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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)

ANNOUNCEMENT OF ANNUAL RESULTS FOR YEAR ENDED 31 DECEMBER 2008

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 2008 together with comparative figures for the year ended 31 December 2007 as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2008

	Note	**2008** *RMB'000*	2007 *RMB'000*
Turnover	*4*	**1,758,016**	2,096,133
Cost of sales		**(1,742,133)**	(1,878,803)
Gross profit		**15,883**	217,330
Other operating income	*5*	**17,489**	20,533
Distribution expenses		**(8,880)**	(11,959)
Administrative expenses		**(48,389)**	(25,749)
Other operating expenses	*6*	**(15,767)**	(3,349)
Result from operating activities		**(39,664)**	196,806
Finance income		**10,146**	3,948
Finance expenses		**(40,835)**	(37,277)
Net finance costs	*7*	**(30,689)**	(33,329)

	Note	2008 RMB'000	2007 RMB'000
Share of loss of a jointly controlled entity		**(2,756)**	–
(Loss)/profit before tax		**(73,109)**	163,477
Income tax	*8*	**815**	(12,632)
(Loss)/profit for the year attributable to the equity holders of the Company		**(72,294)**	150,845
Dividends payable to equity holders of the Company attributable to the year			
– Dividend declared during the year	*9*	**66,536**	134,436
– Final dividend proposed after the balance sheet date	*9*	**–**	39,218
(Loss)/earnings per share			
Basic (loss)/earnings per share *(RMB)*	*10(a)*	**(0.12)**	0.33
Diluted (loss)/earnings per share *(RMB)*	*10(b)*	**(0.12)**	0.33

CONSOLIDATED BALANCE SHEET
As at 31 December 2008

	Note	2008 RMB'000	2007 RMB'000
Non-current assets			
Property, plant and equipment		**498,471**	477,897
Lease prepayments		**18,290**	14,885
Interest in a jointly controlled entity		**19,378**	–
		536,139	492,782
Current assets			
Inventories		**147,882**	279,282
Tax recoverable		**14,710**	–
Derivative financial instruments		**213**	–
Trade and other receivables	*11*	**154,916**	299,402
Pledged deposits		**80,655**	19,710
Cash and cash equivalents		**130,498**	227,927
		528,874	826,321
Current liabilities			
Interest-bearing borrowings		**437,362**	526,411
Derivative financial instruments		**–**	946
Trade and other payables	*12*	**110,572**	139,268
Income tax payables		**–**	2,484
		547,934	669,109
Net current (liabilities)/assets		**(19,060)**	157,212
Total assets less current liabilities		**517,079**	649,994
Non-current liabilities			
Interest-bearing borrowings		**84,000**	104,000
Deferred tax liabilities		**3,825**	8,013
		87,825	112,013
Net assets		**429,254**	537,981
Capital and reserves			
Share capital		**58,268**	56,172
Reserves		**370,986**	481,809
Total attributable to equity holders of the Company		**429,254**	537,981
Total equity		**429,254**	537,981

NOTES TO THE FINANCIAL STATEMENTS

1. Reorganisation

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. Pursuant to a reorganisation (the "Reorganisation") of the Company and its subsidiaries (collectively referred to as the "Group") to rationalise the group structure in preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the subsidiaries now comprising the Group in September 2007. Details of the Reorganisation are set out in the Prospectus of the Company dated 12 December 2007. The Company's shares were listed on the Stock Exchange on 27 December 2007.

2. Basis of preparation

The Group is regarded as a continuing entity resulting from the Reoganisation of entities under common control. The consolidated financial statements have been prepared on the basis that the Company was the holding company of the Group for both years presented, rather than from the date when the Company became the holding company of the Group pursuant to the Reorganisation. Accordingly, the consolidated results of the Group for the year ended 31 December 2007 include the results of the Company and its subsidiaries with effect from 1 January 2007 or, if later, since their respective dates of incorporation or at the date that common control was established as if the current group structure had been in existence throughout the two years presented. The consolidated balance sheets at 31 December 2007 and 31 December 2008 have been prepared on the basis that the current group structure was in place with effective from 1 January 2007. All material intra-group transactions and balances have been eliminated on consolidation. In the opinion of the directors, the consolidated financial statements prepared on this basis present fairly the results of operations and the state of affairs of the Group as a whole.

The financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRSs") promulgated by the International Accounting Standards Board ("IASB"). IFRSs include International Accounting Standard ("IAS") and related interpretations. These financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

3. Adoption of new and amended IFRSs

The IASB has issued the following new Interpretations and an amendment to IFRSs that are first effective for the current accounting period of the Group:

- IFRIC 11, IFRS 2 – Group and treasury share transactions
- IFRIC 12, Service concession arrangements
- IFRIC 14, IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction
- Amendment to IAS 39, Financial instruments: Recognition and measurement, and IFRS 7, Financial instruments: Disclosures – Reclassification of financial assets

These IFRS developments have had no material impact on the Group's financial statements as either they were consistent with accounting policies already adopted by the Group or they were not relevant to the Group's operations.

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

4. Segment reporting

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure.

In presenting the information on the basis of business segments, segment turnover is based on sales of goods and processing services. The Group's assets and liabilities are jointly used by the two segments, the allocation would be arbitrary and not understandable, and accordingly, no analysis on segment assets, liabilities and capital expenditure is provided.

	Year ended 31 December	
	2008	2007
	RMB'000	*RMB'000*
Revenue		
Sales of goods	**1,657,874**	1,977,857
Processing services	**100,142**	118,276
	1,758,016	2,096,133
Segment result		
Sales of goods	**(8,873)**	177,340
Processing services	**24,756**	39,990
	15,883	217,330
Unallocated operating expenses net-off income	**(55,547)**	(20,524)
Result from operating activities	**(39,664)**	196,806
Share of loss of a jointly controlled entity	**(2,756)**	–
Net finance costs	**(30,689)**	(33,329)
Income tax expense	**815**	(12,632)
(Loss)/profit for the year	**(72,294)**	150,845

Impairment losses for certain property, plant and equipment related to segment of sales of goods amounted to RMB12,099,000 are provided for the year ended 31 December 2008.

In presenting the information on the basis of geographic segments, segment turnover is based on the geographical location of customers. The Group's assets and liabilities are almost all located in the PRC, and accordingly, no analysis on segment assets, liabilities and capital expenditure is provided.

	Year ended 31 December	
	2008	2007
	RMB'000	*RMB'000*
Revenue		
The PRC	**1,323,324**	1,659,077
Overseas	**434,692**	437,056
	1,758,016	2,096,133

5. Other operating income

	Year ended 31 December	
	2008	2007
	RMB'000	*RMB'000*
Government grants	**14,004**	16,711
Gain on derivative financial instruments	**3,089**	655
Others	**396**	3,167
	17,489	20,533

The Group has been awarded unconditional government grants, amounted to RMB14,004,000 and RMB16,711,000 during 2008 and 2007 respectively. They were related to encouragement of the Group's development in the industry.

6. Other operating expenses

	Year ended 31 December	
	2008	2007
	RMB'000	*RMB'000*
Donation	**189**	317
Water conservancy fund	**2,641**	2,421
Loss on disposal of property, plant and equipment	**129**	–
Impairment losses on property, plant and equipment	**12,099**	–
Others	**709**	611
	15,767	3,349

Certain property, plant and equipment which are obsolete and cannot generate future economic benefits are fully provided for impairment losses for the year ended 31 December 2008 (2007: Nil).

7. Net finance costs

	Year ended 31 December	
	2008	2007
	RMB'000	*RMB'000*
Interest expense	**39,268**	36,308
Bank charges	**1,567**	969
Finance expenses	**40,835**	37,277
Net foreign exchange gain	**(5,757)**	(2,127)
Interest income	**(4,389)**	(1,821)
Finance income	**(10,146)**	(3,948)
Net finance costs	**30,689**	33,329

8. Income tax

(i) Income tax expense in the consolidated income statements represents:

	Year ended 31 December	
	2008	2007
	RMB'000	*RMB'000*
Current tax expense		
Provision for PRC income tax	**2,806**	11,402
Under provided in prior years	**567**	–
	3,373	11,402
Deferred tax		
Reversal and originating of temporary differences	**(4,188)**	1,230
	(815)	12,632

(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 for the year as the Group does not have assessable profits subject to Hong Kong Profits Tax during the year.

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

Pursuant to the income tax rules and regulations of the PRC ("FEIT Law"), certain subsidiaries located in the PRC ("PRC subsidiaries") including Ningbo Xingye Electronic Copper Strip Co., Ltd. ("Xingye Electronic") and Ningbo Shengtai Electronic Metal Materials Co., Ltd. ("Shengtai") are entitled to a tax holiday of a tax-free period for two years from their first profit-making year of operations and thereafter, they are subject to PRC enterprise income tax at 50% of the applicable income tax rate for the following three years ("Tax Holidays"). In 2008, Shengtai is still within the Tax Holiday period granted under the FEIT Law.

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the People's Republic of China ("New Tax Law"). According to the New Tax Law, the applicable tax rates of the Group's subsidiaries in the PRC are unified at 25% with effect from 1 January 2008. Pursuant to the transitional arrangement under the New Tax Law, Shengtai will continue to enjoy the 50% reduction on the applicable income tax rate under the New Tax Law until the expiry of the Tax Holidays previously granted under the FEIT Law, and thereafter it is subject to the unified rate of 25%.

(d) Pursuant to the New Tax Law, 5% withholding tax is levied on the foreign investor in respect of dividend distributions arising from a foreign investment enterprise's profit earned after 1 January 2008.

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

	Year ended 31 December	
	2008	2007
	RMB'000	*RMB'000*
(Loss)/profit before tax	**(73,109)**	163,477
Computed using the Group's PRC subsidiaries applicable tax rates	**(10,041)**	12,725
Current year losses for which no deferred tax asset was recognised	**8,766**	–
Change in tax rate	**–**	553
Non-taxable income net off non-deductible costs	**(107)**	(646)
Under provided in prior years	**567**	–
Income tax expense	**(815)**	12,632

9. Dividends

	Year ended 31 December	
	2008	2007
	RMB'000	*RMB'000*
Dividend declared and paid during the year	**66,536**	134,436
Final dividend proposed after balance sheet date: Nil (2007: RMB0.063 per share)	**–**	39,218

Dividend of RMB134,436,000 was declared by the subsidiaries in 2007 to the then equity holders of the Company before the Reorganisation.

The calculation of final dividend per share in 2007 is based on 622,500,000 ordinary shares in issue as at the date of dividend declaration.

10. Basic and diluted (loss)/earnings per share

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to the shareholders of ordinary shares of RMB72,294,000 (2007: the profit of RMB150,845,000) and the weighted average of 621,945,205 (2007: 452,054,795) ordinary shares in issue during the year.

Weighted average number of ordinary shares

	2008	2007
	Number of shares	Number of shares
Ordinary shares issued at 1 January	**600,000,000**	–
Share issued upon incorporation	**–**	1
Issuance of shares upon the reorganisation	**–**	9,999
Capitalisation issue	**–**	449,990,000
Effect of issuance of shares for placing and public offering	**–**	2,054,795
Effect of issuance of shares under the over-allotment option related to the Placement	**21,945,205**	–
Weighted average number of ordinary shares at 31 December	**621,945,205**	452,054,795

(b) Diluted (loss)/earnings per share

The calculation of diluted (loss)/earnings per share for the year ended 31 December 2008 is based on the loss attributable to equity shareholders of the Company of RMB72,294,000 (2007: the profit of RMB150,845,000) and the weighted average number of 626,546,944 (2007: 452,467,562) ordinary shares (diluted).

Weighted average number of ordinary shares (diluted) for the year ended 31 December 2008 and 2007 is calculated as follows:

	2008	2007
	Number of shares	Number of shares
Weighted average number of ordinary shares at 31 December	**621,945,205**	452,054,795
Effect of deemed issue of shares under the Company's Pre-IPO Share Option Scheme	**4,601,739**	412,767
Weighted average number of ordinary shares at 31 December (diluted)	**626,546,944**	452,467,562

11. Trade and other receivables

	As at 31 December	
	2008	2007
	RMB'000	*RMB'000*
Trade and bill receivables	**92,749**	218,477
Non-trade receivables	**31,813**	17,375
Prepayments	**10,161**	63,550
Amount due from a related party	**20,193**	–
	154,916	299,402

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

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

An ageing analysis of trade and bill receivables (net off impairment loss for bad and doubtful debts) of the Group is as follows:

	As at 31 December	
	2008	2007
	RMB'000	*RMB'000*
Within 3 months	**86,798**	217,077
Over 3 months but less than 6 months	**5,808**	809
Over 6 months but less than 1 year	**143**	381
Over 1 year but less than 2 years	**–**	199
Over 2 years	**–**	11
	92,749	218,477

12. Trade and other payables

	As at 31 December	
	2008	2007
	RMB'000	*RMB'000*
Trade and bill payables	**52,259**	63,858
Non-trade payables and accrued expenses	**52,321**	75,410
Payable due to a related party	**5,992**	–
	110,572	139,268

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

	As at 31 December	
	2008	2007
	RMB'000	*RMB'000*
Within 3 months	**49,757**	57,592
Over 3 months but less than 6 months	**321**	5,805
Over 6 months but less than 1 year	**1,502**	2
Over 1 year but less than 2 years	**347**	147
Over 2 years	**332**	312
	52,259	63,858

BUSINESS REVIEW

Business development

The financial tsunami resulted from the U.S. subprime mortgage crisis has spread rapidly and affected the whole world, causing material volatility in the global financial market, credit crunch and significant drops in consumer and investment confidence. The financial crisis has imposed enormous impacts on real economy. Many developed countries are stepping into recession, while situation in the emerging markets also deteriorates at a fast pace. Different economies have experienced simultaneous decline. The impact of this crisis on China's economy has been relatively huge and it is currently facing severe challenges. This is mainly due to: an obvious fall in external demand, excess production capacity in particular industries, difficulties in production and operations, particularly for manufacturing industry in the PRC. The pressure of economic slowdown has obviously grown. The PRC central government has adjusted the macro-economic control policy to implement active financial policy and moderate currency policy, and has taken more forceful measures to expand domestic demand in order to establish an advantageous institutional environment for enterprises to cope with the challenges.

The Group has taken various measures to deal with continuous economic turmoil positively, optimize corporate management organization, raise the core competitiveness of enterprises and boost corporate economic efficiency, which include:

1. Maintaining sufficient cash reserves, strict control on the level of inventories, shortening of production cycle, acceleration of production cycle, rigorous monitor on customer's credit, preventing bad and doubtful debt, reducing operation costs and saving capital expenditure etc., which serve to maintain a relatively sufficient cash flow.

   During the report period, our Group identified suppliers that could offer certain second-hand equipment and facilities which, after certain modifications, are equally suitable for the Group's production purposes. Therefore, the proceeds from the global offering intended for acquiring certain equipments and facilities for the expansion of production capacity of the Group can be reduced by approximately RMB55.1 million. The surplus has been applied for general working capital purpose.

2. Launching technological reform, formulating a five-year technological reform plan, upgrading equipments and improving production capacity. Increasing annual production capacity to 80,000 tons, improving product quality, promoting equipment efficiency, improving high energy consumption equipment and reducing production costs through technological reform. Mainly focusing on the reform of melting furnaces, rolling mills, continuous strip annealing furnaces and pickling line to achieve "improving quality and lowering costs" as its objective in the first stage. During the year, there were 60 proposed technological reform projects, 18 of which were completed, which mainly included the transformation and trial production of horizontal continuous strip annealing furnace, hot rolling system for solid solution, smelting furnaces and surface mills.

3. Strengthening product development, strive for technological innovation, product research and development, persisting independence and originality, increasing adaptability of the enterprise to the market competition and continuing long term and on-going development. The key development includes high value-added products such as electronic copper strips of high strength and conductivity, high precision beryllium copper plates and strips, high precision red copper plates and strips in and copper strip for automobile. During the year, the beryllium copper strip successfully completed the stages of slab and hot rolling and it is expected to commence sample production trial at the end of 2009. Small batch production of high precision red copper plates was started in the second half of 2008. The Company strived to complete the trial production properly and attempted to commence effective production as soon as possible.

4. In order to practice modernized management, the Company optimizes the enterprise informatization management structure, intensifies basic management, carries out comprehensive reproduction and upgrades the ERP system. During the report period, the linkage between the financial system and logistic system was first established and the Group will then focus on the linkage with the system of the Customs. In 2009, the production and operation procedures, including research and development, fixed assets, supply, sales and subsidiaries, will be integrated into the ERP system.

FINANCIAL REVIEW

Revenues

The Group's revenue was mainly from sales of high precision copper plates and strips and processing services which accounted for 92.7% and 5.7% of the total revenue for the year under review, respectively, with the remaining revenue mainly generated from sales of scrap materials.

For the year ended 31 December 2008, the Group recorded revenues decreased by 16.1% to RMB1,758.0 million as compared to prior year and sales volume decreased to 44,387 tonnes for 2008 from 51,889 tonnes for previous year. The decrease in revenues was mainly attributed to (i) the decrease in the average selling price per tonne resulted from decrease in the market price for raw materials; and (ii) the slow-down in sales caused by the global financial turmoil in the latter half of 2008.

Gross profit and gross profit margin

A provision for diminution in value of inventories of RMB79.7 million was provided for in the financial statement at balance sheet date to reflect the subsequent net realisable value lower than carrying value as at year ended 2008, excluding such provision of the Group's gross profit for the year 2008 decreased to RMB95.6 million, representing a decrease of 56.0% as compared to prior year. Gross profit margins declined from 10.4% in 2007 to 5.4% in 2008. The decrease in both gross profit and gross profit margin was due to (i) decrease in the selling price for our copper plates and strips as raw material in particular copper decreased rapidly in the second half of 2008; and (ii) the higher cost of raw materials purchased in the first half of 2008 were absorbed in the second half of 2008 as the cost of inventories were computed by using weighted average method, which resulted in a substantial decrease in gross profit and gross profit margin in the second half of 2008.

Other operating income

During the year, the Group's other operating income were approximately RMB17.5 million, representing a decrease of 14.8% from RMB20.5 million for prior year. This was mainly due to the one-off government grants recorded in 2007 amounting to RMB2.9 million as the support for the Group listed on the Main Board of the Stock Exchange.

Distribution expenses

The Group's distribution expenses decreased from RMB12.0 million in prior year to RMB8.9 million in 2008 was mainly due to decrease in transportation expenses as a result of decrease in sales volume.

Administrative expenses

During the year, the Group's administrative expenses were approximately RMB48.4 million, representing an increase of approximately 87.9% from RMB25.7 million in prior year. This increase was primarily attributed to the (i) inclusion expenses of head office, which commenced operation in year 2008 for the purpose of listing of the Company's shares on the Main Board of the Stock Exchange; (ii) subsidiaries which commenced operation in second half of 2007; and (iii) the fair value of options granted under Pre-IPO Share Option Scheme of RMB7.0 million in year 2008.

Other operating expenses

The Group's other operating expenses increased from RMB3.4 million in prior year to RMB15.8 million in 2008 was primarily attributed to the impairment losses on equipment of RMB12.1 million.

Net finance costs

The Group's net finance costs decreased RMB2.6 million by 7.9% from RMB33.3 million in prior year to RMB30.7 million in 2008. This decrease was primarily contributed by an increase in net foreign exchange gain of RMB3.6 million for year 2008 which was mainly arisen from exchange of loans of subsidiaries dominated in Hong Kong dollar into Renminbi. The increase was partially offset by the increase of the bank charges of RMB0.6 million for year 2008.

Taxation

The Group recorded a tax credit of RMB0.8 million in 2008 whereas a tax expense of RMB12.6 million in 2007. This was mainly due to the significant decline for the taxable income for one of the Group's subsidiary namely Xingye Electronic in 2008 and deferred tax assets recognised in respect of provision for diminution in value of inventories.

Profit attributable to equity holders of the Company

As a result of the factors discussed above, the Group recorded loss attributable to equity holders of the Company of RMB72.3 million for the year ended 31 December 2008.

Excluding the fair value of options granted under Pre-IPO Share Option Scheme of RMB7.0 million, provision for diminution in value of inventories of RMB79.7 million and impairment losses on equipment of RMB12.1 million, the Group's recorded a profit attributable to equity holders of the Company of RMB26.5 million for the year under review.

LIQUIDITY AND CAPITAL RESOURCES

As 31 December 2008, the Group recorded net current liabilities of RMB19.1 million, which was primarily due to a provision for diminution in value of inventories of RMB79.7 million provided for in the financial statements at balance sheet date.

As a percentage of total interest-bearing borrowings, the short-term interest-bearing borrowings represented 83.9% as of 31 December 2008. 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 2008, 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 RMB442.8 million and RMB211.2 million (comprised deposits with banks of RMB80.7 million and cash and cash equivalents of RMB130.5 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.

Cash flows

Net cash inflow/(outflow) from the followings:

	Year ended 31 December	
	2008	2007
	RMB'000	*RMB'000*
Net cash generated from operating activities	**190,141**	38,108
Net cash used in investing activities	**(82,361)**	(30,457)
Net cash (used in)/generated from financing activities	**(205,209)**	182,588
Net (decrease)/increase in cash and cash equivalents	**(97,429)**	190,239
Cash and cash equivalents at 1 January	**227,927**	37,688
Cash and cash equivalents at 31 December	**130,498**	227,927

Operating activities

The Group's cash from operating activities reflects (i) profit/loss for the year adjusted for non-cash items, such as depreciation and amortization, impairment losses on equipment, net finance costs and income tax expense; (ii) the effect of changes in working capital, such as increases or decreases in inventories, trade and other receivables and trade and other payables; and (iii) payment for interest and corporate income tax.

The net cash generated from operating activities increased from RMB38.1 million for 2007 to RMB190.1 million for 2008. This increase was primarily due to a decrease in inventories and trade and other receivables, which was partially offset by a decrease in trade and other payables, decrease in operating profit and increase in income tax paid.

Investing activities

The Group's cash inflow from investing activities primarily consists interest received. The Group's cash outflow in investing activities primarily consists of payment for investment in a jointly-controlled entity, payment for purchase of property, plant and equipment and payment for lease prepayments (i.e. land use rights).

The net cash used in investing activities increased from RMB30.5 million for 2007 to RMB82.4 million for 2008, which was attributable primarily to increase in capital expenditure and payment for investment in a jointly-controlled entity.

Financing activities

The Group's cash inflow from financing activities primarily consists of proceeds from bank borrowings and issuance of shares. The Group's cash outflow from financing activities primarily consists of repayment of bank borrowings, dividend paid to shareholders and increase in pledged deposits.

The Group recorded a net cash used in financing activities of RMB205.2 million for 2008 whereas a net cash generating from financing activities of RMB182.6 million for 2007. This was mainly due to repayment of bank borrowings, increase in pledged deposits and dividend paid to shareholders in year 2008.

Borrowings

As at 31 December 2008, the Group had outstanding bank loans and other borrowings of approximately RMB521.4 million, of which approximately RMB437.4 million shall be repaid within 1 year, approximately RMB80.0 million shall be repaid after 1 year but within 2 years and approximately RMB4.0 million shall be repaid over 2 years. The gearing ratio as at 31 December 2008 was 49.0% (2007: 47.8%), which is calculated by dividing the total borrowings over the total assets.

Charge on assets

As at 31 December 2008, the Group pledged assets with aggregate carrying value of RMB327.1 million (31 December 2007: RMB388.8 million) to secure bank loans facilities of the Group.

Capital expenditure

For the year ended 31 December 2008, the Group invested RMB69.6 million for the purchase of property, plant and equipment. These capital expenditures were fully financed by internal resources and net proceeds from issuance shares.

Capital commitments

As at 31 December 2008, the future capital expenditure for which the Group had authorised but not contracted for and contracted but not provided for amounted to approximately RMB86.0 million and RMB9.3 million, respectively.

Use of net proceeds from the issue of new shares

The net proceeds from the issue of new shares amounted to approximately RMB221.4 million. Part of the net proceeds has been applied as follows:

	Planned amount *RMB' million*	Amount utilised up to 31 December 2008 *RMB' million*	Balance as at 31 December 2008 *RMB' million*
– expand production capacity	119.4*	44.8	74.6
– develop large-scale production of new products	29.6	14.8	14.8
– research and development	12.6	4.1	8.5
– general working capital purpose	59.8*	59.8	–
	221.4	123.5	97.9

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

* The actual amount of net proceeds raised from the Global Offering to be applied for the expansion of the Group's production capacity through the acquisitions of various production equipments and facilities was originally approximately RMB174.5 million. However, the Group was able to locate alternative suppliers who can provide suitable production equipments and facilities to the Group at lower costs than which was originally estimated by the Group. The Group has also located suppliers who can provide certain second-hand equipments and facilities which, after certain modifications, are equally fit for the Group's production purposes. Therefore, the total costs for acquiring new equipments and facilities by the Group for the expansion of production capacity can be reduced by approximately RMB55.1 million. The surplus has been applied for general working capital purposes. Please refer to the announcement dated 24 September 2008 for details.

MARKET RISK

The Group exposed to various types of market risks, including fluctuation in copper prices and other commodities' price and changes in interest rates and foreign exchange rates.

Commodity price risks

The Group is exposed to fluctuations in the prices of raw materials. Cathode copper, alloy trimmings, zinc, tin, nickel and other metals are the principal raw materials used in the production of the Group's products. The Group makes such purchases at market prices. In addition, sales of all the Group's products are made at market prices, which may fluctuate and are beyond control. Therefore, fluctuations in the prices for raw materials may have an adverse effect on the results of operations.

The Group uses its futures contracts traded on the SHFE to hedge against fluctuations in copper price. For the year ended 31 December 2008, the Group recorded a gain on futures contracts of RMB3.1 million (2007: RMB0.7 million).

Interest rate risks

The Group does not have significant interest-bearing assets other than short-term deposits. As such, income and operating cash flows are, to a large extent, independent of changes in market interest rates. The Group's exposure to market risk for changes in interest rates related primarily to fluctuations in interest rates on bank borrowings. The Group undertakes debt obligations to support general corporate purposes, including capital expenditures and working capital needs. The Group's bank borrowings bear interest rates that are subject to adjustment by lenders in accordance with changes to the relevant regulations of the People's Bank of China ("PBOC"). Increases in the PBOC interest rate will increase the Group's financing costs. Fluctuations in interest rates will affect the cost of new debts. The Group does not enter into any interest rate swaps to hedge against exposure to interest rate risks.

Foreign exchange rate fluctuation risk

The Group's export sales and certain portion of purchase of raw materials denominated in foreign currencies, primarily U.S. dollars. Therefore, fluctuations in the exchange rate may have an impact on operating results. The Group does not enter into foreign exchange contract to hedge against exposure to foreign exchange rate risks. For the year ended 31 December 2008, the Group recorded a net foreign exchange gain of RMB5.8 million (2007: RMB2.1 million).

PROSPECTS

The Company aims to be a leading, strong and large-scale enterprise providing the best products with high effectiveness in the industry and become a well-managed, environmental friendly and innovative enterprise by realizing scale operations and promoting harmonious development. By adhering to the mottos of "creating the best products" and "strengthen our competitiveness" as our development directions, the Company intends to expand its scale. The major duties include (a) emphasizing on synchronizing growth with the market and following the development trend of applications market and industry, seeking new sources of profit growth, expanding the scale through merger and acquisition of other domestic and foreign enterprises and improving our market value; (b) developing the products by adopting differentiation strategies and emphasizing on research and development of new products; (c) upgrading technologies to enhance the quality of the products and developing new products to seek for a breakthrough in the production capacities; upgrading technology and optimizing the existing equipments as well as using energy-saving and environmental-friendly equipments; (d) increasing revenue and reducing operating costs to lower the costs and enhance the technology levels of existing products and maximize market share; exploring internal potentials and maximizing returns by adhering to input-output models to stimulate the productivity with inputs; (e) enhancing internal management structure to improve the corporate structure and organization; and (f) attempting to adopt market value management in the capital operations and diversify the business of the Group.

The continuance of the mentioned factors will facilitate the Group to achieve better performance once the market demand picks up following market consolidation. Therefore, the Group is fully aware of the present challenges of weak market demand, and will take a cautious approach to the development of our business and exercise tighter cost control measures. The Company aims to emerge to be stronger and to strengthen our competitiveness at minimal cost and consolidate our market position to take advantage of the economic upturns. The management believes that, based on the policy, the capital expenditure would also be reconsidered in a prudent manner to improve the Group's liquidity.

EMPLOYEES

As at 31 December 2008, the Group had 965 employees. Remuneration policies are reviewed regularly to ensure that the Group is offering competitive employment packages to employees. Compensation of the employees includes 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 employees. The Group recognizes the importance of human resources in competitive industry and has devoted resources to training employees. The Group has established an annual training program for our employees so that new employees can master the basic skills required to perform their functions and existing employees can upgrade or improve their production skills.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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 2008.

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 2008.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules during the year ended 31 December 2008. A report on the principal corporate governance practices adopted by the Company to be contained in 2008 Annual Report of the Company.

REVIEW BY AUDIT COMMITTEE

The audit committee of the Company comprises three independent non-executive Directors, namely, Mr. Cui Ming, Mr. Xie Shuisheng and Ms. Li Li. The audit committee had reviewed the audited financial statements for the year ended 31 December 2008 and had also discussed auditing, internal control and financial reporting matters including accounting practices and principles adopted by the Group.

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.

FINAL DIVIDEND

The Board do not recommend the payment of a final dividend in respect of the year ended 31 December 2008.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 8 May 2009 to 11 May 2009, both days inclusive, during which period no transfer of Shares will be registered. In order to determine the identity of Shareholders who are entitled to attend and vote at the forthcoming Annual General Meeting, all Share transfers, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 7 May 2009.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held at Nos.2-9, Jin Xi Road, Hangzhou Bay Development Zone, Cixi City, Ningbo City, Zhejiang Province, the PRC on Monday, 11 May 2009 at 4:00 p.m. Notice of the annual general meeting will be issued and disseminated to shareholders of the Company in due course.

PUBLICATION OF RESULTS ON THE STOCK EXCHANGE WEBSITE

The annual report of the Company, which will contain all the information required the Listing Rules will be sent to shareholders and published on the Stock Exchange's website (www.hkex.com.hk) and the Company's website (www.xingyecopper.com) in due course.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my sincere gratitude to the local governments, our customers, suppliers, banks and shareholders for their unreserved support, and our management team and staff for their dedication, loyalty and contribution during the year.

By order of the Board
Hu Changyuan
Chairman

Hong Kong, 27 March 2009

As at the date of the announcement, the executive directors are Mr. Hu Changyuan, Mr. Chen Jianhua, Mr. Wang Jianli and Mr. Ma Wanjun, the non-executive director is Ms. Yu Yuesu and the independent non-executive directors are Mr. Cui Ming, Mr. Xie Shuisheng and Ms. Li Li.