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

Interim Report **2008**

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. HU Changyuan *(Chairman)*
Mr. CHEN Jianhua
(Deputy Chairman and General Manager)
Mr. WANG Jianli
Mr. MA Wanjun

Non-Executive Director

Ms. YU Yuesu

Independent Non-Executive Directors

Mr. CUI Ming
Mr. XIE Shuisheng
Ms. LI Li

Audit Committee

Ms. LI Li *(Chairman)*
Mr. CUI Ming
Mr. XIE Shuisheng

Remuneration Committee

Mr. CUI Ming *(Chairman)*
Ms. LI Li
Mr. WANG Jianli

Nomination Committee

Mr. XIE Shuisheng *(Chairman)*
Mr. CUI Ming
Mr. CHEN Jianhua

QUALIFIED ACCOUNTANT

Mr. CHAN Chung Kik, Lewis *CPA*

COMPANY SECRETARY

Ms. NGAN Chui Wan

AUTHORISED REPRESENTATIVES

Mr. WANG Jianli
Mr. CHAN Chung Kik, Lewis

PRINCIPAL LEGAL ADVISORS

Hong Kong

DLA Piper Hong Kong
Woo, Kwan, Lee & Lo

Cayman Islands

Conyers Dill & Pearman, Cayman

AUDITORS

KPMG, *Certified Public Accountants*

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS

Hong Kong

Flat 11, 11/F
Hung Tai Industrial Building
37-39 Hung To Road, Kwun Tong
Kowloon

PRC

Nos. 2-9, Jin Xi Road
Hangzhou Bay Development Zone
Cixi City
Ningbo City, Zhejiang Province
315336, PRC

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 705
Grand Cayman KY1-1107
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
26/F, Tesbury Centre
28 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Agricultural Bank of China
China Construction Bank

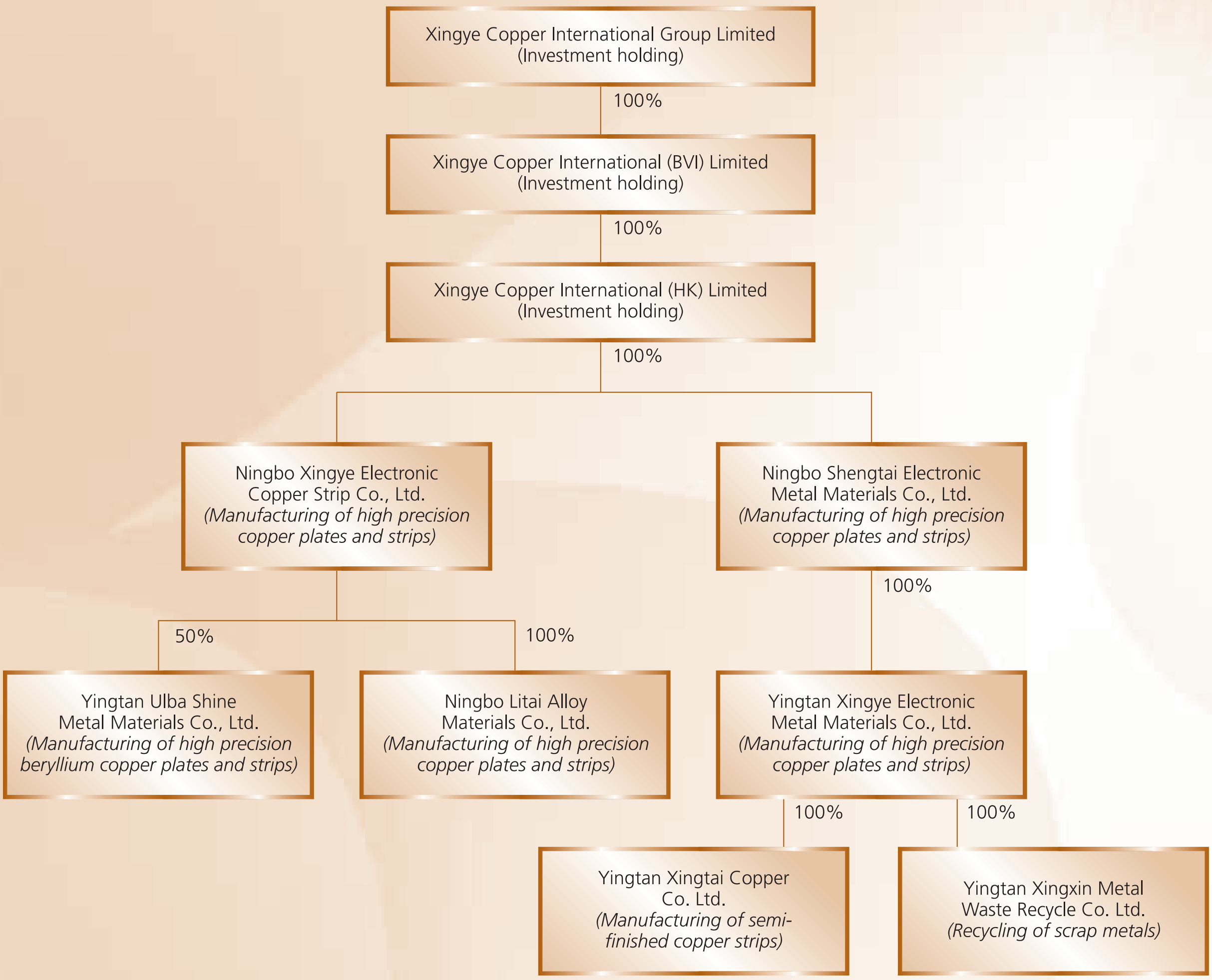
COMPANY WEBSITE

www.xingyecopper.com

STOCK CODE

00505

Corporate Structure



Auditors' Report

REVIEW REPORT TO THE BOARD OF DIRECTORS OF XINGYE COPPER INTERNATIONAL GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial report set out on pages 5 to 21 which comprises the consolidated balance sheet of Xingye Copper International Group Limited (the "Company") and its subsidiaries (the "Group") as of 30 June 2008 and the related consolidated income statement, consolidated statement of changes in equity and condensed consolidated cash flows statement for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2008 is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim financial reporting".

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

11 September 2008

Consolidated Income Statement

For the six months ended 30 June 2008 (unaudited)

	Note	Six months ended 30 June 2008 RMB'000	2007 RMB'000
Turnover	3	**1,081,696**	868,196
Cost of sales		**(962,390)**	(757,104)
Gross profit		**119,306**	111,092
Other income		**8,403**	1,077
Distribution expenses		**(7,064)**	(3,504)
Administrative expenses		**(25,613)**	(11,488)
Other expenses		**(4,173)**	(1,627)
Result from operating activities		**90,859**	95,550
Finance income		**9,567**	1,258
Finance expenses		**(19,779)**	(15,334)
Net finance costs	*4(i)*	**(10,212)**	(14,076)
Share of loss of a jointly controlled entity		**(502)**	–
Profit before income tax		**80,145**	81,474
Income tax	5	**(17,941)**	(5,149)
Profit for the period – attributable to the equity shareholders of the Company		**62,204**	76,325
Dividends payable to equity shareholders of the Company attributable to the period			
– Dividend declared during the period	6	**39,218**	30,680
– Interim dividend proposed after the balance sheet date	6	**27,318**	–
Earnings per share			
– Basic earnings per share *(RMB)*	*7(a)*	**0.100**	0.17
– Diluted earnings per share *(RMB)*	*7(b)*	**0.099**	N/A

The notes on pages 10 to 21 form part of these unaudited interim financial statements.

Consolidated Balance Sheet

As at 30 June 2008 (unaudited)

	Note	At 30 June 2008 RMB'000	At 31 December 2007 RMB'000
Non-current assets			
Property, plant and equipment	8	**487,636**	477,897
Lease prepayments		**14,730**	14,885
Interest in a jointly controlled entity	9	**21,632**	–
		523,998	492,782
Current assets			
Inventories	10	**321,817**	279,282
Trade and other receivables	11	**354,588**	299,402
Deposits with banks	12	**179,012**	19,710
Cash and cash equivalents		**74,558**	227,927
		929,975	826,321
Current liabilities			
Interest-bearing borrowings	13	**541,702**	526,411
Derivative financial instruments		**573**	946
Trade and other payables	15	**200,510**	139,268
Income tax payables		**9,586**	2,484
		752,371	669,109
Net current assets		**177,604**	157,212
Total assets less current liabilities		**701,602**	649,994
Non-current liabilities			
Interest-bearing borrowings	13	**104,000**	104,000
Deferred tax liabilities		**9,968**	8,013
		113,968	112,013
Net assets		**587,634**	537,981

The notes on pages 10 to 21 form part of these unaudited interim financial statements.

Consolidated Balance Sheet (continued)

As at 30 June 2008 (unaudited)

	Note	**At 30 June 2008** **RMB'000**	At 31 December 2007 RMB'000
Capital and reserves			
Share capital	16	**58,268**	56,172
Reserves	16	**529,366**	481,809
Total equity attributable to equity holders of the Company		**587,634**	537,981
Total equity		**587,634**	537,981

Approved and authorised for issue by the board of directors on 11 September 2008.

Hu Changyuan
Chairman

Chen Jianhua
Deputy Chairman and General Manager

The notes on pages 10 to 21 form part of these unaudited interim financial statements.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2008 (unaudited)

	Attributable to equity holders of the Company								
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	PRC statutory reserve RMB'000	Translation reserve RMB'000	Share-based compensation reserve RMB'000 (16b(ii))	Retained earnings RMB'000	Minority interests RMB'000	Total RMB'000
At 1 January 2007	–	–	248,656	20,322	–	–	63,096	500	332,574
Profit for the period	–	–	–	–	–	–	76,325	–	76,325
Total recognised income and expense	–	–	–	–	–	–	76,325	–	76,325
Acquisition of minority interests	–	–	–	–	–	–	–	(500)	(500)
Dividend approved and paid during the period	–	–	–	–	–	–	(30,680)	–	(30,680)
At 30 June 2007	–	–	248,656	20,322	–	–	108,741	–	377,719
At 1 January 2008	56,172	133,904	259,726	19,484	(577)	–	69,272	–	537,981
Exchange differences on translating foreign operations	–	–	–	–	(8,520)	–	–	–	(8,520)
Total income and expense recognised directly in equity	–	–	–	–	(8,520)	–	–	–	(8,520)
Profit for the period	–	–	–	–	–	–	62,204	–	62,204
Total recognised income and expense	–	–	–	–	–	–	62,204	–	62,204
Issuance of shares under the over-allotment option related to the placement *(16a, 16b(i))*	2,096	33,530	–	–	–	–	–	–	35,626
Share issuance expenses	–	(4,305)	–	–	–	–	–	–	(4,305)
Equity settled share-based payments	–	–	–	–	–	3,866	–	–	3,866
Dividend approved and paid during the period	–	–	–	–	–	–	(39,218)	–	(39,218)
At 30 June 2008	58,268	163,129	259,726	19,484	(9,097)	3,866	92,258	–	587,634

The notes on pages 10 to 21 form part of these unaudited interim financial statements.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2008 (unaudited)

	Six months ended 30 June	
	2008	2007
	RMB'000	*RMB'000*
Net cash generated from operating activities	**48,651**	60,945
Net cash used in investing activities	**(123,312)**	(13,742)
Net cash used in financing activities	**(78,708)**	(54,391)
Net decrease in cash and cash equivalents	**(153,369)**	(7,188)
Cash and cash equivalents at 1 January	**227,927**	37,688
Cash and cash equivalents at 30 June	**74,558**	30,500

The notes on pages 10 to 21 form part of these unaudited interim financial statements.

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.

The Group is regarded as a continuing entity resulting from the Reorganisation of entities under common control. The interim financial report has been prepared on the basis that the Company was the holding company of the Group for both periods 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 six months ended 30 June 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 the date that common control was established as if the current group structure had been in existence throughout the two periods presented. The consolidated balance sheets as at 30 June 2007 and 30 June 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.

2. BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange, including compliance with International Accounting Standard ("IAS") 34 "Interim financial reporting" adopted by the International Accounting Standards Board.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2007 annual financial statements.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2007 annual financial statements. The interim financial report does not include all of the information required for full annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs"), and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2007.

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity" issued by the Hong Kong Institute of Certified Public Accountants. KPMG's review report to the Board of Directors is included on page 4.

Notes to the Financial Statements

2. BASIS OF PREPARATION (continued)

The financial information relating to the financial year ended 31 December 2007 included in the interim financial report does not constitute the Group's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2007 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 17 April 2008. The 2007 annual financial statements have been prepared in accordance with IFRSs.

3. 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.

	Six months ended 30 June	
	2008	2007
	RMB'000	*RMB'000*
Turnover		
Sales of goods	**1,023,110**	811,113
Processing services	**58,586**	57,083
	1,081,696	868,196
Segment result		
Sales of goods	**101,658**	94,502
Processing services	**17,648**	16,590
	119,306	111,092
Unallocated operating expenses net-off income	**(28,447)**	(15,542)
Result from operating activities	**90,859**	95,550
Share of loss of a jointly controlled entity	**(502)**	–
Net finance costs	**(10,212)**	(14,076)
Income tax expense	**(17,941)**	(5,149)
Profit for the period	**62,204**	76,325

Notes to the Financial Statements

3. SEGMENT REPORTING (continued)

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.

	Six months ended 30 June	
	2008	2007
	RMB'000	*RMB'000*
Turnover		
The PRC	**798,253**	727,567
Overseas	**283,443**	140,629
	1,081,696	868,196

4. PROFIT BEFORE INCOME TAX

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

(i) Net finance costs

	Six months ended 30 June	
	2008	2007
	RMB'000	*RMB'000*
Interest expense	**18,688**	15,596
Bank charges	**1,091**	448
Net foreign exchange gain	**(6,556)**	(710)
Interest income	**(3,011)**	(1,258)
	10,212	14,076

(ii) Other items

	Six months ended 30 June	
	2008	2007
	RMB'000	*RMB'000*
Cost of inventories	**962,390**	757,104
Depreciation	**15,350**	15,916
Amortisation of lease prepayments	**155**	148

Notes to the Financial Statements

5. INCOME TAX

Income tax expense in the consolidated income statement represents:

	Six months ended 30 June	
	2008	2007
	RMB'000	*RMB'000*
Current tax expense		
Provision for PRC income tax	**15,986**	4,753
Deferred tax		
Origination of temporary differences	**1,955**	396
	17,941	5,149

(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 does not have assessable profits subject to Hong Kong Profits Tax for the six months ended 30 June 2008.

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

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, the Group's certain subsidiaries in the PRC will continue to enjoy tax holiday of tax-exemption for two years followed by 50% reduction on the applicable income tax rate for three years that were previously granted prior to the enactment of the New Tax Law, and thereafter they are 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. As at 30 June 2008, temporary differences relating to the undistributed profits of PRC subsidiaries amounted to RMB66,006,000 approximately (31 December 2007: nil). Deferred tax liabilities of RMB3,300,000 (31 December 2007: nil) have not been recognized in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined by the directors that it is not probable that profits will be distributed in the foreseeable future.

Notes to the Financial Statements

6. DIVIDENDS

Dividends payable to equity holders of the Company attributable to the period:

	Six months ended 30 June	
	2008	2007
	RMB'000	*RMB'000*
Dividend declared and paid during the period	**39,218**	30,680
Interim dividend proposed after balance sheet date of HK5.0 cents (equivalent to RMB4.4 cents) per share	**27,318**	–
	66,536	30,680

Dividends presented for the six months ended 30 June 2007 represent dividends declared by the subsidiaries to the then equity holders of the Company before the Reorganisation.

The interim dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date. The calculation of interim dividend per share is based on 622,500,000 ordinary shares in issue as at the date of dividend declaration.

7. BASIC AND DILUTED EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2008 is based on the profit attributable to the equity shareholders of the Company of RMB62,204,000 (six months ended 30 June 2007: RMB76,325,000) and the weighted average number of 621,263,736 (at 30 June 2007: 450,000,000) ordinary shares in issue during the period.

The weighted average number of shares in issue during the six months ended 30 June 2007 represents the 450,000,000 shares in issue before the listing of the Company's shares on the Stock Exchange, as if such shares had been outstanding during the above entire period.

(b) Diluted earnings per share

The calculation of diluted earnings per share for the six months ended 30 June 2008 is based on profit attributable to equity shareholders of the Company of RMB62,204,000 and the weighted average number of 629,696,894 ordinary shares (diluted). Diluted earnings per share for the six months ended 30 June 2007 is not presented as there were no dilutive potential ordinary shares in existence during that period.

Notes to the Financial Statements

8. PROPERTY, PLANT AND EQUIPMENT

	At 30 June 2008 RMB'000	At 31 December 2007 RMB'000
Cost:		
Balance at 1 January	**610,617**	582,173
Acquisitions for the period/year	**25,089**	28,444
Balance at 30 June/31 December	**635,706**	610,617
Depreciation:		
Balance at 1 January	**(132,720)**	(103,465)
Depreciation charge for the period/year	**(15,350)**	(29,255)
Balance at 30 June/31 December	**(148,070)**	(132,720)
Net book value:		
At 30 June/31 December	**487,636**	477,897

9. INTERESTS IN A JOINTLY CONTROLLED ENTITY

	At 30 June 2008 RMB'000	At 31 December 2007 RMB'000
Share of net assets	**21,632**	–

The Group's interests in a jointly controlled entity, namely Yingtan Ulba Shine Metal Materials Co., Ltd. ("Yingtan Ulba"), are accounted for under the equity method.

10. INVENTORIES

	At 30 June 2008 RMB'000	At 31 December 2007 RMB'000
Raw materials	**75,227**	83,517
Work in progress	**196,330**	153,352
Finished goods	**47,995**	39,937
Others	**2,265**	2,476
	321,817	279,282

Notes to the Financial Statements

11. TRADE AND OTHER RECEIVABLES

	At 30 June 2008 RMB'000	At 31 December 2007 RMB'000
Trade and bill receivables	296,716	218,477
Non-trade receivables	14,979	17,375
Prepayments	42,893	63,550
	354,588	299,402

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 of the Group is as follows:

	At 30 June 2008 RMB'000	At 31 December 2007 RMB'000
Within 3 months	289,138	217,077
Over 3 months but less than 6 months	7,578	809
Over 6 months but less than 1 year	–	381
Over 1 year but less than 2 years	–	199
Over 2 years	–	11
	296,716	218,477

12. DEPOSITS WITH BANKS

Deposits with banks can be analysed as follows:

	At 30 June 2008 RMB'000	At 31 December 2007 RMB'000
Guarantee deposits for issuance of commercial bills and banking facilities	101,012	19,710
Deposits with banks over three months of maturity	78,000	–
	179,012	19,710

Notes to the Financial Statements

13. INTEREST-BEARING BORROWINGS

	At 30 June 2008 RMB'000	At 31 December 2007 RMB'000
Current		
Secured bank loans	**267,000**	203,200
Unsecured bank loans	**49,077**	192,211
Other borrowings from a related party	**21,800**	–
Bank advances under discounted bills	**203,825**	131,000
	541,702	526,411
Non-current		
Secured bank and other loans	**104,000**	104,000
	104,000	104,000
	645,702	630,411

(i) The secured bank and other loans as of 30 June 2008 carried interest rate ranging from 5.91% to 8.22% (31 December 2007: 6.21% to 8.22%) per annum and were secured by the following assets:

	At 30 June 2008 RMB'000	At 31 December 2007 RMB'000
Carrying amounts of assets:		
Inventories	**256,600**	256,600
Property, plant and equipment	**162,983**	125,144
Lease prepayments	**6,949**	7,024
Pledged deposit	**86,000**	–

(ii) Unsecured bank loans as of 30 June 2008 carried interest rate ranging from 6.02% to 8.69% (31 December 2007: 5.69% to 7.88%) per annum.

Notes to the Financial Statements

13. INTEREST-BEARING BORROWINGS (continued)

(iii) The Group's non-current bank and other loans were repayable as follows:

	At 30 June 2008 *RMB'000*	At 31 December 2007 *RMB'000*
Over 1 year but less than 2 years	**100,000**	100,000
Over 2 years	**4,000**	4,000
	104,000	104,000

(iv) The Group's discounted bills with recourse have been accounted for as collateralised bank advances. The discounted bill receivable and the related proceeds of the same amount are included in the Group's "Bills receivable" and "Bank advances under discounted bills" as at the balance sheet date.

14. EQUITY-SETTLED SHARE BASED PAYMENTS

(a) Pre-IPO Share Option Scheme

Pursuant to the shareholders' written resolution passed on 1 December 2007, the Company adopted a Pre-IPO Share Option Scheme ("the Pre-IPO Option") whereby four directors, eight senior management and 21 employees of the Company were given the rights to subscribe for shares of the Company. The subscription price pre share pursuant to the Pre-IPO Option is a 30% discount to the global offering price.

The total number of shares which may be issued upon the exercise of all options granted under the Pre-IPO Option is 18,000,000 shares which were fully granted on 1 December 2007. No further options would be granted under the Pre-IPO Option on or after the date of listing of the Company on the Stock Exchange ("Listing Date").

Each option granted under the Pre-IPO Option has a vesting period of one year commencing from the Listing Date and the options are exercisable for a period of three years. The Group has no legal or constructive obligation to repurchase or settle the option in cash.

Notes to the Financial Statements

14. EQUITY-SETTLED SHARE BASED PAYMENTS (continued)

(b) Share Option Scheme

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

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

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

No share option has been granted under the Share Option Scheme during the period.

15. TRADE AND OTHER PAYABLES

	At 30 June 2008 *RMB'000*	At 31 December 2007 *RMB'000*
Trade and bill payables	**147,671**	63,858
Non-trade payables and accrued expenses	**52,839**	75,410
	200,510	139,268

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

	At 30 June 2008 *RMB'000*	At 31 December 2007 *RMB'000*
Within 3 months	**146,445**	57,592
Over 3 months but less than 6 months	**533**	5,805
Over 6 months but less than 1 year	**309**	2
Over 1 year but less than 2 years	**145**	147
Over 2 years	**239**	312
	147,671	63,858

Notes to the Financial Statements

16. CAPITAL AND RESERVES

(a) Share capital

On 10 January 2008, the underwriters of the International Placing ("the Placement") exercised the over-allotment option for the issuance of 22,500,000 ordinary shares of HKD0.10 each at HKD1.70 per share. The proceeds of HKD2,250,000 (equivalent to RMB2,095,650) representing the par value, were credited to the Company's share capital. The remaining proceeds of HKD36,000,000 (equivalent to RMB33,530,400), before the share issue expenses, were credited to the share premium account.

(b) Reserves

(i) Share premium

An additional 22,500,000 ordinary shares of HKD0.10 each in the Company were issued at HKD1.70 per share on 10 January 2008 pursuant to the over-allotment option related to the Placement. The excess of the proceeds totaling HKD36,000,000 (equivalent to RMB33,530,400) over the nominal value of the total number of ordinary shares issued, less certain listing costs of HKD4,828,600 (equivalent to RMB4,305,400) incurred in connection with the issue of share capital, amounting to HKD31,171,400 (equivalent to RMB29,225,000), was credited to the share premium of the Company.

(ii) Share-based compensation reserve

Share-based compensation reserve represents value of employee services in respect of share options granted under the Pre-IPO share option scheme as set out in note 14.

17. RELATED PARTY TRANSACTIONS

(a) Transactions with a jointly controlled entity of the Group

During the six months ended 30 June 2008, the Group has transactions with Yingtan Ulba, which is jointly controlled by the Group. Particulars of significant transactions between the Group and such related party during the period are as follows:

	Six months ended 30 June	
	2008	2007
	RMB'000	*RMB'000*
Interest-bearing borrowings provided by:		
Yingtan Ulba	**17,000**	–
Interest expense charged by:		
Yingtan Ulba	**122**	–

The borrowings from Yingtan Ulba carried interest rate at 6% per annum, which was determined with reference to prevailing market rate. The borrowings were unsecured and repayable on demand.

Notes to the Financial Statements

17. RELATED PARTY TRANSACTIONS (continued)

(b) Key management personnel remunerations

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

	Six months ended 30 June	
	2008	2007
	RMB'000	*RMB'000*
Short-term employee benefits	**1,883**	482
Post-employment benefits	**10**	10
Share-based payment	**1,482**	–
	3,375	492

(c) Contribution to defined contribution retirement plans

The Group participates in a defined contribution pension plan managed by PRC local government authorities for its employees employed in the PRC. The Group's contribution to these post-employment benefit plans amounted to RMB1,909,000 for the six months ended 30 June 2008 (six months ended 30 June 2007: RMB1,301,000). As at 30 June 2008 and 31 December 2007, there was no material outstanding contribution to post-employment benefit plans.

18. CAPITAL COMMITMENTS

Capital commitments outstanding at the respective period end not provided for in the consolidated financial statements were as follows:

	At 30 June	At 31 December
	2008	2007
	RMB'000	*RMB'000*
Authorised but not contracted for	**171,291**	221,000
Contracted for	**14,709**	324
	186,000	221,324

19. SUBSEQUENT EVENT

According to the board of directors resolution dated 11 September 2008, the Group declared an interim dividend of HKD31,125,000 (equivalent to RMB27,318,000) to shareholders.

Management Discussion and Analysis

PROSPECTS

Looking forward, under the background of "disequilibrium" between global demand and supply, copper price will remain at a high level as supported by historical low copper stock, swift change and rapid growth of China's economy and relevant industries, and reconstruction after snow and earthquake disaster took place in China in the first half of 2008. The increasing domestic copper demand will offset the slow-down demand in the United States. Copper price will linger at a high level unless global economy development is continue hindered by a severe decline of US economy as a result of sub-prime mortgage crisis. In addition, with more frequent and larger scaled merger and acquisition as well as restructuring taking place among global resource enterprises, it is more noticeable that global mineral resources tend to be dominated by few mining giants, which will exert a positive effect on metal prices in a long run. Therefore, it is expected that copper price will still be staying at high level for most of the time in remaining period of 2008 and in 2009.

The management of the Company considers, while the subprime mortgage problem in the US has extended to the main economies of the world and there was no sign of a thorough solution to the problem, the global economy will still lie in rigorous status in the second half of 2008. Thus, the speed of economic growth is expected to undergo a further drop. At the same time, under the further impact of the macro economy control of the PRC government, there is a sign of slowdown in the domestic economy. However, our management will continue to closely monitor the changes of the global economy and will maintain a conservative approach to strictly enforce our internal control such as budget control and will further strengthen the management procedure. In additional, the Group continues to maintain leading roles in its principal markets and to continue to enhance profitability. Going forward, the Group will seek to expand its offerings of high value added, high profit margin products in order to further improve operating performance.

FINANCIAL REVIEW

Revenues

The Group's revenue was mainly from sales of high precision copper plates and strips and processing services which accounted for 93.3% and 5.4% of the total revenue for the period under review, respectively, with the remaining revenue mainly generated from sales of scrap materials etc.

The Group's revenue for the period under review increased by 24.6% over the corresponding period of last year, as a result of both the increase in the Group's sales volume and average selling price.

Gross profit and gross profit margin

The gross profit for the six months ended 30 June 2008 is RMB119.3 million, representing an increase of 7.4% as compared with the RMB111.1 million recorded in the corresponding period of the last year. Overall gross profit margin for the period decreased from 12.8% to 11.0% as compared to corresponding period of last year. Despite the robust market demand of the Group's products, the Group suffered from the negative impact of raw materials costs, especially copper, during the period under review.

Despite the effect of increase in raw materials costs the average gross profit per tonne for the period under review is RMB4,400 (corresponding period of last year: RMB4,700).

Management Discussion and Analysis

Other operating income

The Group's other operating income increased by 680.2% to RMB8.4 million in the six months ended 30 June 2008 from RMB1.1 million in the corresponding period of last year. Such increase was mainly due to the increase in government grants and subsidies of RMB7.7 million for encouragement of the Group's development in the industry. During the period under review, government grants of RMB6.6 million (corresponding period of last year: Nil) were recorded by the Group's subsidiaries located in Yingtan for encouragement of enterprises making investment in that area. These subsidiaries commenced operation in second half of 2007.

Distribution expenses

The Group's distribution expenses increased by 101.6% to RMB7.1 million in the six months ended 30 June 2008 from RMB3.5 million in the corresponding period of last year. This was mainly due to the increase in transportation expenses as a result of the both increase in sales volume and the price of international crude oil.

Administrative expenses

The Group's administrative expenses increased by 123.0% to RMB25.6 million in the six months ended 30 June 2008 from RMB11.5 million in the corresponding period of last year. The increase in administrative expenses was mainly due to inclusion expenses of head office and subsidiaries which commenced operation in second half of 2007 and the fair value of options granted under Pre-IPO Share Option Scheme of RMB3.9 million.

Net finance costs

The Group's net finance costs decreased by 27.5% to RMB10.2 million in the six months ended 30 June 2008 from RMB14.1 million in the corresponding period of last year. This decrease was primarily due to an increase in interest expense of RMB3.1 million as a result of an increase in the loan interest rate and Group's borrowings and discounted bills, which were offset by an increase in net foreign exchange gain of RMB5.8 million and interest income of RMB1.8 million. The increase in net foreign exchange gain of RMB5.8 million was mainly arisen from exchange of loans of subsidiaries dominated in Hong Kong dollar into Renminbi. The increase in bank interest income of RMB1.8 million was due to an increase in bank deposits.

Taxation

The corporation income tax expenses increased by 284.4% to RMB17.9 million in the six months ended 30 June 2008 from RMB5.1 million in the corresponding period of last year and the effective tax rate increased to 22.4% in the six months ended 30 June 2008 from 6.3% in the corresponding period of last year. This was attributable to change in applicable corporation income tax rate of Ningbo Xingye Electronic Copper Strip Co., Ltd. from 50% reduction in 2007 to full taxable in 2008 and Ningbo Shengtai Electronic Metal Materials Co., Ltd. from full exemption in 2007 to 50% reduction in 2008.

Management Discussion and Analysis

Profit attributable to equity holders of the Company

As a result of the factors discussed above, the Group's profit attributable to equity holders of the Company for the period under review decreased by 18.5% to RMB62.2 million from RMB76.3 million for the corresponding period in last year.

Excluding the fair value of options granted under Pre-IPO Share Option Scheme of RMB3.9 million, the Group's profit attributable to equity holders of the Company for the period decreased by 13.4% over the corresponding period of last year.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2008, the Group's liquidity position remains strong with available undrawn bank facilities together with bank deposits of RMB239.4 million and RMB253.6 million (comprised deposits with banks of RMB179.0 million and cash and cash equivalents of RMB74.6 million) respectively. The ample financial resources available to the Group together with the net proceeds of approximately RMB221.4 million from the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited will provide adequate funding for the Group's operational requirements and also put the Group in a favourable position for further expansion.

Cash flows

The Group's net cash generated from operating activities decreased to approximately RMB48.7 million from approximately RMB60.9 million for the corresponding period in 2007 mainly due to the increase in income tax expenses. The Group's net cash used in investing activities increased to approximately RMB123.3 million from approximately RMB13.7 million for the corresponding period in 2007 mainly due to the increase in acquisition of fixed assets, investment in a joint venture and bank deposit with maturity over three months. During the period under review, the Group recorded a change in pledged deposits of approximately RMB81.3 million which led to the net cash outflow from financing activities of approximately RMB78.7 million. As at 30 June 2008, the Group had cash and cash equivalents of approximately RMB74.6 million.

Borrowings

As at 30 June 2008, the Group had outstanding bank loans and other borrowings of approximately RMB645.7 million, of which approximately RMB541.7 million shall be repaid within 1 year, approximately RMB100.0 million shall be repaid after 1 year but within 2 years and approximately RMB4.0 million shall be repaid over 2 years. As at 30 June 2008, 57.5% of the Group's debts were on secured basis.

The Board is confident that the Group has adequate financial resources to sustain its working capital requirement, future expansion and meet its foreseeable debt repayment requirements.

The gearing ratio as at 30 June 2008 was 44.4% (31 December 2007: 47.8%), which is calculated by dividing the total borrowings by the total assets. The decrease in gearing ratio was attributable to the increase in inventories and trade and other receivable.

Charge on assets

As at 30 June 2008, the Group pledged assets with aggregate carrying value of RMB512.5 million (31 December 2007: RMB388.8 million) to secure bank loans facilities of the Group.

Management Discussion and Analysis

Capital expenditure

For the six months ended 30 June 2008, the Group invested RMB31.2 million for the purchase of property, plant and equipment. These capital expenditures were fully financed by internal resources.

Capital commitments

As at 30 June 2008, the future capital expenditure for which the Group had authorised but not contracted for and contracted but not provided for amounted to approximately RMB171.3 million and RMB14.7 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	**Amount utilised up to 30 June 2008**	**Balance as at 30 June 2008**
	RMB'million	*RMB'million*	*RMB'million*
– expand production capacity	174.5	25.2	149.3
– develop large-scale production of new products	29.6	9.5	20.1
– research and development	12.6	4.1	8.5
– general working capital purposes	4.7	4.7	–
	221.4	43.5	177.9

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.

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 of raw materials may have an adverse effect on the results of the Group's operations.

The Group uses its futures contracts traded on the Shanghai Futures Exchange to hedge against fluctuations in copper price. For the period under review, the Group recorded a loss on futures contracts of RMB2.2 million (corresponding period in last year: loss of RMB74,000).

Management Discussion and Analysis

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 the Group's operating results. The Group does not enter into foreign exchange contract to hedge against exposure to foreign exchange rate risks. For period under review, the Group recorded a net foreign exchange gain of RMB6.6 million (corresponding period in last year: net gain of RMB0.7 million).

Employees

As at 30 June 2008, the Group had 993 employees. Remuneration policies are reviewed regularly to ensure that the Group is offering competitive employment packages to our 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.

Other Information

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2008, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations, within the meaning of Part XV of the Securities and Futures Ordinance ("SFO"), which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, including interests and short positions which the Directors and chief executive of the Company were taken or deemed to have under such provisions of the SFO, or which are required to be and are recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise required to be notified to the Company, and the Stock Exchange pursuant to the Model Code for Securities Transactions by directors of Listed Companies ("Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Name of Director	Capacity	Number of issued ordinary shares	Number of underlying shares pursuant to share option	Aggregate interests	Approximate percentage shareholding %
Hu Changyuan	Beneficial owner *(Note 1)*	–	1,800,000	1,800,000	0.29
	Interest of a controlled corporation *(Note 2)*	330,165,000	–	330,165,000	53.04
Yu Yuesu	Interest of her spouse *(Note 3)*	331,965,000	–	331,965,000	53.33
Chen Jianhua	Beneficial owner *(Note 1)*	–	1,500,000	1,500,000	0.24
Wang Jianli	Beneficial owner *(Note 1)*	–	1,200,000	1,200,000	0.19
	Nominee for another person *(Note 4)*	26,363,000	–	26,363,000	4.24
Ma Wanjun	Beneficial owner *(Note 1)*	–	1,200,000	1,200,000	0.19
Li Li	Beneficial owner	50,000	–	50,000	0.008

Other Information

Notes:

1. These shares represent the underlying interests in shares pursuant to the options granted to our Directors and chief executive by the Company under the Pre-IPO Share Option Scheme.

2. These 330,165,000 shares are held by Shine International Holdings Limited which is wholly owned by Mr. Hu Changyuan is deemed to be interested in these shares by virtue of the SFO.

3. These shares refer to the interest held by Mr. Hu Changyuan. Ms. Yu Yuesu is deemed to be interested in these shares under the SFO by virtue of being a spouse of Mr. Hu Changyuan.

4. These 26,363,000 shares are held by Sun Fook Limited as a nominee for 842 employees of the Group pursuant to a declaration of trust dated 7 September 2007. Sun Fook Limited is wholly owned by Mr. Wang Jianli who is therefore deemed to be interested in these shares by virtue of the SFO.

Save as disclosed above, as at 30 June 2008, none of the Directors or chief executive of the Company held or was deemed to hold any interests or short positions in the shares or underlying shares of the Company or any of its associated corporations (as defined in the SFO) which were required to be recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise required to be notified to the Company, and the Stock Exchange pursuant to the Model Code nor have they been granted the right to acquire any interests in shares or debentures of the Company and any of its associated corporations.

SHARE OPTION SCHEMES

The Company has adopted a Pre-IPO Share Option Scheme and a Share Option Scheme on 1 December 2007. The principal terms of the two schemes are as follows:

Pre-IPO Share Option Scheme

The purpose of the Pre-IPO Share Option Scheme is to recognise the contribution to the Group by certain executive Directors and employees towards the growth of the Group and/or the listing of the shares of the Company on the Stock Exchange. The principal terms of the Pre-IPO Share Option Scheme are substantially the same as the terms of the Share Option Scheme, except that:

(i) the exercise price per share is HKD1.19; and

(ii) the total number of shares subject to the Pre-IPO Share Option Scheme is 18,000,000 shares.

Save for the options which have been granted under the Pre-IPO Share Option Scheme, no further options will be offered or granted under the Pre-IPO Share Option Scheme, as the right to do so has been terminated upon the listing of the shares of the Company on the Stock Exchange.

Other Information

Set out below are details of the outstanding options granted under the Pre-IPO Share Option Scheme as at 30 June 2008:

Name	Outstanding as at 1 January 2008	Exercised during the period	Lapsed during the period	Cancelled during the period	Outstanding as at 30 June 2008	Approximate percentage of issued share capital of the Company %
	Number of options					
Directors						
Hu Changyuan	1,800,000	–	–	–	1,800,000	0.289
Chen Jianhua	1,500,000	–	–	–	1,500,000	0.241
Wang Jianli	1,200,000	–	–	–	1,200,000	0.193
Ma Wanjun	1,200,000	–	–	–	1,200,000	0.193
	5,700,000	–	–	–	5,700,000	0.916
Employees	12,300,000	–	360,000	–	11,940,000	1.918
	18,000,000	–	360,000	–	17,640,000	2.834

Notes:

1. The exercisable period for all options granted under the Pre-IPO Option Scheme is from 27 December 2008 to 27 December 2011.

2. All options under the Pre-IPO Option Scheme were granted on 1 December 2007 at an exercise price of HKD1.19 per share.

3. Each of the grantees to whom options have been conditionally granted under the Pre-IPO Share Option Scheme will be entitled to exercise:

   (a) One-third of the total number of the options shall be exercised from the expiry of the first anniversary of the listing date of the shares listed on the Main Board of the Stock Exchange i.e. 27 December 2007 to the date immediately before the second anniversary of 27 December 2007;

   (b) One-third of the total number of the options shall be exercised from the expiry of the second anniversary of 27 December 2007 to the date immediately before the third anniversary of 27 December 2007; and

   (c) One-third of the total number of the options shall be exercised from the expiry of the third anniversary of 27 December 2007 to the date immediately before the fourth anniversary of 27 December 2007.

Save as disclosed above, no option was granted, cancelled or lapsed under the Pre-IPO Share Option Scheme during the six months ended 30 June 2008.

Other Information

The fair value of options granted under Pre-IPO Share Option Scheme was determined using the "Black-Scholes-Merton Option Pricing model". The significant inputs into the model were:

- risk-free rate of return – 2.083% to 2.356% per annum;
- forecast fluctuations in share price – 52.47%; and
- forecast dividend yield – 3.82% per annum.

Based on the inputs above to the Black-Scholes-Merton Option Pricing Model, the total fair value of the outstanding options as at the grant date (i.e. 1 December 2007) was HKD12,334,000.

The "Black-Scholes-Merton Option Pricing Model" is designed to assess the fair value of options and is a common choice among various option pricing models for assessing the fair value of options. The value of the options depends on the valuation arrived at based on certain subjective assumptions on variables. Any changes in the variables used may cause a substantial effect on the assessment of the fair value of the options.

Share Option Scheme

The purpose of the Share Option Scheme is to provide incentive or reward to eligible persons (being full time or part time employees, executive, non-executive directors and independent non-executive directors of our Group) for their contribution to, and continuing efforts to promote the interests of, our Company and to enable our Company and its subsidiaries to recruit and retain high-calibre employees.

The total number of shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme to an employee in any 12-month period up to the date of grant shall not exceed 1% of the shares in issue. Any further grant of options in excess of this limit shall be subject to the approval of shareholders in a general meeting.

The subscription price of a share in respect of any particular option granted under the Share Option Scheme shall be at least the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (ii) the average of the closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share.

Subject to earlier termination by the Company in general meeting or by the Board of Directors, the Share Option Scheme shall be valid and effective for a period of ten years from the date of adoption, i.e. 27 December 2007.

As at 30 June 2008, there was no option granted by the Company under the Share Option Scheme.

Other Information

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2008, the following persons or corporations had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Name of shareholder	Capacity	Number of shares in which the shareholder has deemed to have interests	Percentage of shareholding %
Mr. Hu Changyuan	Interest of a controlled corporation *(Note 1)*	330,165,000	53.04
	Beneficial interest *(Note 2)*	1,800,000	0.29
	Total	331,965,000	53.33
Shine International Holdings Limited *(Note 1)*	Beneficial interest	330,165,000	53.04
Luckson Business Limited *(Note 3)*	Beneficial interest	41,496,000	6.67
Corich Investments Limited *(Note 4)*	Beneficial interest	37,818,000	6.08

Notes:

1. Mr. Hu Changyuan holds the shares through Shine International Holdings Limited, which is wholly owned by him.

2. These shares represent the underlying interests in shares pursuant to options granted to Mr. Hu Changyuan under the Pre-IPO Share Option Scheme.

3. Luckson Business Limited is owned by 21 members of the senior management of our Group.

4. Corich Investments Limited is owned by 13 family members of Mr. Hu Changyuan.

Save as disclosed herein, as at 30 June 2008, so far as the Directors are aware, there were no other person, other than the Directors and chief executive of the Company, who had any interests or short positions in the shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

Other Information

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than disclosed above under "Share Option Schemes", at no time during this period was the Company or its subsidiary a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the Directors nor the chief executive, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

PRE-EMPTIVE RIGHTS

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

AUDIT COMMITTEE

The audit committee has reviewed with the management and the external auditors the accounting principles and practices adopted by the Group and discussed the financial reporting matters including the review of the interim report prepared in accordance with the International Financial Reporting Standards.

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 six months ended 30 June 2008.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Board has adopted the Model Code as set out in Appendix 10 to the Listing Rules. Having made specific enquiry with all Directors of the Company, the Directors confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2008.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2008.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this interim report, the Company has maintained the prescribed public float under the Listing Rules.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK5.0 cents (equivalent to RMB4.4 cents) per share in cash for the six months ended 30 June 2008 to shareholders whose names appear on the Register of Members of the Company on 26 September 2008. The interim dividend will be paid on or about 29 September 2008.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed 26 September 2008, during which period no transfer of Shares will be registered. In order to qualify for the interim dividend, all share certificates with completed transfer forms either overleaf or separately, 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 25 September 2008.

By order of the Board
Hu Changyuan
Chairman

Hong Kong, 11 September 2008