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: 505)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2012

The board of directors (the "Board") of Xingye Copper International Group Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2012 together with comparative figures for the year ended 31 December 2011 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000 (Restated)
Revenue	4	**3,229,126**	3,508,781
Cost of sales		**(3,081,455)**	(3,328,167)
Gross profit		**147,671**	180,614
Other income	5	**40,435**	41,924
Other gains and losses, net	6	**14,245**	66,947
Distribution expenses		**(21,275)**	(20,165)
Administrative expenses		**(77,348)**	(80,809)
Share of profit of associates		**3,796**	–
Share of loss of a jointly-controlled entity		**(470)**	(8,034)
Finance costs	7	**(49,603)**	(52,834)
Profit before tax		**57,451**	127,643
Income tax expenses	8	**(24,357)**	(37,569)
Profit for the year		**33,094**	90,074
Profit for the year attributable to:			
Owners of the Company		**32,411**	89,671
Non-controlling interests		**683**	403
		33,094	90,074
Earnings per share			
Basic (RMB)	9	**0.05**	0.13
Diluted (RMB)	9	**0.05**	0.13

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
Non-current assets			
Property, plant and equipment		**608,414**	549,684
Lease prepayments		**35,852**	18,443
Interests in associates		**21,083**	35,000
Interest in a jointly-controlled entity		**12,032**	12,502
Available-for-sale investments	11	**37,870**	–
Deposit for acquisition of property, plant and equipment		**34,998**	–
		750,249	615,629
Current assets			
Inventories	12	**467,244**	534,827
Trade and other receivables	13	**446,196**	594,865
Loan receivables	14	**28,274**	–
Trading securities		**–**	12,772
Derivative financial instruments		**3,734**	3,951
Pledged deposits		**117,854**	32,351
Cash and cash equivalents		**87,603**	240,345
		1,150,905	1,419,111
Current liabilities			
Trade and other payables	15	**390,497**	480,002
Interest-bearing borrowings	16	**765,655**	843,711
Income tax payable		**15,262**	6,792
		1,171,414	1,330,505
Net current (liabilities) assets		**(20,509)**	88,606
Total assets less current liabilities		**729,740**	704,235
Non-current liabilities			
Interest-bearing borrowings	16	**1,420**	–
Deferred income		**9,986**	3,603
Deferred tax liabilities		**19,889**	18,177
		31,295	21,780
Net assets		**698,445**	682,455
Capital and Reserves			
Share capital		**64,881**	64,881
Reserves		**615,161**	614,134
Equity attributable to owners of the Company		**680,042**	679,015
Non-controlling interests		**18,403**	3,440
Total Equity		**698,445**	682,455

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION AND BASIS OF PRESENTATION

Xingye Copper International Group Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability on 19 July 2007 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company's registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, the Cayman Islands and its principal place of business is 1 Linfang Road Bailiangqiao, Zonghan, Cixi City, Zhejiang Province, 315301, the People's Republic of China ("PRC"). As at the end of the reporting period and the date of these consolidated financial statements, the Company did not have any holding company.

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

2. BASIS OF PREPARATION

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

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

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

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

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

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

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

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

Amendments to IFRS 7 Disclosures – Transfers of Financial Assets

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

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

4. TURNOVER AND SEGMENT INFORMATION

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

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

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

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

Segment turnover and results

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

The measure used for reporting segment profit for sales of copper products, trading of raw materials and the provision of processing services is gross profit.

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

For the year ended 31 December 2012

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

For the year ended 31 December 2011

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

Segment profit loss represents the profit earned by (loss from) each segment without allocation of distribution expenses, administrative expenses, other income, other expenses, share of loss of a jointly-controlled entity and finance costs. This is the measure reported to the board of directors of the Company for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market rates.

5. OTHER INCOME

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

Note:

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

6. OTHER GAINS AND LOSSES, NET

	2012 ***RMB'000***	2011 *RMB'000*
Other (gains) losses:		
(Gains) losses on disposal of property, plant and equipment	**(216)**	572
Gain on disposal of lease prepayments	**(2,870)**	–
Gain on disposal of an associate	**–**	(1,534)
Net changes in fair value of trading securities	**–**	2,946
Gain on disposal of trading securities	**(1,847)**	–
Gains from derivative financial instruments		
– unrealised gain on fair value changes	**(3,734)**	(3,951)
– realised	**(7,043)**	(59,711)
Net foreign exchange gain	**(1,235)**	(5,269)
Impairment loss recognised in respect of property, plant and equipment	**2,700**	–
	(14,245)	(66,947)

7. FINANCE COSTS

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

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

8. INCOME TAX EXPENSES

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

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

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

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

(d) On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the PRC ("the New Tax Law"). Pursuant to the New Tax Law, 5% withholding tax is levied on the foreign investor in respect of dividend distributions arising from the profits of a foreign investment enterprise in the PRC earned after 1 January 2008. Deferred tax liabilities have been recognised for undistributed retained earnings of the Group's PRC subsidiaries to the extent that the earnings would be distributed in the foreseeable future.

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

9. EARNINGS PER SHARE

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

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

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

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

10. DIVIDENDS

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

11. AVAILABLE-FOR-SALE INVESTMENTS

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

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

12. INVENTORIES

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

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

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

13. TRADE AND OTHER RECEIVABLES

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

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

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

	2012	2011
	RMB'000	*RMB'000*
Within 3 months	**281,163**	314,070
Over 3 months but less than 6 months	**16,652**	56,012
Over 6 months but less than 1 year	**3,711**	291
Over 1 year	**6,723**	–
	308,249	370,373

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

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of RMB90,678,000 (2011: RMB56,303,000) which are past due as at the reporting date for which the Group has not provided for impairment loss.

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

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

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

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

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

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

14. LOAN RECEIVABLES

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

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

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

15. TRADE AND OTHER PAYABLES

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

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

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

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

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

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

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

16. INTEREST-BEARING BORROWINGS

	2012 *RMB'000*	2011 *RMB'000*
Secured bank loans	**503,778**	362,600
Discounted bills	**177,996**	143,500
Unsecured bank loans	**85,301**	337,611
	767,075	843,711
Carrying amount repayable:		
Within one year	**765,655**	843,711
More than one year	**1,420**	–
	767,075	843,711
Less: Amounts due within one year shown under current liabilities	**(765,655)**	(843,711)
Amounts shown under non-current liabilities	**1,420**	–

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

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

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

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

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

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

EXTRACT OF INDEPENDENT AUDITOR'S REPORT ON THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

Basis for qualified opinion

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

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

Limitation of scope on interest in associate

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

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

Qualified opinion arising from limitation of audit scope

In our opinion, except for the possible effects of the matters described in the Basis for qualified opinion paragraph above, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2012 and of its profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Emphasis of matter

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

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

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

INDUSTRY REVIEW

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

DEVELOPMENT PLAN

Expanding capacities

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

Conducting material transaction

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

Enhancing R&D capabilities

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

Exploring business opportunities

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

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

FINANCIAL REVIEW

Revenue and gross profit

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

During the period under review, the gross profit from trading of raw materials was RMB6.0 million, representing a decrease of RMB4.8 million as compared to the corresponding period of last year. This was mainly attributable to the slight difference between future prices and spot prices and the inactive market resulting from the narrow-ranged fluctuation of copper prices throughout the year of 2012.

During the period under review, the gross profit of sales of precision copper plates and strips and the processing services amounted to RMB141.6 million, representing a decrease of 16.6% as compared to RMB169.7 million of the corresponding period of last year, which was attributable to the continuous decline of global economy which caused the prices of our copper products going down, as well as the additional research and development cost spent to strengthen our product development.

Other income

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

Other gains and losses, net

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

Distribution expenses

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

Administrative expenses

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

Share of profit of associates

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

Share of loss of a jointly controlled entity

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

Finance costs

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

Income tax

The Group's income tax expenses decreased by 35.2% to RMB24.4 million from RMB37.6 million in 2011 while the effective tax rate increased to 42.4% from 29.4% in the corresponding period of last year. Such increase was mainly due to certain subsidiaries recorded significant losses in the current period.

Profit attributable to equity shareholders of the Company

As a result of the aforementioned factors, the Group's profit attributable to equity shareholders of the Company for the reporting period decreased by RMB57.3 million or 63.9% to RMB32.4 million as compared to that of the same period in 2011.

Liquidity and financial resources

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

As a percentage of total interest-bearing borrowings, the short-term interest-bearing borrowings represented 99.8% as of 31 December 2012. As at the date of this 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.

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

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

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

Charge on assets

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

Capital expenditure

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

Capital commitments

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

Contingent liabilities

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

MARKET RISK

The Group was exposed to various types of market risks, including fluctuation in copper prices and other commodities' prices and changes in interest rates and foreign exchange rates, please refer to the Company's 2012 Annual Report for details.

EMPLOYEES

As at 31 December 2012, the Group had 1,134 employees. Remuneration policies are reviewed regularly to ensure that the Group is offering competitive employment packages to our employees. Benefits of the employees include salaries, pension, medical insurance scheme and other applicable social insurance. Promotion and salary increments are assessed based on performance related basis. The Group's growth is dependent upon the skills and dedication of the employees. The Group recognizes the importance of human resources in a competitive industry and has devoted resources to train employees. The Group has established an annual training program for our employees so that the new employees can master the basic skills required to perform their functions and the existing employees can upgrade or improve their production skills.

PROSPECTS

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

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities during the year ended 31 December 2012.

PRE-EMPTIVE RIGHTS

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

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

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the CG Code during the year ended 31 December 2012.

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 announcement, the Company has maintained the prescribed public float under the Listing Rules.

REVIEW BY AUDIT COMMITTEE

The audit committee of the Company comprises four independent non-executive Directors, namely, Mr. Cui Ming, Mr. Xie Shuisheng, Mr. Chai Chaoming and Ms. Li Li. The audit committee has reviewed the audited financial statements for the year ended 31 December 2012 and has also discussed auditing, internal control and financial reporting matters including accounting practices and principles adopted by the Group.

DIVIDENDS

The Board recommended the payment of a final dividend of HK5 cents per Share for the year ended 31 December 2012, which is expected to be payable on or about 5 June 2013 subject to the approval at the forthcoming annual general meeting. The dividend will be payable to Shareholders of the Company whose names appear on the register of members of the Company on 24 May 2013.

CLOSURE OF REGISTER OF MEMBERS

For determining the identity of Shareholders who are entitled to attend and vote at forthcoming annual general meeting, the register of members of the Company will be closed from 13 May 2013 to 16 May 2013, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the forthcoming annual general meeting, all Share transfers, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 10 May 2013.

The proposed final dividend is subject to the approval of Shareholders at the forthcoming annual general meeting. For determining the identity of Shareholders who are entitled to the proposed final dividend, the register of members of the Company will be closed on 24 May 2013, during which period no transfer of Shares will be registered. In order to qualify for the proposed final dividend, all Share transfers, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 23 May 2013.

PUBLICATION OF 2012 ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the Company's website (www.xingyecopper.com) and the Stock Exchange's website (www.hkexnews.com.hk). The Company's 2012 Annual Report and Notice of annual general meeting will be made available on the websites of the Company and Stock Exchange and will be despatched to the Company's shareholders in due course.

By order of the Board
Hu Changyuan
Chairman

Hong Kong, 26 March 2013

As at the date of this announcement, the executive directors of the Company are Mr. HU Changyuan, Mr. CHEN Jianhua, Mr. WANG Jianli and Mr. MA Wanjun and the independent non-executive directors of the Company are Mr. CUI Ming, Mr. XIE Shuisheng, Mr. CHAI Chaoming and Ms. LI Li.