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 YEAR ENDED 31 DECEMBER 2010

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 2010 together with comparative figures for the year ended 31 December 2009 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2010

	Note	2010 RMB'000	2009 RMB'000
Turnover	4	**2,894,048**	1,795,184
Cost of sales		**(2,667,440)**	(1,608,247)
Gross profit		**226,608**	186,937
Other operating income	5	**84,953**	81,255
Distribution expenses		**(19,505)**	(12,533)
Administrative expenses		**(59,249)**	(55,387)
Other operating expenses	6	**(70,459)**	(2,699)
Result from operating activities		**162,348**	197,573
Finance income		**15,692**	10,205
Finance expenses		**(42,092)**	(26,596)
Net finance costs	7	**(26,400)**	(16,391)
Share of loss of a jointly controlled entity		**(2,053)**	(79)
Profit before taxation		**133,895**	181,103
Income tax	8	**(35,268)**	(28,748)
Profit for the year		**98,627**	152,355
Attributable to:			
Equity shareholders of the Company		**98,690**	152,355
Non-controlling interests		**(63)**	–
Profit for the year		**98,627**	152,355
Earnings per share			
Basic earnings per share (RMB)	9(a)	**0.15**	0.24
Diluted earnings per share (RMB)	9(b)	**0.14**	0.24

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	2010 *RMB'000*	2009 *RMB'000*
Profit for the year	**98,627**	152,355
Other comprehensive income for the year (after tax and reclassification adjustment):		
Exchange differences on translation of financial statements of overseas subsidiaries	**(1,974)**	(58)
Total comprehensive income for the year	**96,653**	152,297
Attributable to:		
Equity shareholders of the Company	**96,716**	152,297
Non-controlling interests	**(63)**	–
Total comprehensive income for the year	**96,653**	152,297

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2010

	Note	2010 RMB'000	2009 RMB'000
Non-current assets			
Property, plant and equipment		**511,380**	498,754
Lease prepayments		**18,210**	17,901
Interest in associates		**55,000**	–
Interest in a jointly controlled entity		**17,246**	19,299
		601,836	535,954
Current assets			
Inventories		**587,756**	344,179
Trade and other receivables	*11*	**562,036**	250,259
Pledged deposits		**154,378**	88,813
Trading securities		**–**	33,835
Cash and cash equivalents		**80,248**	121,430
		1,384,418	838,516
Current liabilities			
Interest-bearing borrowings		**997,413**	614,269
Derivative financial instruments		**34,460**	5,214
Trade and other payables	*12*	**280,255**	138,025
Income tax payables		**11,094**	5,463
		1,323,222	762,971
Net current assets		**61,196**	75,545
Total assets less current liabilities		**663,032**	611,499
Non-current liabilities			
Interest-bearing borrowings		**4,000**	4,000
Deferred income		**946**	–
Deferred tax liabilities		**18,416**	14,240
		23,362	18,240
Net assets		**639,670**	593,259
Capital and reserves			
Share capital		**62,511**	59,129
Reserves		**574,772**	534,130
Total equity attributable to equity shareholders of the Company		**637,283**	593,259
Non-controlling interests		**2,387**	–
Total equity		**639,670**	593,259

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL 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 principal activities of the Company and its subsidiaries (collectively referred to as the "Group") are the manufacturing and sales of high precision copper plates and strips, trading of raw materials and the provision of processing services.

2. STATEMENT OF COMPLIANCE

The financial statements of the Group have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards (IASs) and related Interpretations, promulgated by the International Accounting Standards Board ("IASB"), and the applicable 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.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

3. CHANGES IN ACCOUNTING POLICIES

The IASB has issued two revised IFRSs, a number of amendments to IFRSs and one new Interpretations that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- IFRS 3 (revised 2008), Business combinations
- Amendments to IAS 27, Consolidated and separate financial statements
- Amendments to IAS 39, Financial instruments: Recognition and measurement – eligible hedged items
- Improvements to IFRSs (2009)

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

The amendments to IAS 39 and Improvements to IFRSs (2009) have had no material impact on the Group's financial statements as the amendments were consistent with policies already adopted by the Group. The other developments resulted in changes in accounting policy but none of these changes in policy have a material impact on the current or comparative periods, for the following reasons:

- The impact of the majority of the revisions to IFRS 3 and IAS 27 have not yet had a material effect on the Group's financial statements as these changes will first be effective as and when the Group enters into a relevant transaction (for example, a business combination, a disposal of a subsidiary or a non-cash distribution) and there is no requirement to restate the amounts recorded in respect of previous such transactions.

- The impact of the amendments to IFRS 3 (in respect of recognition of acquiree's deferred tax assets) and IAS 27 (in respect of allocation of losses to non-controlling interests (previously known as minority interests) in excess of their equity interest) have had no material impact as there is no requirement to restate amounts recorded in previous periods and no such deferred tax assets or losses arose in the current period.

Further details of these changes in accounting policy are as follows:

- As a result of the adoption of IFRS 3 (revised 2008), any business combination acquired on or after 1 January 2010 will be recognised in accordance with the new requirements and detailed guidance contained in IFRS 3 (revised 2008). These include the following changes in accounting policies:

  – Transaction costs that the Group incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees, will be expensed as incurred, whereas previously they were accounted for as part of the cost of the business combination and therefore impacted the amount of goodwill recognised.

  – If the Group holds interests in the acquiree immediately prior to obtaining control, these interests will be treated as if disposed of and re-acquired at fair value on the date of obtaining control. Previously, the step-up approach would have been applied, whereby goodwill was computed as if accumulated at each stage of the acquisition.

  – Contingent consideration will be measured at fair value at the acquisition date. Subsequent changes in the measurement of that contingent consideration unrelated to facts and circumstances that existed at the acquisition date will be recognised in the consolidated income statement, whereas previously these changes were recognised as an adjustment to the cost of the business combination and therefore impacted the amount of goodwill recognised.

  – If the acquiree has accumulated tax losses or other temporary deductible differences and these fail to meet the recognition criteria for deferred tax assets at the date of acquisition, then any subsequent recognition of these assets will be recognised in the consolidated income statement, rather than as an adjustment to goodwill as was previously the policy.

  – In addition to the Group's existing policy of measuring the non-controlling interests (previously known as the "minority interests") in the acquiree at the non-controlling interest's proportionate share of the acquiree's net identifiable assets, in future the Group may elect, on a transaction by transaction basis, to measure the non-controlling interest at fair value.

  In accordance with the transitional provisions in IFRS 3 (revised 2008), these new accounting policies will be applied prospectively to any business combinations in the current or future periods. The new policy in respect of recognition in the movement of deferred tax assets will also be applied prospectively to accumulated tax losses and other temporary deductible differences acquired in previous business combinations. No adjustments have been made to the carrying values of assets and liabilities that arose from business combinations whose acquisition dates preceded the application of this revised standard.

- As a result of the adoption of IAS 27 (amended 2008), the following changes in policies will be applied as from 1 January 2010:

  – If the Group acquires an additional interest in a non-wholly owned subsidiary, the transaction will be accounted for as a transaction with equity shareholders (the non-controlling interests) in their capacity as owners and therefore no goodwill will be recognised as a result of such transactions. Similarly, if the Group disposes of part of its interest in a subsidiary but still retains control, this transaction will also be accounted for as a transaction with equity shareholders (the non-controlling interests) in their capacity as owners and therefore no profit or loss will be recognised as a result of such transactions. Previously the Group treated such transactions as step-up transactions and partial disposals, respectively.

- If the Group loses control of a subsidiary, the transaction will be accounted for as a disposal of the entire interest in that subsidiary, with any remaining interest retained by the Group being recognised at fair value as if reacquired. In addition, as a result of the adoption of the amendment to IFRS 5, if at the end of reporting period the Group has the intention to dispose of a controlling interest in a subsidiary, the entire interest in that subsidiary will be classified as held for sale (assuming that the held for sale criteria in IFRS 5 are met) irrespective of the extent to which the Group will retain an interest. Previously such transactions were treated as partial disposals.

In accordance with the transitional provisions in IAS 27, these new accounting policies will be applied prospectively to transactions in current or future periods and therefore previous periods have not been restated.

• In order to be consistent with the above amendments to IFRS 3 and IAS 27, and as a result of amendments to IAS 28, Investments in associates, and IAS 31, Interests in joint ventures, the following policies will be applied as from 1 January 2010:

  - If the Group holds interests in the acquiree immediately prior to obtaining significant influence or joint control, these interests will be treated as if disposed of and re-acquired at fair value on the date of obtaining significant influence or joint control. Previously, the step-up approach would have been applied, whereby goodwill was computed as if accumulated at each stage of the acquisition.

  - If the Group loses significant influence or joint control, the transaction will be accounted for as a disposal of the entire interest in that investee, with any remaining interest being recognised at fair value as if reacquired. Previously such transactions were treated as partial disposals.

  Consistent with the transitional provisions in IFRS 3 and IAS 27, these new accounting policies will be applied prospectively to transactions in current or future periods and therefore previous periods have not been restated.

Other changes in accounting policies which are relevant to the Group's financial statements are as follows:

• As a result of the amendments to IAS 27, as from 1 January 2010 any losses incurred by a non-wholly owned subsidiary will be allocated between the controlling and non-controlling interests in proportion to their interests in that entity, even if this results in a deficit balance within consolidated equity being attributed to the non-controlling interests. Previously, if the allocation of losses to the non-controlling interests would have resulted in a deficit balance, the losses were only allocated to the non-controlling interests if the non-controlling interests were under a binding obligation to make good the losses. In accordance with the transitional provisions in IAS 27, this new accounting policy is being applied prospectively and therefore previous periods have not been restated.

4. SEGMENT REPORTING

The Group's turnover and operating results are entirely generated from the manufacturing and sales of high precision copper plates and strips products, trading of raw materials and the provision of processing services. In accordance with IFRS 8, segment information disclosed in the consolidated financial statements has been prepared in a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purpose of resource allocation and performance assessment. The Group's most senior executive management have identified the following three reportable segments.

- Sales of copper products: this segment reports sales of high precision copper plates and strip products.

- Trading of raw materials: this segment reports trading of raw materials.

- Processing services: this segment reports provision of processing services to customers who provide raw materials to the Group for processing.

(a) Segment results

In accordance with IFRS 8, segment information disclosed in the financial statements has been prepared in a manner consistent with the information used by the Group's most senior executive management for the purpose of assessing segment performance and allocating resources between segments. In this regard, the Group's senior executive management monitors the results attributable to each reportable segment on the following bases:

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

The measure used for reporting segment profit is gross profit. To arrive at reporting segment profit, the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as distribution expenses, corporate administrative and other operating expenses.

The Group's senior executive management are of the view that the Group's assets and liabilities are jointly used and shared by these three segments, the allocation would be arbitrary and not understandable, and accordingly, no analysis on segment assets and liabilities is provided.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purpose of resource allocation and assessment of segment performance for the year is set out as follows:

For the year ended 31 December 2010:

	Sales of copper products *RMB'000*	**Trading of raw materials** *RMB'000*	**Processing services** *RMB'000*	**Total** *RMB'000*
Turnover from external customers	**2,451,944**	**323,889**	**118,215**	**2,894,048**
Inter-segment turnover	**2,196,659**	**1,995,640**	**13,005**	**4,205,304**
Reportable segment turnover	**4,648,603**	**2,319,529**	**131,220**	**7,099,352**
Reportable segment profit	**180,841**	**4,510**	**41,257**	**226,608**

For the year ended 31 December 2009:

	Sales of copper products *RMB'000*	Trading of raw materials *RMB'000*	Processing services *RMB'000*	Total *RMB'000*
Turnover from external customers	1,465,324	247,796	82,064	1,795,184
Inter-segment turnover	654,492	510,167	5,888	1,170,547
Reportable segment turnover	2,119,816	757,963	87,952	2,965,731
Reportable segment profit	157,326	2,762	26,849	186,937

(b) Reconciliation of reportable segment turnover and profit

	2010 *RMB'000*	2009 *RMB'000*
Turnover		
Reportable segment turnover	**7,099,352**	2,965,731
Elimination of inter-segment turnover	**(4,205,304)**	(1,170,547)
Consolidated turnover	**2,894,048**	1,795,184

	2010 *RMB'000*	2009 *RMB'000*
Profit		
Reportable segment profit	**226,608**	186,937
Distribution expenses	**(19,505)**	(12,533)
Administrative expenses	**(59,249)**	(55,387)
Other operating income net of expenses	**14,494**	78,556
Net finance costs	**(26,400)**	(16,391)
Share of loss of a jointly controlled entity	**(2,053)**	(79)
Consolidated profit before taxation	**133,895**	181,103

(c) Geographic information

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

	2010 *RMB'000*	2009 *RMB'000*
Turnover		
PRC	**2,471,926**	1,517,519
Others	**422,122**	277,665
	2,894,048	1,795,184

5. OTHER OPERATING INCOME

	2010	2009
	RMB'000	*RMB'000*
Government grants	**84,587**	68,178
Gain on derivative financial instruments	**–**	12,297
Gain on disposal of property, plant and equipment	**–**	90
Others	**366**	690
	84,953	81,255

The Group was awarded unconditional government grants of RMB84,587,000 and RMB68,178,000 during 2010 and 2009 respectively as a recognition of the Group's contribution to the development of the local industry.

6. OTHER OPERATING EXPENSES

	2010	2009
	RMB'000	*RMB'000*
Donation	**133**	157
Water conservancy fund	**5,353**	2,016
Loss on disposal of property, plant and equipment	**582**	–
Loss on derivative financial instruments	**63,830**	–
Others	**561**	526
	70,459	2,699

7. NET FINANCE COSTS

	2010	2009
	RMB'000	*RMB'000*
Interest expenses	**37,659**	24,066
Net foreign exchange loss	**99**	16
Bank charges	**4,334**	2,514
Finance expenses	**42,092**	26,596
Interest income on bank deposits	**(4,957)**	(2,347)
Interest income on loans to a third party	**(4,774)**	–
Interest income on investment in trading securities	**(1,742)**	(1,751)
Net change in fair value of trading securities	**(4,219)**	(6,107)
Finance income	**(15,692)**	(10,205)
Net finance costs	**26,400**	16,391

8. INCOME TAX

(a) Income tax in the consolidated income statement represents:

	2010	2009
	RMB'000	*RMB'000*
Current tax expense		
Provision for PRC income tax	**31,092**	18,333
Deferred tax		
Reversal and originating of temporary differences	**4,176**	10,415
	35,268	28,748

(i) 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.

(ii) 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.

(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.

Pursuant to the income tax rules and regulations of the PRC ("FEIT Law"), Ningbo Xingye Shengtai Electronic Metal Materials Co., Ltd. ("Shengtai") is entitled to a tax holiday of a tax-free period for two years from its first profit-making year of operations and thereafter, it is subject to PRC enterprise income tax at 50% of the applicable income tax rate for the following three years ("Tax Holidays"). In 2010, Shengtai was in the fifth year of the Tax Holidays 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%.

(iv) 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. 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.

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

	2010	2009
	RMB'000	*RMB'000*
Profit before taxation	**133,895**	181,103
Computed using the Group's PRC subsidiaries applicable tax rates	**27,515**	24,312
Current year losses for which no deferred tax asset was recognised	**1,594**	548
Non-deductible expenses/(non-taxable income)	**59**	(720)
Withholding tax on profits retained by PRC subsidiaries	**6,100**	4,608
Income tax	**35,268**	28,748

(c) Income tax payables/(tax recoverable) in the consolidated statement of financial position represents:

	2010	2009
	RMB'000	*RMB'000*
Balance at beginning of the year	**5,463**	(14,710)
Provision for income tax for the year	**31,092**	18,333
Income tax (paid)/received during the year	**(25,461)**	1,840
Balance at the end of the year	**11,094**	5,463

9. BASIC AND DILUTED EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to the equity shareholders of ordinary shares of RMB98,690,000 (2009: RMB152,355,000) and the weighted average of 655,037,101 (2009: 625,781,285) ordinary shares in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2010	2009
	Number of shares	Number of shares
Ordinary shares issued at 1 January	**632,274,800**	622,500,000
Effect of share option exercised	**4,755,562**	3,279,203
Effect of warrants exercised	**18,006,739**	2,082
Weighted average number of ordinary shares at 31 December	**655,037,101**	625,781,285

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company of RMB98,690,000 (2009: RMB152,355,000) and the weighted average number of 694,031,962 (2009: 637,518,150) ordinary shares (diluted).

Weighted average number of ordinary shares (diluted) for the year ended 31 December 2010 is calculated as follows:

	2010 Number of shares	2009 Number of shares
Weighted average number of ordinary shares at 31 December	**655,037,101**	625,781,285
Effect of deemed issue of shares option	**2,237,878**	283,837
Effect of deemed issue of warrants	**36,756,983**	11,453,028
Weighted average number of ordinary shares at 31 December (diluted)	**694,031,962**	637,518,150

10. DIVIDENDS

Dividends payable to equity shareholders of the Company attributable to the year

	2010 *RMB'000*	2009 *RMB'000*
Interim dividend declared and paid of HKD5 cents per share (2009: Nil)	**28,283**	–
Final dividend proposed after the reporting date of HKD5 cents per share (2009: HKD10 cents per share)	**28,269**	58,029
	56,552	58,029

The final dividend proposed after the reporting date has not been recognised as a liability at the reporting date.

11. TRADE AND OTHER RECEIVABLES

	2010 *RMB'000*	2009 *RMB'000*
Trade and bill receivables	**277,090**	181,807
Non-trade receivables	**162,134**	38,668
Prepayments	**113,281**	28,492
Amount due from a related party	**9,531**	1,292
	562,036	250,259

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

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

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

	2010 *RMB'000*	2009 *RMB'000*
Within 3 months	**228,324**	149,409
Over 3 months but less than 6 months	**48,528**	32,398
Over 6 months but less than 1 year	**238**	–
	277,090	181,807

12. TRADE AND OTHER PAYABLES

	2010 *RMB'000*	2009 *RMB'000*
Trade and bill payables	**188,376**	78,647
Non-trade payables and accrued expenses	**91,879**	56,531
Payable due to a related party	**–**	2,847
	280,255	138,025

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

	2010 *RMB'000*	2009 *RMB'000*
Within 3 months	**169,438**	53,735
Over 3 months but less than 6 months	**16,351**	21,486
Over 6 months but less than 1 year	**1,769**	1,180
Over 1 year but less than 2 years	**526**	2,148
Over 2 years	**292**	98
	188,376	78,647

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue and gross profit

The Group's revenue was derived from sales of high precision copper plates and strips, processing services and trading of raw materials which accounted for 84.7%, 4.1% and 11.2% of the total revenue for the year ended 31 December 2010, respectively. The Group's revenue for the year under review increased by 61.2% to RMB2,894.0 million as compared to the prior year was mainly due to increase in the sales volume and increase in market price of copper. The volume of sales and processing services for high precision copper plates and strips had increased by 25.5% and 44.0% to 45,415 tonnes and 22,234 tonnes compared to prior year, respectively, with strong demand in the market.

The average gross profit per ton of sales of high precision copper plates and strips decreased from RMB4,350 in 2009 to RMB4,000 in 2010, which is due to the provision for diminution in value of inventories of RMB79.7 million provided in 2008 and utilised and reversed in 2009. If such provision for diminution in value of inventories was excluded, the average gross profit per ton of sales of high precision copper plates and strips were increased from RMB2,140 in 2009 to RMB4,000 in 2010. Such increase was mainly attributable to increase in market price of raw materials.

The average gross profit per ton of processing services slightly increased from RMB1,740 in 2009 to RMB1,860 in 2010. There was no material fluctuation in the average gross profit per ton of processing services in 2009 and 2010.

The revenue generated from trading accounted for 11.2% of the Group's revenue for the year under review with gross profit of RMB4.5 million (2009: RMB2.8 million).

Other operating income

The Group's other operating income increased by 4.6% to RMB85.0 million in 2010 from RMB81.3 million in the prior year. During the year under review, the Group recorded a value-added tax refund of RMB78.5 million (2009: RMB59.5 million) recorded benefiting from renewable resource recycling and utilization of related value-added tax policy with effect from 1 January 2009 and expired at 31 December 2010. For the purpose of taking the advantage of such policy, the Group increased the purchase of scrap copper for reserve in second half of 2010. The Group recorded a gain of RMB12.3 million (2010: a loss of RMB63.8 million) from hedging activities involving copper futures contracts.

Distribution expenses

Consistent with the prior year, the Group's distribution expenses represented 0.7% of the Group's revenue.

Administrative expenses

During the year, the Group's administrative expenses were approximately RMB59.2 million, representing an increase of approximately 7.0% from RMB55.4 million in the prior year. This increase was primarily attributed to the increase in staff costs and office expenses.

Other operating expenses

The Group's other operating expenses increased from RMB2.7 million in the previous year to RMB70.5 million in 2010, which was primarily attributed to the loss on the copper futures contracts of RMB63.8 million recognized in the year under review (2009: a gain RMB12.3 million). As part of the business operation, the Group entered into copper future contracts to hedge its exposure against copper price fluctuation of raw materials. Because of the changes of the business environment, the inventories increased largely in the second half of 2010, leading to the increase of futures contracts used for hedging. As the price of copper surged substantially, a loss was recorded for the copper futures contracts, while profits to be derived from our inventories would only be realised upon actual sales of copper products is made. The increase in inventories and futures contracts was mainly attributable to (1) change in scrap metal materials recycling policy. The previous policy on scrap metal materials recycling was expired on 31 December 2010. For the purpose of taking the advantage of the previous policy which was more preferential than the one implemented in 2011, the Group contemporarily enlarged its purchase for reserve; and (2) the Group conducted a 25-day repair and maintenance for walking beam furnace during the 2011 Spring Festival. In order not to impact the delivery of order in February 2011, the inventory related to the production of semi-finished products should be carried out during January 2011, the purchase volume at the end of 2010 was therefore increased.

Of the RMB63.8 million loss on futures contracts recognized in 2010, RMB34.5 million was unrealized loss incurred in respect of inventories designated as hedged items as at 31 December 2010. The profits embedded in the Group's physical inventories would only be realized subsequent to 31 December 2010 when the actual sale of the Group's copper products is made.

Net finance costs

The Group's net finance costs increased by 61.1% to RMB26.4 million in 2010 from RMB16.4 million in the prior year. The increase in the financial costs was primarily due to increase in interest expense of RMB13.6 million as a result of increase in bank borrowings and discounted bills and bank charges of RMB1.8 million, which were partially offset by increase in interest income of RMB7.4 million generated from a loan of RMB100 million advanced to a third party and pledged deposits for issuing bills.

Income tax

The corporation income tax expenses increased by 22.7% to RMB35.3 million in 2010 from RMB28.7 million in 2009 and the effective tax rate increased to 26.3% in 2010 from 15.9% in 2009. Such increase was due to (i) increase in profit generated by Ningbo Xingtong Metal Materials Co., Ltd. and Yingtan Xingye Electronic Metal Materials Co., Ltd., which were subject to full tax charge; whereas the Group's profit for the corresponding period of last year was mainly generated by Ningbo Xingye Shengtai Electronic Metal Materials Co., Ltd. which enjoyed a 50% tax reduction and (ii) non-deductible loss of RMB43 million on the copper futures contracts recoded by Xingye Copper Capital Limited.

Profit attributable to equity shareholders of the Company

As a result of the factors mentioned above, the Group's profit attributable to equity shareholders of the Company for 2010 decreased by 35.2% to RMB98.7 million from RMB152.4 million for the previous year.

Liquidity and financial resources

The working capital of the Group during the year under review was primarily satisfied by the Group's operating cash flows and bank borrowings.

The Group's net cash used in operating activities increased from RMB44.2 million for 2009 to RMB248.6 million for 2010. This was mainly due to the increase in inventories and trade and other receivables, which was partially offset by increase in trade and other payables. The Group's net cash used in investing activities decreased from RMB61.6 million for 2009 to RMB59.0 million for 2010. There was no significant change in the net cash used in investing activities. The Group's net cash generated from financing activities increased from RMB96.7 million for 2009 to RMB266.4 million for 2010. This was mainly due to the increase in net proceeds from issuance of shares and interest-bearing borrowings, which was partially offset by increase in pledged deposits and dividend paid.

As at 31 December 2010, the Group had outstanding bank loans and other borrowings of approximately RMB1,001.4 million, of which approximately RMB997.4 million shall be repaid within 1 year and approximately RMB4.0 million shall be repaid over 2 years. As at 31 December 2010, 28.4% of the Group's debts were on secured basis.

The gearing ratio as at 31 December 2010 was 50.4% (31 December 2009: 45.0%), which is calculated by dividing the total borrowings by the total assets.

Charge on assets

As at 31 December 2010, the Group pledged assets with an aggregate carrying value of RMB427.2 million (31 December 2009: RMB259.7 million) to secure bank loan facilities of the Group.

Capital expenditure

For the year ended 31 December 2010, the Group had invested RMB59.4 million for the purchase of property, plant and equipment. These capital expenditures were fully financed by internal resources and net proceeds from shares issuance.

Capital commitments

As at 31 December 2010, the future capital expenditures, for which the Group had authorised but not contracted for and contracted but not provided for, amounted to approximately RMB44.0 million and RMB11.8 million, respectively.

Contingent liabilities

As at 31 December 2010, the Group did not have any significant contingent liabilities.

Use of net proceeds from the issue of new shares

The net proceeds from the issue of new shares from the initial public offering of the shares of the Company in December 2007 amounted to approximately RMB221.4 million. Part of the net proceeds was applied as follows:

	Planned Amount	amount utilised up to 31 December 2010	Balance as at 31 December 2010
	RMB'million	*RMB'million*	*RMB'million*
Expand production capacity	119.4	110.4	9.0
Develop large-scale production of new products	29.6	25.1	4.5
Research and development	12.6	10.2	2.4
General working capital purposes	59.8	59.8	–
	221.4	205.5	15.9

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

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, please refer to 2010 Annual report for details.

Employees

As at 31 December 2010, the Group had 1,167 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 training 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 view of the recovery of global and the PRC's economy in 2010, it is expected that the uptrend of demands for copper and copper products will continue in 2011.

The Group will enhance its strength by "standardising management, breeding talents, expanding investments and innovating developments".

With the goal to improve the quality of its current six series of product, the Group plans to achieve quality standards of international high-end products. By resources integration, channels development and market strategies, the Group will continue to expand trading of plates, strips and materials and to expand trading of other materials. With the plan for industry development, the Group will expand the areas of galvanised strips, shaped strips, copper used in automobiles, strip and foil and broad strips actively, to achieve extension of industry chain.

While implementing the above plans, and with the aim to increase its market capitalisation, the Group will conduct capital operations and industry facilities effectively, and expand both upstream and downstream products actively, and at the same time, by capturing the opportunities of mergers and acquisitions in the industry, to seek business opportunities and to promote its core strategies, so as to maintain the Group's rapid development and strength improvement.

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 2010.

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 for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (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 2010.

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 2010.

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 five independent non-executive Directors, namely, Mr. He Changming, Mr. Cui Ming, Mr. Xie Shuisheng, Mr. Chai Chaoming and Ms. Li Li. The audit committee has reviewed the audited financial statements for the year ended 31 December 2010 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 2010, which is expected to be payable on or about 20 May 2011 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 12 May 2011.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 9 May 2011 to 12 May 2011, both days inclusive, during which period no transfer of Shares will be registered. In order to qualify for the proposed final dividend and 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 6 May 2011.

PUBLICATION OF 2010 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 2010 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, 18 March 2011

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. HE Changming, Mr. CUI Ming, Mr. XIE Shuisheng, Mr. CHAI Chaoming and Ms. LI Li..