ventures are stated at cost less impairment losses (see note 2(m)).

(f) Goodwill

Goodwill represents the excess of:

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

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

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Other investments in debt and equity securities

The Group's and the Company's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and joint ventures, are as follows:

Investments in debt and equity securities are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any dividends or interest earned on these investments.

Dated debt securities that the Group and/or the Company have the positive ability and intention to hold to maturity are classified as held-to-maturity securities. Held-to-maturity securities are stated at amortised cost less impairment losses (see note 2(m)).

Investments in securities which do not fall into any of the above categories are classified as available-for-sale securities. At the end of each reporting period the fair value is remeasured with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve. As an exception to this investments in equity securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognised in the statement of financial position at cost less impairment losses (see note 2(m)). Dividend income from equity securities and interest income from debt securities calculated using the effective interest method are recognised in profit or loss. Foreign exchange gains and losses resulting from changes in the amortised cost of debt securities are also recognised in profit or loss.

When the investments are derecognised or impaired (see note 2(m)), the cumulative gain or loss recognised in equity is reclassified to profit or loss. Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedge the net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

(i) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses (see note 2(m)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, and an appropriate proportion of production overheads and borrowing costs (see note 2(x)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives as follows:

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

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between parts and each part is depreciated separately. Both the useful life of an asset and its residual values are reviewed annually.

(j) Lease prepayments

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Intangible assets (other than goodwill)

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

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 2(m). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives.

Both the period and method of amortisation are reviewed annually.

(l) Leased assets

Assets that are held by Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Impairment of assets

(i) Impairment of investments in debt and equity securities and other receivables

Investments in debt and equity securities and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for- sale securities are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For investments in associates and joint ventures accounted for under the equity method in the consolidated financial statements (see note 2(e)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 2(m)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 2(m)(ii).

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Impairment of assets (Continued)

(i) Impairment of investments in debt and equity securities and other receivables (Continued)

– For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group. If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

– For available-for-sale securities, the cumulative loss that has been recognised in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors and bills receivable included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Impairment of assets (Continued)

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- lease prepayments;
- intangible assets;
- goodwill; and
- investments in subsidiaries, associates and joint ventures in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

- *Calculation of recoverable amount*

  The recoverable amount of an asset is the greater of its fair value less costs of disposal 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- *Recognition of impairment losses*

  An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Impairment of assets (Continued)

(ii) Impairment of other assets (Continued)

– *Reversals of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 2(m)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill and available-for-sale equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates. Consequently, if the fair value of an available-for-sale equity security increases in the remainder of the annual period, or in any other period subsequently, the increase is recognised in other comprehensive income and not profit or loss.

(n) Inventories

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

Cost is calculated using the weighted average cost formula, and comprise all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 2(m)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(p) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(q) Trade and other payables

Trade and other payables are initially recognised at fair value. Trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(r) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

(s) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Employee benefits (Continued)

(ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the Black-Scholes-Merton Option Pricing Model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is included in the amount recognised in share capital for the share issued) or the option expires (when it is released directly to retained profits).

(iii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(t) Income tax

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

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Income tax (Continued)

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

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

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

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

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

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

  – the same taxable entity; or

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(v) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sales of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accept the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(ii) Services income

Service income is recognised when the related service is rendered.

(iii) Interest income

Interest income is recognised as it accrues using the effective interest method.

(iv) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

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

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items, are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(x) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

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

(y) Dividends

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(z) Related parties

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

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

(b) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

(h) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(aa) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's chief operating decision maker or the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

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

3. ACCOUNTING JUDGEMENT AND ESTIMATES

Key sources of estimation uncertainty are as follows:

(i) Impairment losses for trade and other receivables

Impairment losses for trade and other receivables are assessed and provided based on management's regular review of ageing analysis and evaluation of collectability. A considerable level of judgement is exercised by the management when assessing the credit worthiness and past collection history of each individual customer. Any increase or decrease in the impairment losses for bad and doubtful debts would affect the consolidated comprehensive income in future years.

(ii) Depreciation

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

3. ACCOUNTING JUDGEMENT AND ESTIMATES (Continued)

(iii) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of distributing and selling products of similar nature. It could change significantly as a result of competitor's actions in response to severe industry cycles or other changes in market condition. Management will reassess the estimations at each reporting date.

(iv) Impairment of property, plant and equipment

The Group tests whether property, plant and equipment suffered any impairment whenever an impairment indication exists. In accordance with note 2(m), an impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. It is reasonably possible, based on existing knowledge, that outcomes within the next financial period that are different from assumptions could require a material adjustment to the carrying amount of property, plant and equipment.

(v) Income tax

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The management carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of these transactions is reconsidered periodically to take into account changes in tax legislation. Deferred tax assets are recognised for deductible temporary differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which they can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

4. CORRECTION OF PRIOR YEAR ERRORS

During year 2015, the directors of the Company corrected two accounting errors on the consolidated statement of financial position as at 31 December 2014 in respect of overstatement of trade and other receivables and trade and other payables by RMB104,400,000, respectively, due to an error made in elimination of intercompany balances; and understatement of inventory and trade and other payables by RMB77,708,000, respectively, due to raw materials purchase cut off error. The effect of corrections on the consolidated statement of financial position as at 31 December 2014 is set out as below:

	Impact of correction of errors		
	As previously reported	**Adjustment**	**As restated**
	RMB'000	*RMB'000*	*RMB'000*
Non-current assets	1,126,052	–	1,126,052
Inventories	420,290	77,708	497,998
Trade and other receivables	530,047	(104,400)	425,647
Others	398,520	–	398,520
Current assets	1,348,857	(26,692)	1,322,165
Trade and other payables	574,136	(26,692)	547,444
Others	843,368	–	843,368
Current liabilities	1,417,504	(26,692)	1,390,812
Net current liabilities	68,647	–	68,647
Total assets less current liabilities	1,057,405	–	1,057,405
Non-current liabilities	340,235	–	340,235
Net Assets	717,170	–	717,170

The error had no impact on the profit for the year ended 31 December 2014.

5. REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are the manufacture and sales of high precision copper plates and strips, trading of raw materials, and provision of processing services.

Sales of copper products represent the manufacture and sales of high precision copper plates and strips products.

Revenue from processing services represents the provision of processing services relating to high precision copper plates and strips products.

Revenue from trading of raw materials represents the sales of raw materials relating to copper products.

The amount of each significant category of revenue recognised during the year is as follows:

	2015 ***RMB'000***	2014 *RMB'000*
Sales of high precision copper plates and strips	**2,560,790**	2,662,546
Trading of raw materials	**239,169**	557,021
Processing service fee	**142,704**	151,409
	2,942,663	3,370,976

(b) Segment reporting

IFRS 8, Operating Segments, requires identification and disclosure of operating segment information based on internal financial reports that are regularly reviewed by the Group's chief operating decision maker for the purpose of resources allocation and performance assessment. On this basis, the Group has determined that it only has one operating segment which is the processing and sales of copper related products.

As the assets and liabilities by segment is not a measure used by the Group's chief operating decision maker to allocate resources and assess performance, the segment assets and liabilities of the Group are not reported to the Group's chief operating decision maker regularly. As a result, reportable segment assets and liabilities have not been presented in the consolidated financial statements.

5. REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

Geographic information

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

	2015	2014
	RMB'000	*RMB'000*
Revenue		
PRC	**2,516,045**	2,851,187
Others	**426,618**	519,789
	2,942,663	3,370,976

The Group's revenue from customers is decentralised, therefore, no major customers contributed over 10% of the total revenue of the Group during the years ended 31 December 2015 and 2014.

Based on the physical location of the assets (in the case of property, plant and equipment), the location of the operations to which the assets are allocated (in the case of intangible assets), and the location of operations (in the case of interests in associates and joint venture), the Company's specified non-current assets (excluding financial assets and deferred tax assets) are all located in one geographical area, being mainland China.

6. OTHER INCOME

	2015	2014
	RMB'000	*RMB'000*
Government grants	**31,605**	10,348
Gain on sale of lease prepayment	**–**	1,111
Gains from derivate financial instruments	**19,678**	22,039
Others	**5,727**	2,248
	57,010	35,746

Government grants represented unconditional government grants of RMB30,360,000 (2014: RMB9,631,000) awarded to the Group as a recognition of the Group's contribution to the development of the local economy, and the amortisation of deferred government grants of RMB1,245,000 during the year ended 31 December 2015 (2014: RMB717,000) (note 25).

7. OTHER EXPENSES

	2015 **RMB'000**	2014 RMB'000
Impairment loss on property, plant and equipment	**–**	19,795
Loss on sale of property, plant and equipment	**4,776**	14,187
Loss on disposal of interest in an associate	**2,629**	–
Loss on disposal of investment in a subsidiary	**426**	–
Write-off of loan receivables from a third party	**–**	7,844
Others	**3,488**	1,775
	11,319	43,601

8. PROFIT BEFORE TAXATION

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

(a) Net finance costs

	2015 **RMB'000**	2014 RMB'000
Interest income on bank deposits	**5,825**	7,212
Interest income on loans to a third party	**–**	3,247
Unrealised gain from foreign exchange forward contracts	**830**	–
Finance income	**6,655**	10,459
Interest expenses	**(53,622)**	(57,727)
Less: interest expense capitalised*	**15,127**	12,761
Net interest expense recognised in profit or loss	**(38,495)**	(44,966)
Net foreign exchange loss	**(14,681)**	(2,279)
Finance costs	**(53,176)**	(47,245)
Net finance costs	**(46,521)**	(36,786)

* The borrowing costs were capitalised at rates of 1.02%~6.9% per annum in 2015 (2014: 1.23%~6.6% per annum).

8. PROFIT BEFORE TAXATION (Continued)

(b) Personnel costs

	2015	2014
	RMB'000	*RMB'000*
Salaries, wages and other benefits	**90,940**	86,206
Contribution to defined contribution plan	**4,586**	4,296
Equity-settled share-based payment expenses *(note 26)*	**–**	2,663
	95,526	93,165

The Group participates in pension funds organised by the PRC government. According to the related pension fund regulations, the Group is required to pay annual contributions during the year. The Group remits all the pension fund contributions to the respective social security offices, which are responsible for the payments and liabilities relating to the pension funds. The Group has no obligation for payment of retirement and other post-retirement benefits of employees other than the contributions described above.

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

(c) Other items

	2015	2014
	RMB'000	*RMB'000*
Cost of inventories*	**2,684,335**	3,101,539
Depreciation	**63,918**	64,195
Amortisation of lease prepayments	**358**	659
Research and development expenditure (included in administrative expenses)	**128,655**	96,969
Operating lease charges	**587**	584
Auditor's remuneration-audit services	**1,700**	975

* Cost of inventories includes RMB81,835,000 (2014: RMB78,568,000) relating to staff costs, depreciation expenses, and amortisation of lease prepayments which amounts are also included in the respective total amounts disclosed separately above for each type of expenses.

9. INCOME TAXES IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Taxation in the consolidated statement of profit or loss represents:

	2015 ***RMB'000***	2014 *RMB'000*
Current tax		
Provision for PRC Corporate Income Tax	**12,479**	15,558
Over-provision in respect of prior year	**(1,750)**	(7,251)
PRC withholding tax	**–**	7,330
	10,729	15,637
Deferred tax		
Origination and reversal of temporary differences	**(5,917)**	(6,343)
PRC withholding tax	**481**	–
Effect of change in tax rate	**–**	(108)
	5,293	9,186

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

(ii) No provision for Hong Kong Profits Tax has been made for the subsidiaries incorporated in Hong Kong as these subsidiaries did not have any assessable profits subject to Hong Kong Profits Tax for the year ended 31 December 2015 (2014: nil).

(iii) The provision for PRC income tax is based on the respective Corporate Income Tax rates applicable to the subsidiaries located in the PRC as determined in accordance with the relevant income tax rules and regulations of the PRC.

For the year ended 31 December 2015, the standard income tax rate for all companies established in the PRC was 25%, except for Ningbo Xingye Shengtai Group Limited ("**Xingye Shengtai**"), which was granted the status of High and New-Technology Enterprise by the local authorities and is entitled to a reduced tax rate of 15% for the three years from 2014 to 2016.

(iv) Pursuant to the Corporate Income Tax Law of the PRC, a 5% withholding tax is levied on foreign investors in respect of dividend distributions arising from the profits of foreign investment enterprises in the PRC earned after 1 January 2008, provided that the Company is the "beneficial owner" and holds 25% or more of the equity interest of a foreign investment enterprise in the PRC under the tax arrangement between the PRC and Hong Kong Special Administration Region. As at 31 December 2015, deferred tax liabilities of RMB1,500,000 (2014: RMB1,019,000) have been recognised in connection with the withholding tax that would be payable on the distribution of the retained profits of the Group's PRC subsidiaries.

9. INCOME TAXES IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(Continued)

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

	2015 ***RMB'000***	2014 *RMB'000*
Profit before taxation	**26,142**	28,736
National tax on profit before taxation, calculated at the rate applicable to profits in the Group's PRC subsidiaries of 25% (2014: 25%)	**12,331**	7,802
Effect on deferred tax balance at 1 January resulting from a change in tax rate	**–**	(108)
Tax effect of unused tax losses not recognised as deferred tax assets	**4,917**	7,635
Tax effect of utilised tax losses not recognised in prior year	**–**	(3,208)
Withholding tax on profits retained by PRC subsidiaries	**481**	7,330
Effect of tax concessions of Xingye Shengtai	**(7,196)**	(4,062)
Additional deduction for qualified research and development expenses	**(3,603)**	–
Over-provision in prior year	**(1,750)**	(7,251)
Tax effect of non-deductible expenses	**113**	1,048
Actual tax expense	**5,293**	9,186

9. INCOME TAXES IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(Continued)

(c) Movement in deferred tax (assets)/liabilities during the year

	Accelerated depreciation and impairment of property, plant and equipment *RMB'000*	Impairment of other receivables *RMB'000*	Write down on inventory *RMB'000*	Change in fair value of derivative financial instruments *RMB'000*	Deferred income *RMB'000*	Withholding tax on undistributed earnings *RMB'000*	Total *RMB'000*
At 1 January 2014	20,334	(1,196)	(654)	(564)	–	1,019	18,939
Effect of change in tax rate	(551)	–	255	188	–	–	(108)
Recognised in consolidated statement of profit or loss	(5,223)	–	(1,947)	827	–	–	(6,343)
At 1 January 2015	**14,560**	**(1,196)**	**(2,346)**	**451**	**–**	**1,019**	**12,488**
Recognised in consolidated statement of profit or loss	**(5,694)**	**1,196**	**1,296**	**(704)**	**(2,011)**	**481**	**(5,436)**
At 31 December 2015	**8,866**	**–**	**(1,050)**	**(253)**	**(2,011)**	**1,500**	**7,052**

(d) Unrecognised deferred tax assets and liabilities

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

	2015 ***RMB'000***	2014 *RMB'000*
Tax losses of subsidiaries *(i)*	**60,043**	40,375
Retained earnings of PRC subsidiaries not expected to be distributed outside of the PRC in the foreseeable future *(ii)*	**91,716**	52,190

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

(ii) Deferred tax liabilities in relation to withholding tax have not been recognised for the above retained earnings from PRC subsidiaries as the Company controls the timing and amounts of distribution and does not expect to incur such liabilities in the foreseeable future.

10. DIRECTORS' REMUNERATION

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	Year ended 31 December 2015					
Name of directors	**Directors' fees** *RMB'000*	**Salaries, allowances and benefits in kind** *RMB'000*	**Retirement scheme contributions** *RMB'000*	**Discretionary bonus** *RMB'000*	**Share-based payments** *RMB'000*	**Total** *RMB'000*
Executive directors						
Mr. Hu Changyuan	–	372	–	–	–	372
Mr. Chen Jianhua	–	316	11	300	–	627
Mr. Wang Jianli	–	398	10	369	–	777
Mr. Ma Wanjun	–	424	10	344	–	778
Mr. Hu Minglie	–	433	11	280	–	724
Non-executive directors						
Mr. Dai Jianchun* (appointed on 19 January 2015)	95	–	–	–	–	95
Independent non-executive directors						
Mr. Cui Ming (resigned on 19 January 2015)	23	–	–	–	–	23
Ms. Li Li (resigned on 14 January 2015)	23	–	–	–	–	23
Mr. Mao Xuechang	102	–	–	–	–	102
Mr. Chai Chaoming	102	–	–	–	–	102
Mr. Lou Dong (appointed on 17 August 2015)	38	–	–	–	–	38
	383	1,943	42	1,293	–	3,661

* Mr.Dai Jianchun was appointed as an independent non-executive director on 19 January 2015 and re-designated to a non-executive director on 17 August 2015.

10. DIRECTORS' REMUNERATION (Continued)

	Year ended 31 December 2014					
Name of directors	Directors' fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Retirement schemes contributions *RMB'000*	Discretionary bonus *RMB'000*	Share-based payments *RMB'000*	Total *RMB'000*
Executive directors						
Mr. Hu Changyuan	–	383	–	–	12	395
Mr. Chen Jianhua	–	478	10	124	49	661
Mr. Wang Jianli	–	487	10	374	110	981
Mr. Ma Wanjun	–	464	10	348	86	908
Mr. Hu Minglie (appointed on 17 November 2014)	–	36	10	–	–	46
Independent non-executive directors						
Mr. Cui Ming (resigned on 19 January 2015)	90	–	–	–	2	92
Mr. Xie Shuisheng (resigned on 24 April 2014)	77	–	–	–	2	79
Ms. Li Li (resigned on 14 January 2015)	90	–	–	–	2	92
Mr. Chai Chaoming	90	–	–	–	2	92
Mr. Mao Xuechang (appointed on 26 May 2014)	68	–	–	–	15	83
	415	1,848	40	846	280	3,429

There were no amounts paid during the year to directors in connection with their retirement from employment with the Group, or inducement to join. There was no arrangement during the year under which a director waived or agreed to waive any remuneration.

11. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments during the year, 4 (2014: 4) are directors whose emoluments are disclosed in note 10. The aggregate of the emoluments in respect of the other 1 (2014: 1) individuals are as follows:

	2015 ***RMB'000***	2014 *RMB'000*
Wages, salaries and other benefits	**966**	1,261
Contributions to defined contribution plan	**–**	13
Share-based payments	**–**	12
	966	1,286

The above individual's emoluments is within the band of HKD1,000,001 to HKD1,500,000 (2014: HKD1,500,001 to HKD2,000,000).

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

12. OTHER COMPREHENSIVE INCOME

Tax effect relating to each component of other comprehensive income:

	2015			2014		
	Before-tax ***RMB'000***	**Tax (expense)/ benefit amount** ***RMB'000***	**Net-of-tax amount** ***RMB'000***	Before-tax *RMB'000*	Tax (expense)/ benefit amount *RMB'000*	Net-of-tax amount *RMB'000*
Exchange difference on translation of financial statements of overseas subsidiaries	**3,505**	**–**	**3,505**	(2,855)	–	(2,855)
Other comprehensive income	**3,505**	**–**	**3,505**	(2,855)	–	(2,855)

13. BASIC AND DILUTED EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB18,848,000 (2014: RMB18,753,000) and the weighted average of 755,733,950 ordinary shares (2014: 699,501,950) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2015	2014
Ordinary shares in issue at 1 January	**699,501,950**	699,501,950
Effect of share options exercised *(note 27(b))*	**1,275,000**	–
Effect of new shares issued *(note 27(b))*	**54,957,000**	–
Weighted average number of ordinary shares in issue at 31 December	**755,733,950**	699,501,950

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB18,848,000 (2014: RMB18,753,000) and the weighted average number of ordinary shares of 755,733,950 shares (2014: 699,674,950), calculated as follows:

Weighted average number of ordinary shares (diluted)

	2015	2014
Weighted average number of ordinary shares at 31 December (basic)	**755,733,950**	699,501,950
Effect of deemed issue of share options	**–**	173,000
Weighted average number of ordinary shares at 31 December (diluted)	**755,733,950**	699,674,950

14. 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 2014	161,681	725,596	12,593	8,065	211,916	1,119,851
Additions	1,134	3,459	6,569	118	423,895	435,175
Transfer	67,973	133,656	–	872	(202,501)	–
Disposals or written-offs	(2,137)	(51,721)	(2,057)	(200)	(4,001)	(60,116)
At 31 December 2014	228,651	810,990	17,105	8,855	429,309	1,494,910
Additions	**1,063**	**6,705**	**860**	**2,838**	**159,855**	**171,321**
Transfer	**18,049**	**99,216**	**990**	**–**	**(118,255)**	**–**
Disposals or written-offs	**(6,518)**	**(4,311)**	**(4,340)**	**(2,158)**	**(4,042)**	**(21,369)**
At 31 December 2015	**241,245**	**912,600**	**14,615**	**9,535**	**466,867**	**1,644,862**
Accumulated depreciation and impairment losses						
At 1 January 2014	(45,106)	(333,725)	(5,328)	(3,495)	(4,042)	(391,696)
Charge for the year	(7,721)	(53,691)	(1,521)	(1,262)	–	(64,195)
Impairment losses	–	(19,795)	–	–	–	(19,795)
Disposals or written-offs	516	38,323	169	180	–	39,188
At 31 December 2014	(52,311)	(368,888)	(6,680)	(4,577)	(4,042)	(436,498)
Charge for the year	**(7,762)**	**(53,398)**	**(1,716)**	**(1,042)**	**–**	**(63,918)**
Disposals or written-offs	**5,867**	**3,961**	**685**	**1,913**	**4,042**	**16,468**
At 31 December 2015	**(54,206)**	**(418,325)**	**(7,711)**	**(3,706)**	**–**	**(483,948)**
Carrying amounts						
At 31 December 2015	**187,039**	**494,275**	**6,904**	**5,829**	**466,867**	**1,160,914**
At 31 December 2014	176,340	442,102	10,425	4,278	425,267	1,058,412

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

(ii) Certain property, plant and equipment with aggregate carrying amount of RMB686,926,000 (2014: RMB273,446,000) were pledged as securities for bank loans at 31 December 2015 (see note 24(iii)).

(iii) As at 31 December 2015, the Group was in the process of applying for the title certificates for certain of its properties with an aggregate carrying value of RMB19,929,000 (2014: RMB20,848,000). The directors of the Company are of the opinion that the Group is entitled to lawfully occupy and use the above mentioned properties.

15. LEASE PREPAYMENTS

	RMB'000
Cost	
At 1 January 2014	38,477
Disposal	(20,930)
At 31 December 2014 and 31 December 2015	17,547
Accumulated amortisation	
At 1 January 2014	(8,013)
Charge for the year	(659)
Disposal	5,682
At 31 December 2014	(2,990)
Charge for the year	**(358)**
At 31 December 2015	**(3,348)**
Carrying amounts	
As at 31 December 2015	**14,199**
As at 31 December 2014	14,557

(i) Lease prepayments represent cost of land use rights in respect of land located in the PRC with a lease period of 50 years when granted.

(ii) Certain land use rights with aggregate carrying amount of RMB8,326,000 (2014: RMB8,538,000) were pledged as securities for bank loans at 31 December 2015 (see note 24(iii)).

(iii) In August 2014, the Group disposed of certain of its lease prepayments to an independent third party, resulting in a gain of RMB1,111,000 (note 6).

16. INTEREST IN AN ASSOCIATE

The following list contains the particular of the associate as at 31 December 2014:

Name of associate	Form of business structure	Place and date of establishment	Issued and paid- up/ registered capital	Proportion of equity interest attributable to and voting rights held by the Group	Principal activities
Ningbo Hangzhou Bay Baolong Real Estate Co., Ltd. ("**Baolong**")	Incorporated	The PRC January 2013	RMB20,000,000/ RMB20,000,000	33%	Property development and management

The above associate is accounted for using the equity method in the consolidated financial statements.

In December 2015, the Group disposed of its 33% equity interests in Baolong to an independent third party at a cash consideration of approximately RMB3,950,000, resulting in a loss of approximately RMB2,629,000.

17. INTEREST IN A JOINT VENTURE

The Group had interest in the following joint venture entity, which is accounted for using the equity method in the consolidated financial statements:

Name of entity	Form of business structure	Principal place of operation	Issued and fully paid- up/ registered capital	Percentage of ownership attributable to the Group	Principal activities
Yingtan Ulba Shine Metal Materials Co., Ltd. ("**Ulba**")	Incorporated	The PRC	USD7,200,000/ USD7,200,000	50%	Manufacture of high precision beryllium copper plates and strips

Interest in the joint venture is indirectly held by the Company.

The Group did not record any share of results from Ulba as the Group's interest in Ulba had been fully written off since 31 December 2013 due to the continuous poor business performance.

18. INVENTORIES

	2015 *RMB'000*	2014 *RMB'000* (Restated)
Raw materials	**71,910**	145,994
Work in progress	**273,076**	240,205
Finished goods	**79,214**	111,162
Others	**454**	637
	424,654	497,998

Provisions of RMB12,739,000 (2014: RMB18,982,000) were made against those inventories with net realisable value lower than carrying value as at 31 December 2015. Except for the above, none of the inventories as at 31 December 2015 was carried at net realisable value (2014: Nil).

Certain inventories with aggregate carrying amount of RMB272,916,000 were pledged as securities for bank loans at 31 December 2015 (2014: RMB338,000,000) (see note 24(iii)).

19. TRADE AND OTHER RECEIVABLES

	2015 *RMB'000*	2014 *RMB'000* (Restated)
Trade and bill receivables	**234,234**	277,460
Amount due from a joint venture *(note 32)*	**–**	5,308
Deposits for metal future contracts	**15,005**	10,141
VAT recoverable	**81,257**	62,407
Prepayments	**19,240**	66,726
Banks' wealth investment products	**10,000**	–
Others	**4,993**	3,605
	364,729	425,647

Credit terms granted to customers ranged from 7 to 90 days depending on the customer's relationship with the Group, its creditworthiness and past settlement records.

19. TRADE AND OTHER RECEIVABLES (Continued)

As at 31 December 2015, the Group discounted certain bank acceptance bills to banks for cash proceeds and endorsed certain bank acceptance bills to suppliers for settling trade payables of the same amount on a full recourse basis, with an amount of RMB7,866,000 (2014: RMB17,008,000). In the opinion of the directors, the Group has not transferred the substantial risks and rewards relating to these bank acceptance bills, and accordingly, it continued to recognise the full carrying amounts of these bills receivable and the associated trade payables settled, and has recognised the cash received on the transfer as cash advances under discounted bills.

As at 31 December 2015, the Group discounted certain bank acceptance bills to banks for cash proceeds and endorsed certain bank acceptance bills to suppliers for settling trade payables of the same amount on a full recourse basis. The Group has derecognised these bills receivable and the payables to suppliers in their entirety. These derecognised bank acceptance bills had a maturity date of less than six months from the balance sheet date. In the opinion of the directors, the Group has transferred substantially all the risks and rewards of ownership of these bills and has discharged its obligation of the payables to its suppliers, and the Group has limited exposure in respect of the settlement obligation of these bills receivable under the relevant PRC rules and regulations should the issuing banks fail to settle the bills on maturity date. The Group considered the issuing banks of the bills are of good credit quality and the non-settlement of these bills by the issuing banks on maturity is not probable.

As at 31 December 2015, the Group's maximum exposure to loss and undiscounted cash outflow, which is same as the amount payable by the Group to banks or suppliers in respect of the discounted bills and endorsed bills, should the issuing banks fail to settle the bills on maturity date, amounted to RMB38,860,000 (2014: RMB21,313,000).

(a) Ageing analysis

As of the balance sheet date, the ageing analysis of trade and bill receivables (which are included in trade and other receivables), based on the invoice date and net of allowance for doubtful debts is as follows:

	2015 ***RMB'000***	2014 *RMB'000* (Restated)
Within 3 months	**198,341**	245,043
Over 3 months but less than 6 months	**35,408**	30,550
Over 6 months but less than 1 year	**116**	1,100
Over 1 year	**369**	767
	234,234	277,460

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

As at 31 December 2015, the Group's bill receivables with aggregate carrying value of approximately RMB46,035,000 (2014: RMB59,056,000) have been pledged to banks for issuance of bank acceptance bills.

19. TRADE AND OTHER RECEIVABLES (Continued)

(b) Trade and bills receivables that are not impaired

The ageing analysis of trade and bills receivable that are neither individually nor collectively considered to be impaired are as follows:

	2015 *RMB'000*	2014 *RMB'000* (Restated)
Neither past due nor impaired	**219,088**	270,526
Less than 3 months past due	**14,662**	5,067
Over 3 months past due	**484**	1,867
	15,146	6,934
	234,234	277,460

Receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers for whom there is no recent history of default. Based on past experience in collection of trade receivables from customers, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality of customers and the balances are still considered fully recoverable.

20. DERIVATIVE FINANCIAL INSTRUMENTS

		2015 *RMB'000*	2014 *RMB'000*
Derivative financial (liabilities)/assets			
Metal future contracts	(i)	**(1,711)**	3,809
Foreign exchange forward contracts	(ii)	**830**	–

20. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

(i) Metal future contracts

The notional contract value and the related terms of metal future contracts are summarised as follows:

	2015	2014
	RMB'000	*RMB'000*
Sales contracts		
Volume *(tonne)*	**1,560**	5,950
Notional contract value	**55,825**	72,162
Market value	**(56,962)**	(68,419)
Fair value	**(1,137)**	3,743
Purchase contracts		
Volume *(tonne)*	**1,200**	225
Notional contract value	**(58,658)**	(3,919)
Market value	**58,084**	3,985
Fair value	**(574)**	66
Total	**(1,711)**	3,809
Contract maturity date	January, February and March 2016	January, February and March 2015

The market value of metal future contracts is based on quoted market prices at the reporting date. As at 31 December 2015, unrealised change in fair value on the outstanding commodity future contracts was RMB1,711,000 (2014: RMB3,809,000), and net realised and unrealised gains, in aggregate, of RMB19,678,000 (2014: 22,039,000) were recognised for the year ended 31 December 2015.

(ii) Foreign exchange forward contracts

The Group purchased foreign exchange forward contracts to hedge its foreign currency exchange rate fluctuation starting from September 2015. The market value of these contracts are based on quoted market price at the reporting date. As at 31 December 2015, unrealised change in fair value on the outstanding foreign exchange forward contract was RMB830,000, and net unrealised gains of RMB830,000 were recognised for the year ended 31 December 2015 (2014: Nil).

21. PLEDGED BANK DEPOSITS

Pledged bank deposits represented:

	2015 *RMB'000*	2014 *RMB'000*
Guarantee deposits for issuance of commercial bills and banking facilities	**33,298**	222,319

22. CASH AND CASH EQUIVALENTS

All the balances of cash and cash equivalents at the balance sheet date are cash at banks and on hand.

23. TRADE AND OTHER PAYABLES

	2015 *RMB'000*	2014 *RMB'000* (Restated)
Trade and bill payables	**430,279**	424,298
Amount due to a joint venture *(note 32)*	**–**	54
Advances received from customers	**35,506**	31,395
Staff benefits payable	**14,927**	16,514
Payables for purchase of property, plant and equipment	**56,073**	60,910
Accrued expenses and others	**9,078**	14,273
	545,863	547,444

As of the balance sheet date, the ageing analysis of trade and bill payables (which is included in trade and other payables), based on the invoice date, is as follows:

	2015 *RMB'000*	2014 *RMB'000* (Restated)
Within 3 months	**361,791**	396,642
Over 3 months but within 6 months	**64,575**	22,069
Over 6 months but within 1 year	**946**	2,745
Over 1 year	**2,967**	2,842
	430,279	424,298

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

24. INTEREST-BEARING BORROWINGS

At 31 December 2015, the interest-bearing borrowings were repayable based on scheduled repayment dates set out in the loan agreements as follow:

	2015	2014
	RMB'000	*RMB'000*
Current		
Short-term secured bank loans	**332,500**	607,887
Unsecured bank loans	**78,584**	88,898
Bank advances under discounted bills	**42,850**	132,015
Current portion of non-current secured bank loans	**33,728**	12,000
	487,662	840,800
Non-Current		
Secured bank loans	**336,710**	284,691
	824,372	1,125,491

(i) The Group's long-term bank loans were repayable as follow:

	2015	2014
	RMB'000	*RMB'000*
Within 1 year	**33,728**	12,000
Over 1 year but less than 2 years	**236,710**	119,719
Over 2 years but less than 5 years	**100,000**	64,972
Over 5 years	**–**	100,000
	336,710	284,691
	370,438	296,691

24. INTEREST-BEARING BORROWINGS (Continued)

(ii) The Group's interest-bearing borrowings with amount of RMB100,000,000 are subject to the fulfilment of financial covenants relating to certain of the Group's balance sheet ratios, as are commonly found in lending arrangements with financial institutions. As at 31 December 2015 none of these covenants relating to drawn down facilities was breached.

(iii) The secured bank loans as at 31 December 2015 bore interest at rates ranging from 1.02% to 8.4% (2014: 1.23% to 7.5%) per annum and were pledged by the following assets:

	2015 ***RMB'000***	2014 *RMB'000*
Carrying amounts of assets:		
Inventories	**272,916**	338,000
Property, plant and equipment	**686,926**	273,446
Lease prepayments	**8,326**	8,538
Pledged bank deposits	**–**	159,054
	968,168	779,038

(iv) Unsecured bank loans as at 31 December 2015 bore interest at rates ranging from 1.02% to 1.17% (2014: 1.23% to 2.36%) per annum.

25. DEFERRED INCOME

	2015 ***RMB'000***	2014 *RMB'000*
Government grants	**50,721**	43,056

All government grants received by the Group towards the cost of construction and improvement of production line and other facilities, are recognised as deferred income initially, and amortised over the useful lives of the relevant assets.

26. EQUITY-SETTLED SHARE BASED PAYMENTS

Share Option Scheme

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

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

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

On 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 HKD1.34 per share pursuant to the Share Option Scheme. One-third of the share options were exercisable on each of the first, second and third anniversary of the date of grant and all share options will expire on 30 June 2016. On 31 March 2014, all the outstanding share options under this grant were cancelled.

On 1 April 2014, a total of 11,896,000 share options were granted to certain directors and employees of the Company with an exercise price of HKD0.65 per share. On 26 May 2014, a total of 2,100,000 share options were granted to certain directors and employees of the Company with an exercise price of HKD0.53 per share. These options were exercisable from their respective date of grant until 31 March 2015 (both dates inclusive).

26. 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:

The number and weighted average exercise price of share option are as follows:

	2015		2014	
	Weighted average exercise price *HKD*	**Number of shares involved in the options**	Weighted average exercise price *HKD*	Number of shares involved in the options
Outstanding at beginning of year	**0.63**	**13,897,000**	1.34	39,660,000
Granted	–	–	0.63	13,996,000
Exercised	**0.53**	**(1,700,000)**	–	–
Cancelled	–	–	1.34	(39,660,000)
Lapsed	**0.65**	**(12,197,000)**	–	–
Forfeited	–	–	0.65	(99,000)
Outstanding at end of year	–	–	0.63	13,897,000
Exercisable at the end of year	–	–	0.63	13,897,000

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

	Date of grant	
	April 2014	**May 2014**
Fair value at grant date	HKD364,790	HKD77,731
Share price	HKD0.60	HKD0.53
Exercise price	HKD0.65	HKD0.53
Expected volatility	29.38%	30.18%
Expected option life	1 year	1 year
Expected dividend yield	9.05%	10.28%
Risk-free interest rate	0.200%	0.164%

27. CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

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

The Company

	Note	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 2014		64,881	227,978	(42,987)	7,596	407,248	696	665,412
Change in equity for 2014:								
Profit for the year		–	–	–	–	–	13,619	13,619
Other comprehensive income		–	–	967	–	–	–	967
Total comprehensive income		–	–	967	–	–	13,619	14,586
Equity settled share-based payments	27(c)	–	–	–	2,663	–	–	2,663
Share options cancelled	27(c)	–	–	–	(9,908)	–	9,908	–
Share options forfeited	27(c)	–	–	–	(2)	–	2	–
At 31 December 2014		64,881	227,978	(42,020)	349	407,248	24,225	682,661

27. CAPITAL, RESERVES AND DIVIDENDS (Continued)

(a) Movements in components of equity (Continued)

The Company (Continued)

	Note	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 2015		**64,881**	**227,978**	**(42,020)**	**349**	**407,248**	**24,225**	**682,661**
Change in equity for 2015:								
Loss for the year		**–**	**–**	**–**	**–**	**–**	**(3,315)**	**(3,315)**
Other comprehensive income		**–**	**–**	**21,512**	**–**	**–**	**–**	**21,512**
Total comprehensive income		**–**	**–**	**21,512**	**–**	**–**	**(3,315)**	**18,197**
Share options exercised	27(b) & (c)	**135**	**628**	**–**	**(49)**	**–**	**–**	**714**
Share options lapsed	27(c)(v)	**–**	**–**	**–**	**(300)**	**–**	**300**	**–**
Issuance of new shares	27(b) & (c)	**8,671**	**66,645**	**–**	**–**	**–**	**–**	**75,316**
At 31 December 2015		**73,687**	**295,251**	**(20,508)**	**–**	**407,248**	**21,210**	**776,888**

(b) Share capital

Authorised

	2015 Number of shares	2015 Amount *HKD'000*	2014 Number of shares	2014 Amount *HKD'000*
Ordinary shares of HKD0.1 each	**5,000,000,000**	**500,000**	5,000,000,000	500,000

27. CAPITAL, RESERVES AND DIVIDENDS (Continued)

(b) Share capital (Continued)

Ordinary shares issued and fully paid

	2015			2014		
	Number of shares *'000*	**Amount** *HKD'000*	**RMB'000 equivalent**	Number of shares *'000*	Amount *HKD'000*	RMB'000 equivalent
At 1 January	**699,502**	**69,950**	**64,881**	699,502	69,950	64,881
Share options excised	**1,700**	**170**	**135**	–	–	–
Shares issued	**109,914**	**10,991**	**8,671**	–	–	–
At 31 December	**811,116**	**81,111**	**73,687**	699,502	69,950	64,881

(i) On 31 March 2015, 1,700,000 share options under Share Option Scheme (see note 26) were exercised at an exercise price of HKD0.53 per share. The proceeds of HKD170,000 (equivalent to RMB135,000) representing the par value, were credited to the Company's share capital. The excess of proceeds totalling HKD731,000 (equivalent to RMB579,000) were credited to reserves.

(ii) On 3 July 2015, 109,914,000 ordinary shares of HKD0.10 each in the Company were issued to independent investors at HKD0.88 per share pursuant to a placing agreement. The proceeds of HKD10,991,400 (equivalent to RMB8,671,000) representing the par value, were credited to the Company's share capital. The excess of proceeds totalling HKD85,732,920 (equivalent to RMB67,640,000) over the par value of ordinary shares issued, before the share issue expenses, were credited to reserves.

(c) Reserves

(i) Share premium

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

27. CAPITAL, RESERVES AND DIVIDENDS (Continued)

(c) Reserves (Continued)

(iii) Contributed surplus

Contributed surplus represents the excess of the fair value of the shares of Xingye Copper (HK) determined on the basis of the consolidated net assets of Xingye Copper (HK) at the date of the Reorganisation over the nominal value of the shares issued by the Company in exchange thereof.

(iv) PRC statutory reserves

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

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

(v) Share-based compensation reserve

Share-based compensation reserve represents value of employee services in respect of share options granted under the Share Option Scheme as set out in note 26. All outstanding share options under the Share Option Scheme were lapsed on 31 March 2015. The remaining share-based compensation reserve was transferred to retained earnings thereupon.

(vi) Distributability of reserves

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

The aggregate amount of distributable reserves of the Company as at 31 December 2015 was RMB316,461,000 (2014: RMB252,203,000).

27. CAPITAL, RESERVES AND DIVIDENDS (Continued)

(c) Reserves (Continued)

(vii) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for equity shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher equity shareholders' return that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total debt (including all interest-bearing borrowings as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as equity attributable to equity shareholders of the Company, as shown in the consolidated statement of financial position, plus net debt. The Group may adjust the amount of dividends paid to equity shareholders, issue new shares, return capital to shareholders or sell assets to reduce debt.

The gearing ratio as at 31 December is as follows:

	2015	2014
	RMB'000	*RMB'000*
Gearing ratio	**44.10%**	59.56%

(d) Dividends

No final dividend was declared to equity shareholders of the Company for the year ended 31 December 2014 and 2015.

28. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2015 *RMB'000*	2014 *RMB'000*
Non-current assets		
Investments in subsidiaries *(note 29)*	**407,249**	407,249
Current assets		
Amounts due from subsidiaries	**363,697**	273,837
Cash and cash equivalents	**6,054**	2,730
	369,751	276,567
Current liabilities		
Other payables	**112**	1,155
	112	1,155
Net current assets	**369,639**	275,412
	776,888	682,661
Capital and reserves		
Share capital *(note 27(b))*	**73,687**	64,881
Reserves	**703,201**	617,780
	776,888	682,661

29. INVESTMENTS IN SUBSIDIARIES

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

Name of company	Place and date of establishment/ incorporation	Percentage of equity attributable to the Company Direct	Indirect	Issued and fully paid-up/ registered capital	Principal activities
Xingye Copper International (BVI) Limited ("**Xingye Copper (BVI)**")	British Virgin Islands, July 2007	100%	–	USD1/USD1	Investment holding
Xingye Copper International (HK) Limited ("**Xingye Copper (HK)**")	Hong Kong SAR, July 2007	–	100%	HKD10/HKD10	Investment holding and trading of high precision copper plates and strips
Xingye Investment Limited ("**Xingye Investment**")	Hong Kong SAR, October 2009	100%	–	HKD1/HKD1	Investment holding
Ningbo Xingye Shengtai Group Ltd. (formerly known as Ningbo Xingye Shengtai Electronic Metal Materials Co., Ltd.) ("**Shengtai**")	The PRC, November 2001	–	97.8%	RMB661,372,827/ RMB700,000,000	Manufacture and sales of high precision copper plates and strips
Yingtan Xingye Electronic Metal Materials Co., Ltd. ("**Yingtan Xingye**")	The PRC, November 2006	–	100%	RMB95,000,000/ RMB95,000,000	Manufacture and sales of high precision copper plates and strips
Ningbo Litai Alloy Materials Co., Ltd. ("**Ningbo Litai**")	The PRC, August 2007	–	100%	RMB3,890,000/ RMB3,890,000	Trading of high precision copper plates and strips
Ningbo Xingtong Metal Materials Co., Ltd. ("**Ningbo Xingtong**")	The PRC, August 2008	–	100%	RMB36,000,000/ RMB36,000,000	Trading of high precision copper plates and strips
Ningbo Jingyang Machinery Co., Ltd. ("**Jingyang**")	The PRC, December 2009	–	100%	HKD70,000,000/ HKD70,000,000	Machinery repair and maintenance
Ningbo Xingfu Metal Materials Co., Ltd. ("**Xingfu**")	The PRC, May 2014	–	100%	RMB3,000,000/ RMB3,000,000	Purchase of raw materials
Ningbo Xinglie Trade Co., Ltd. ("**Xinglie**")	The PRC, May 2014	–	100%	RMB5,000,000/ RMB18,000,000	Purchase of raw materials
Yingtan Xingtong Metal Materials Co., Ltd. ("**Yingtan Xingtong**")	The PRC, February 2010	–	100%	RMB50,000,000/ RMB50,000,000	Trading of high precision copper plates and strips
Ningbo Hangzhou Bay New Zone Qiangtai Metal Materials Co., Ltd. ("**Qiangtai**")	The PRC, May 2010	–	100%	RMB4,395,250/ RMB4,395,250	Trading of high precision copper plates and strips
Sichuan Xingtong Metal Materials Co., Ltd ("**Sichuan Xingtong**")	The PRC, August 2010	–	51%	RMB5,000,000/ RMB5,000,000	Manufacturing and sale of high precision copper plates and strips
Ningbo Xingye Xintai New Metal Materials Co., Ltd ("**Ningbo Xintai**")	The PRC, March 2011	–	100%	RMB200,000,000/ RMB200,000,000	Manufacture and sales of high precision copper plates and strips
Xingtong (Xiamen) Metal Materials Co., Ltd ("**Xiamen Xingtong**")	The PRC, November 2013	–	51%	RMB2,000,000/ RMB2,000,000	Trading of high precision copper plates and strips
Ningbo Xinghong Property Service Co., Ltd ("**Xinghong**")	The PRC, November 2015	–	100%	RMB1,000,000/ RMB1,000,000	Property service
Xingye Investment Holdings (HK) Limited ("**Investment (HK)**")	Hong Kong SAR, August 2015	–	100%	HKD1/HKD1	Investment holding
Xingye Investment Holdings Limited ("**Investment**")	British Virgin Islands, June 2015	–	100%	USD1/USD1	Investment holding

30. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate, currency risks and commodity price risk arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an on-going basis.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 7 to 90 days from the date of billing. Debtors with balance that are more than the credit term given by the Group are generally requested to settle all outstanding balances before any further credit is granted. In order to mitigate credit risk, the Group purchased credit insurance from an insurance company for the trade receivables of major customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 16% (2014: 7%) and 39% (2014: 25%) of the total trade receivables was due from the Group's largest customer and five largest customers respectively.

The Group does not provide any guarantees which would expose the Group to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 19.

(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

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

30. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(b) Liquidity risk (Continued)

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

	2015 Contractual undiscounted cash outflow					
	Within 1 year or on demand *RMB'000*	**More than 1 year but less than 2 years** *RMB'000*	**More than 2 years but less than 5 years** *RMB'000*	**More than 5 years** *RMB'000*	**Total** *RMB'000*	**Carrying amount at 31 December** *RMB'000*
Interest-bearing borrowings	**517,606**	**252,344**	**115,904**	**–**	**885,854**	**824,372**
Trade and other payables	**545,863**	**–**	**–**	**–**	**545,863**	**545,863**
	1,063,469	**252,344**	**115,904**	**–**	**1,431,717**	**1,370,235**

	2014 Contractual undiscounted cash outflow					
	Within 1 year or on demand *RMB'000*	More than 1 year but less than 2 years *RMB'000*	More than 2 years but less than 5 years *RMB'000*	More than 5 years *RMB'000*	Total *RMB'000*	Carrying amount at 31 December *RMB'000*
Interest-bearing borrowings	872,265	133,951	93,298	103,077	1,202,591	1,125,491
Trade and other payables	547,444	–	–	–	547,444	547,444
	1,419,709	133,951	93,298	103,077	1,750,035	1,672,935

30. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(c) Market risk

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

(i) Currency risk

RMB is not freely convertible into foreign currencies. All foreign exchange transactions involving RMB must have to take place through the People's Bank of China or other institutions authorized to buy and sell foreign exchange. The exchange rates adopted for the foreign exchange transactions are the rates of exchange quoted by the People's Bank of China that are determined largely by supply and demand. Changes in exchange rate affect the RMB value of sales proceeds of product, payment of liabilities for purchase and settlement of loans that are denominated in foreign currencies.

Exposure to currency risk

The following table details the Group's exposures at the reporting date to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

The Group used foreign exchange forward contracts to hedge its currency risk. All of the forward contracts have maturities of less than one year after the end of the reporting period.

	2015				2014			
	United Stated Dollars	**Hong Kong Dollars**	**Euros**	**Japanese Yen**	United Stated Dollars	Hong Kong Dollars	Euros	Japanese Yen
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and other receivables	**31,641**	**2**	**8,443**	**1,367**	57,855	2	2,690	–
Cash and cash equivalents	**76,939**	**7,255**	**–**	**–**	24,507	3,143	–	–
Pledged bank deposits	**–**	**–**	**–**	**–**	122,380	28,548	–	–
Interest-bearing borrowings	**(110,857)**	**–**	**–**	**–**	(184,782)	–	–	–
Trade and other payables	**(237,696)**	**(166)**	**(14,175)**	**(2,038)**	(296,888)	(1,306)	(20,378)	(3,122)
Notional amounts of foreign exchange forward contracts used as economic hedges	**97,404**	**–**	**–**	**–**	–	–	–	–
Gross balance sheet exposure	**(142,569)**	**7,091**	**(5,732)**	**(671)**	(276,928)	30,387	(17,688)	(3,122)

30. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(c) Market risk (Continued)

(i) Currency risk (Continued)

Exposure to currency risk (Continued)

The following exchange rates were applied at reporting date:

	Exchange rate at reporting date	
	2015	2014
USD1	**6.4936**	6.1190
HKD1	**0.8378**	0.7889
EUR 1	**7.0952**	7.4556
JPY 1	**0.0539**	0.0514

Sensitivity analysis

A 5 percent strengthening of the RMB against the following currencies at 31 December 2015 would have changed profit after tax by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2014.

	2015 *RMB'000*	2014 *RMB'000*
Effect on profit after tax and equity (increase/(decrease))		
USD	**5,329**	10,956
HKD	**(266)**	(1,282)
EUR	**177**	670
JPY	**25**	126

A 5 percent weakening of the RMB against the above currencies at 31 December 2015 would have had the equal but opposite effect on the amounts shown above, on the basis that all other variables remain constant.

30. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(c) Market risk (Continued)

(ii) Interest rate risk

The Group's interest rate risk arises primarily from interest-bearing borrowings.

Profile

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

	2015 *RMB'000*	2014 *RMB'000*
Fixed rate borrowings	**571,434**	884,287
Variable rate borrowings	**252,938**	241,204
	824,372	1,125,491

Fair value sensitivity analysis for fixed rate borrowings

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

Cash flow sensitivity analysis for variable rate borrowings

As at 31 December 2015, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax for the year and consolidated equity by approximately RMB1,721,000 (2014: RMB1,041,000).

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax and consolidated equity that would arise assuming that the change in interest rates had occurred at the reporting date and had been applied to re-measure those floating rate non-derivative instruments held by the Group which expose the Group to cash flow interest rate risk at the reporting date. The impact on the Group's profit after tax and consolidated equity is estimated as an annualised impact on interest expense of such a change in interest rates. The analysis is performed on the same basis for 2014.

(iii) Commodity price risk

The Group uses future contracts traded on the Shanghai Futures Exchange and London Metal Exchange to hedge against price fluctuations of raw materials, mainly copper. The future contracts are marked to market at the reporting date and the corresponding unrealised holding gains/losses are recorded in profit or loss. For the details of the exposure of future contracts, please refer to note 20.

30. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(d) Fair value measurement

(i) Financial assets and liabilities measured at fair value

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

– Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

– Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

– Level 3 valuations: Fair value measured using significant unobservable inputs

	Fair value at 31 December 2015	Fair value measurements as at 31 December 2015 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets:				
Derivative financial instruments:				
– Foreign exchange forward contracts	**830**	**830**	**–**	**–**
Available-for-sale investment	**9,000**	**–**	**9,000**	**–**
Liabilities:				
Derivative financial instruments:				
– Future contracts	**(1,711)**	**(1,711)**	**–**	**–**

30. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(d) Fair value measurement (Continued)

(i) Financial assets and liabilities measured at fair value (Continued)

	Fair value at 31 December 2014	Fair value measurements as at 31 December 2014 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets:				
Derivative financial instruments:				
– Future contracts	3,809	3,809	–	–

During the years ended 31 December 2014 and 2015, there were no transfers between Level 1 and Level 2 valuation. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

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

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at the end of reporting period.

31. COMMITMENTS AND CONTINGENT LIABILITIES

(a) Capital commitments

Capital commitments in respect of acquisition of property, plant and equipment at the end of reporting period not provided for in the consolidated financial statements were as follows:

	2015 ***RMB'000***	2014 *RMB'000*
Contracted for	**40,547**	39,707
	40,547	39,707

(b) Operating lease commitments

Non-cancellable operating lease rentals in respect of staff dormitory and office building were payable as follows:

	2015 ***RMB'000***	2014 *RMB'000*
Less than 1 year	**665**	288
Over 1 year but less than 5 years	**1,059**	–
	1,724	288

32. RELATED PARTY TRANSACTIONS

During the year ended 31 December 2014, the Group had transactions with Ulba, a jointly venture of the Group. The details of Ulba are set out in note 17.

Particulars of transactions between the Group and Ulba during 2014 and outstanding balances are as follows:

(a) Nature of transactions

	2015	2014
	RMB'000	*RMB'000*
Sales of goods	–	948
Purchase of goods	–	2,903

(b) Outstanding balances

	2015	2014
	RMB'000	*RMB'000*
Trade and other receivables due from Ulba	–	5,308

	2015	2014
	RMB'000	*RMB'000*
Trade and other payables due to Ulba	–	54

(c) Key management personal remunerations

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

	2015	2014
	RMB'000	*RMB'000*
Short-term employee benefits	**4,585**	4,370
Post-employee benefits	**42**	53
Share-based payments	–	292
	4,627	4,715

33. IMMEDIATE AND ULTIMATE CONTROLLING PARTIES

At 31 December 2015, the directors consider the immediate and ultimate controlling parties of the Group to be various parties including 3 entities and 6 individuals. These entities do not produce financial statements available for public use.

34. COMPARATIVE FIGURES

In addition to the correction of prior year errors disclosed in note 4, certain comparative figures have been reclassified to conform with the current year's presentation.

35. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ANNUAL ACCOUNTING PERIOD ENDED 31 DECEMBER 2015

Up to the date of issue of these financial statements, the IASB has issued a few amendments and new standards which are not yet effective for the year ended 31 December 2015 and which have not been early adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Annual improvements to IFRSs 2012–2014 cycle	1 January 2016
Amendments to IAS 16 and IAS 38, Clarification of acceptable methods of depreciation and amortisation	1 January 2016
Amendments to IFRS 10 and IAS 28, Sale or contribution of assets between an investor and its associate or joint venture	1 January 2016
Amendments to IFRS 10, IFRS 12 and IAS 28, Investment entities: Applying the consolidation exception	1 January 2016
Amendments to IAS 12, Income taxes – Recognition of deferred tax assets for unrealised losses	1 January 2017
Amendments to IAS 1, Disclosure initiative	1 January 2016
IFRS 9, Financial instruments (2014)	1 January 2018
IFRS 15, Revenue from contracts with customers	1 January 2018
IFRS 16, Leases	1 January 2019

The Group is in the process of assessing the impact of these amendments on the Group's financial statements in the period of initial application.

Five Years Financial Summary

RESULTS

	2015	2014	2013	2012	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Turnover	**2,942,663**	3,370,976	3,603,600	3,229,126	3,508,781
Gross profit	**258,328**	269,437	217,472	147,671	180,614
Profit attributable to equity shareholders of the Company	**18,848**	18,753	8,998	32,411	89,671

EARNINGS PER SHARE

	2015	2014	2013	2012	2011
Basic earnings per share[1] *(RMB)*	**0.02**	0.03	0.01	0.05	0.13
Diluted earnings per share[1] *(RMB)*	**0.02**	0.03	0.01	0.05	0.13

ASSETS, LIABILITIES AND EQUITY

	2015	2014	2013	2012	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		(Restated)			
Non-current assets	**1,191,086**	1,126,052	877,265	750,249	615,629
Current assets	**1,042,426**	1,322,165	1,092,511	1,150,905	1,419,111
Total assets	**2,233,512**	2,448,217	1,969,776	1,901,154	2,034,740
Non-current liabilities	**394,483**	340,235	47,392	31,295	21,780
Current liabilities	**1,035,954**	1,390,812	1,239,470	1,171,414	1,330,505
Total liabilities	**1,430,437**	1,731,047	1,286,862	1,202,709	1,352,285
Net current assets/(liabilities)	**6,472**	(68,647)	(146,959)	(20,509)	88,606
Total assets less current liabilities	**1,197,558**	1,057,405	730,306	729,740	704,235
Total equity attributable to equity shareholders of the Company	**778,772**	680,718	663,347	680,042	679,015
Minority interests	**24,303**	36,452	19,567	18,403	3,440

Five Years Financial Summary

FINANCIAL RATIOS AND OTHER FINANCIAL INFORMATION

	2015	2014 (Restated)	2013	2012	2011
EBITDA *(RMB'000)*	**128,913**	125,702	117,172	154,902	230,665
Profitability ratios:					
Gross profit margin(2) *(%)*	**8.8%**	8.0%	6.0%	4.6%	5.1%
Operating profit margin(3) *(%)*	**2.5%**	1.9%	1.8%	3.3%	5.1%
Net profit margin(4) *(%)*	**0.6%**	0.6%	0.3%	1.0%	2.6%
EBITDA margin(5) *(%)*	**4.4%**	3.7%	3.3%	4.7%	6.4%
Rate of return on equity(6) *(%)*	**2.4%**	2.8%	1.4%	4.8%	13.2%
Liquidity ratios:					
Current ratio(7) *(times)*	**1.0**	1.0	0.9	1.0	1.1
Quick ratio(8) *(times)*	**0.6**	0.6	0.5	0.6	0.7
Inventory turnover(9) *(days)*	**46**	40	38	43	48
Trade receivable turnover(10) *(days)*	**32**	32	45	38	34
Trade payable turnover(11) *(days)*	**58**	46	45	44	33
Capital adequacy ratios:					
Gearing ratio(12) *(%)*	**44.1%**	59.6%	52.7%	50.0%	47.1%
Net gearing ratio(13) *(%)*	**74.6%**	114.6%	95.7%	82.6%	84.1%
Interest coverage ratio(14) *(times)*	**2.4**	2.8	2.4	3.1	4.4

Notes:

(1) The basis earnings per share and diluted earnings per share is equal to the profit 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 margin is equal to operating profit divided by turnover times 100%.

(4) Net profit margin is equal to profit 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 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 net debt (total interest-bearing borrowings less cash and cash equivalents) divided by total capital (equity attributable to equity shareholders of the Company plus net debt) times 100%.

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

(14) Interest coverage ratio is equal to EBITDA divided by interest expenses.