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 2009

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Non-Executive Director

Ms. YU Yuesu

Independent Non-Executive Directors

Mr. HE Changming (appointed on 11 May 2009)
Mr. CUI Ming
Mr. XIE Shuisheng
Mr. CHAI Chaoming (appointed on 11 May 2009)
Ms. LI Li

Audit Committee

Ms. LI Li *(Chairman)*
Mr. HE Changming
Mr. CUI Ming
Mr. XIE Shuisheng
Mr. CHAI Chaoming

Remuneration Committee

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

Nomination Committee

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

Development Strategic Committee

Mr. WANG Jianli *(Chairman)*
Mr. MA Wanjun *(Vice Chairman)*
Mr. CHEN Jianhua
Mr. HE Changming
Mr. CUI Ming
Mr. CHAI Chaoming
Mr. CHAN Chung Kik, Lewis

COMPANY SECRETARY

Mr. CHAN Chung Kik, Lewis

AUTHORISED REPRESENTATIVES

Mr. WANG Jianli
Mr. CHAN Chung Kik, Lewis

PRINCIPAL LEGAL ADVISORS

Hong Kong

Woo, Kwan, Lee & Lo

Cayman Islands

Conyers Dill & Pearman, Cayman

AUDITORS

KPMG

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS

Hong Kong

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

PRC

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

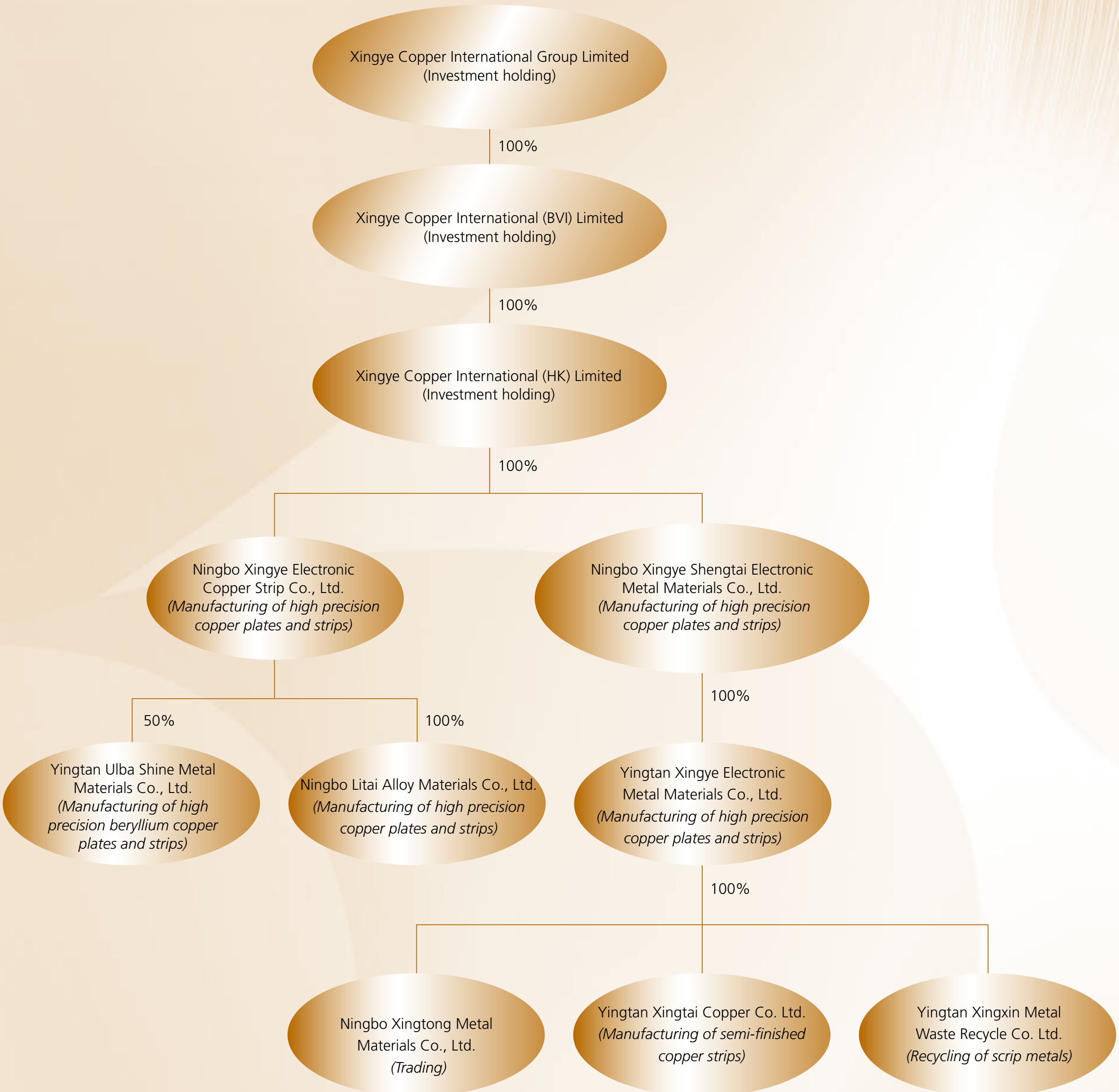
COMPANY WEBSITE

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 27 which comprises the consolidated statement of financial position of Xingye Copper International Group Limited (the "Company") and its subsidiaries (the "Group") as of 30 June 2009 and the related consolidated income statement, statement of comprehensive income and statement of changes in equity and condensed consolidated statement of cash flows 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 2009 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

18 September 2009

Consolidated Income Statement

For the six months ended 30 June 2009 – unaudited

		Six months ended 30 June	
		2009	2008
	Note	***RMB'000***	*RMB'000*
Turnover	*3*	**701,031**	1,081,696
Cost of sales		**(621,188)**	(962,390)
Gross profit		**79,843**	119,306
Other income		**46,554**	8,403
Distribution expenses		**(4,051)**	(7,064)
Administrative expenses		**(22,768)**	(25,613)
Other expenses		**(1,289)**	(4,173)
Profit from operations		**98,289**	90,859
Finance income		**704**	9,567
Finance expenses		**(12,843)**	(19,779)
Net finance costs	*4(i)*	**(12,139)**	(10,212)
Share of profit/(loss) of a jointly controlled entity		**657**	(502)
Profit before income tax		**86,807**	80,145
Income tax	*5*	**(13,333)**	(17,941)
Profit for the period			
– attributable to equity shareholders of the Company		**73,474**	62,204
Earnings per share			
– Basic *(RMB)*	*6(a)*	**0.118**	0.100
– Diluted *(RMB)*	*6(b)*	**0.118**	0.099

The notes on pages 12 to 27 form part of these unaudited interim financial statements. Details of dividends payable to equity shareholders of the Company are set out in note 14.

Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2009 – unaudited

	Six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
Profit for the period	**73,474**	62,204
Other comprehensive income for the period		
Foreign currency translation differences for foreign operations	**(151)**	(8,520)
Total comprehensive income for the period		
– attributable to equity shareholders of the Company	**73,323**	53,684

The notes on pages 12 to 27 form part of these unaudited interim financial statements.

Consolidated Statement of Financial Position

At 30 June 2009 – unaudited

	Note	**At 30 June 2009 RMB'000**	At 31 December 2008 RMB'000
Non-current assets			
Property, plant and equipment	7	**496,125**	498,471
Lease prepayments		**18,098**	18,290
Interest in a jointly controlled entity	8	**20,035**	19,378
		534,258	536,139
Current assets			
Inventories	9	**230,618**	147,882
Tax recoverable		**7,770**	14,710
Derivative financial instruments		**5,047**	213
Trade and other receivables	10	**301,895**	154,916
Pledged deposits	11	**28,211**	80,655
Trading securities		**27,901**	–
Cash and cash equivalents		**168,713**	130,498
		770,155	528,874
Current liabilities			
Interest-bearing borrowings	12	**521,175**	437,362
Trade and other payables	13	**179,465**	110,572
		700,640	547,934
Net current assets/(liabilities)		**69,515**	(19,060)
Total assets less current liabilities		**603,773**	517,079
Non-current liabilities			
Interest-bearing borrowings	12	**84,000**	84,000
Deferred tax liabilities		**10,213**	3,825
		94,213	87,825
Net assets		**509,560**	429,254

The notes on pages 12 to 27 form part of these unaudited interim financial statements.

Consolidated Statement of Financial Position (continued)

At 30 June 2009 – unaudited

	Note	**At 30 June 2009** *RMB'000*	At 31 December 2008 *RMB'000*
Capital and reserves			
Share capital	*14(a)*	**58,650**	58,268
Reserves		**450,910**	370,986
Total equity attributable to equity shareholders of the Company		**509,560**	429,254
Total equity		**509,560**	429,254

The notes on pages 12 to 27 form part of these unaudited interim financial statements.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2009 – unaudited

		Attributable to equity shareholders of the Company							
	Note	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	PRC statutory reserve RMB'000	Translation reserve RMB'000	Share-based compensation reserve RMB'000	(Accumulated loss)/ Retained earnings RMB'000	Total RMB'000
At 1 January 2008		56,172	133,904	259,726	19,484	(577)	–	69,272	537,981
Total comprehensive income for the period		–	–	–	–	(8,520)	–	62,204	53,684
Dividends approved and paid during the period	14(b)	–	–	–	–	–	–	(39,218)	(39,218)
Issuance of shares under the over-allotment option related to the placement		2,096	33,530	–	–	–	–	–	35,626
Share issuance expenses		–	(4,305)	–	–	–	–	–	(4,305)
Equity settled share-based payments	15	–	–	–	–	–	3,866	–	3,866
At 30 June 2008 and 1 July 2008		58,268	163,129	259,726	19,484	(9,097)	3,866	92,258	587,634
Total comprehensive income for the period		–	–	–	–	324	–	(134,498)	(134,174)
Dividends approved and paid during the period	14(b)	–	–	–	–	–	–	(27,318)	(27,318)
Equity settled share-based payments	15	–	–	–	–	–	3,112	–	3,112
At 31 December 2008 and 1 January 2009		58,268	163,129	259,726	19,484	(8,773)	6,978	(69,558)	429,254

The notes on pages 12 to 27 form part of these unaudited interim financial statements.

Consolidated Statement of Changes in Equity (continued)

For the six months ended 30 June 2009 – unaudited

		Attributable to equity shareholders of the Company							
	Note	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	PRC statutory reserve RMB'000	Translation reserve RMB'000	Share-based compensation reserve RMB'000	(Accumulated loss)/ Retained earnings RMB'000	Total RMB'000
At 31 December 2008 and at 1 January 2009		58,268	163,129	259,726	19,484	(8,773)	6,978	(69,558)	429,254
Total comprehensive income for the period		–	–	–	–	(151)	–	73,474	73,323
Equity settled share-based payments	*15*	–	–	–	–	–	2,439	–	2,439
Share options exercised	*14(a) & 15(a)*	382	6,709	–	–	–	(2,547)	–	4,544
At 30 June 2009		58,650	169,838	259,726	19,484	(8,924)	6,870	3,916	509,560

The notes on pages 12 to 27 form part of these unaudited interim financial statements.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2009 – unaudited

	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
Cash (used in)/generated from operations	**(61,623)**	57,534
Income tax paid	**(3)**	(8,883)
Net cash (used in)/generated from operating activities	**(61,626)**	48,651
Net cash used in investing activities	**(43,507)**	(123,312)
Net cash generated from/(used in) financing activities	**143,348**	(78,708)
Net increase/(decrease) in cash and cash equivalents	**38,215**	(153,369)
Cash and cash equivalents at 1 January	**130,498**	227,927
Cash and cash equivalents at 30 June	**168,713**	74,558

The notes on pages 12 to 27 form part of these unaudited interim financial statements.

Notes to the Financial Statements

1. THE COMPANY AND BASIS OF PREPARATION

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 interim financial report of the Company for the six months ended 30 June 2009 comprises the Company and its subsidiaries (together referred to as the "Group").

The 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 of Hong Kong Limited, including compliance with International Accounting Standard ("IAS") 34, Interim financial reporting, adopted by the International Accounting Standards Board ("IASB").

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2008 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2009 annual financial statements. Details of these changes in accounting policies are set out in note 2.

The preparation of interim financial reports requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgments, 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 2008 annual financial statements. The condensed consolidated interim financial statements and notes thereon do 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 2008.

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 independent review report to the Board of Directors is included on page 4.

Notes to the Financial Statements

1. THE COMPANY AND BASIS OF PREPARATION (continued)

The financial information relating to the year ended 31 December 2008 that is included in the interim financial report as being previously reported information 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 2008 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 27 March 2009. The 2008 annual financial statements have been prepared in accordance with IFRSs.

2. CHANGES IN ACCOUNTING POLICIES

The IASB has issued one new IFRS, a number of amendments to IFRSs and 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 8 — Operating segments
- Revised IAS 1 — Presentation of financial statements
- Improvements to IFRSs (2008)
- Amendment to IAS 27 — Consolidated and Separate financial Statements – Cost of an investment in a subsidiary, jointly controlled entity or associate
- Amendment to IFRS 7 — Financial instruments: Disclosures – Improving disclosures about financial instruments
- Revised IAS 23 — Borrowing costs
- Amendment to IFRS 2 — Share-based payment – vesting conditions and cancellations
- Amendment to IAS 39 — Financial instruments: Recognition and measurement

Notes to the Financial Statements

2. CHANGES IN ACCOUNTING POLICIES (continued)

The amendments to IAS 27, IAS 39 and IFRS 2, Revised IAS 23 and Improvements to IFRSs (2008) have had no material impact on the Group's financial statements as the amendments and interpretations were consistent with policies already adopted by the Group. In addition, the amendment to IFRS 7 does not contain any additional disclosure requirements specifically applicable to the interim financial report. The impact of the remainder of these developments on the interim financial report is as follows:

- IFRS 8 requires segment disclosure to be based on the way that the Group's chief operating decision maker regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group's chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. The adoption of IFRS 8 has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the Group's most senior executive management (see note 3). As this is the first period in which the Group has presented segment information in accordance with IFRS 8, additional explanation has been included in the interim financial report which explains the basis of preparation of the information. Corresponding amounts have also been provided on a basis consistent with the revised segment information.

- As a result of the adoption of Revised IAS 1, details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated statement of income, if they are recognised as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of income. The new format for the consolidated statement of income and the consolidated statement of changes in equity has been adopted in this interim financial report and corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

3. 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. On first-time adoption of IFRS 8, Operating segments and 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 strips 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.

Notes to the Financial Statements

3. SEGMENT REPORTING (continued)

(a) Segment results

In accordance with IFRS 8, segment information disclosed in the interim financial report 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 of 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 period is set out as follows:

	Six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
Turnover		
Sales of copper products	**581,141**	1,023,110
Trading of raw materials	**85,676**	–
Processing services	**34,214**	58,586
	701,031	1,081,696

Notes to the Financial Statements

3. SEGMENT REPORTING (continued)

(a) Segment results (continued)

	Six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
Reportable segment profit		
Sales of copper products	**64,258**	101,658
Trading of raw materials	**3,348**	–
Processing services	**12,237**	17,648
	79,843	119,306

(b) Reconciliation of reportable segments turnover and profit:

	Six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
Turnover		
Reportable segment turnover	**701,031**	1,081,696
Consolidated turnover	**701,031**	1,081,696

	Six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
Profit		
Reportable segment profit	**79,843**	119,306
Distribution expenses	**(4,051)**	(7,064)
Administrative expenses	**(22,768)**	(25,613)
Other operating income and expenses	**45,265**	4,230
Net finance costs	**(12,139)**	(10,212)
Share of profit/(loss) of a jointly controlled entity	**657**	(502)
Consolidated profit before income tax	**86,807**	80,145

Notes to the Financial Statements

4. PROFIT BEFORE INCOME TAX

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

(i) Net finance costs

	Six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
Interest expense	**12,225**	18,688
Bank charges	**618**	1,091
Net foreign exchange gain	**(31)**	(6,556)
Interest income	**(673)**	(3,011)
	12,139	10,212

(ii) Other items

	Six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
Cost of inventories	**621,188**	962,390
Depreciation	**17,501**	15,350
Amortisation of lease prepayments	**192**	155
Reversal of write-down of inventories	**(5,682)**	–
Net realised and unrealised gains on trading securities	**(2,972)**	–
Net realised and unrealised (gains)/loss on derivative financial instruments	**(20,317)**	2,238
Research and development costs	**1,939**	–

5. INCOME TAX

Income tax expense in the consolidated statement of comprehensive income represents:

	Six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
Current tax expense		
Provision for PRC income tax	**6,945**	15,986
Deferred tax		
Reversal and origination of temporary differences	**6,388**	1,955
	13,333	17,941

Notes to the Financial Statements

5. INCOME TAX (continued)

(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 2009.

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

(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 2009, temporary differences relating to the undistributed profits of PRC subsidiaries amounted to RMB2,672,000 approximately (31 December 2008: Nil). Deferred tax liabilities of RMB133,600 (31 December 2008: Nil) have not been recognised 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 probable that profits will not be distributed in the foreseeable future.

6. 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 2009 is based on the profit attributable to the equity shareholders of the Company of RMB73,474,000 (six months ended 30 June 2008: RMB62,204,000) and the weighted average number of 622,860,833 (at 30 June 2008: 621,263,736) ordinary shares in issue during the period.

(b) Diluted earnings per share

The calculation of diluted earnings per share for the six months ended 30 June 2009 is based on profit attributable to equity shareholders of the Company of RMB73,474,000 (six months ended 30 June 2008: RMB62,204,000) and the weighted average number of 624,514,670 (at 30 June 2008: 629,696,894) ordinary shares (diluted).

7. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2009, the Group acquired and disposed of items of property, plant and equipment with costs of RMB16,279,000 in total and with carrying amount of RMB1,124,000, respectively.

Notes to the Financial Statements

8. INTERESTS IN A JOINTLY CONTROLLED ENTITY

	At 30 June 2009 *RMB'000*	At 31 December 2008 *RMB'000*
Share of net assets	**20,035**	19,378

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.

9. INVENTORIES

	At 30 June 2009 *RMB'000*	At 31 December 2008 *RMB'000*
Raw materials	**66,569**	39,661
Work in progress	**112,411**	78,401
Finished goods	**50,310**	27,741
Others	**1,328**	2,079
	230,618	147,882

10. TRADE AND OTHER RECEIVABLES

	At 30 June 2009 *RMB'000*	At 31 December 2008 *RMB'000*
Trade and bill receivables	**189,505**	92,749
Non-trade receivables	**43,807**	31,813
Prepayments	**47,423**	10,161
Amount due from a related party	**21,160**	20,193
	301,895	154,916

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

Notes to the Financial Statements

10. TRADE AND OTHER RECEIVABLES (continued)

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

	At 30 June 2009 RMB'000	At 31 December 2008 RMB'000
Within 3 months	162,295	86,798
Over 3 months but less than 6 months	27,210	5,808
Over 6 months but less than 1 year	–	143
	189,505	92,749

11. PLEDGED DEPOSITS

Pledged deposits can be analysed as follows:

	At 30 June 2009 RMB'000	At 31 December 2008 RMB'000
Guarantee deposits for issuance of commercial bills and banking facilities	28,211	80,655

12. INTEREST-BEARING BORROWINGS

	At 30 June 2009 RMB'000	At 31 December 2008 RMB'000
Current		
Secured bank loans	156,652	167,000
Unsecured bank loans	177,935	50,000
Other borrowings from a related party	12,500	15,500
Bank advances under discounted bills	174,088	204,862
	521,175	437,362
Non-current		
Secured bank and other loans	84,000	84,000
	605,175	521,362

Notes to the Financial Statements

12. INTEREST-BEARING BORROWINGS (continued)

(i) The secured bank and other loans as of 30 June 2009 carried interest rate ranging from 4.50% to 6.37% (31 December 2008: 5.31% to 7.56%) per annum and were secured by the following assets:

	At 30 June 2009 *RMB'000*	At 31 December 2008 *RMB'000*
Carrying amounts of assets:		
Inventories	**164,785**	110,794
Property, plant and equipment	**183,824**	159,470
Lease prepayments	**11,810**	6,874
Pledged deposit	**–**	50,000

(ii) Unsecured bank loans as of 30 June 2009 carried interest rate ranging from 4.86% to 6.66% (31 December 2008: 7.47%) per annum.

(iii) Other borrowings from a related party are unsecured and repayable on demand, and carried an interest rate at 6% (31 December 2008: 6%) per annum.

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

	At 30 June 2009 *RMB'000*	At 31 December 2008 *RMB'000*
Over 1 year but less than 2 years	**80,000**	80,000
Over 2 years	**4,000**	4,000
	84,000	84,000

(v) 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.

Notes to the Financial Statements

13. TRADE AND OTHER PAYABLES

	At 30 June 2009 RMB'000	At 31 December 2008 RMB'000
Trade and bill payables	**122,846**	52,259
Non-trade payables and accrued expenses	**55,591**	52,321
Amount due to a related party	**1,028**	5,992
	179,465	110,572

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

	At 30 June 2009 RMB'000	At 31 December 2008 RMB'000
Within 3 months	**116,833**	49,757
Over 3 months but less than 6 months	**2,673**	321
Over 6 months but less than 1 year	**3,302**	1,502
Over 1 year but less than 2 years	**38**	347
Over 2 years	**–**	332
	122,846	52,259

14. CAPITAL, RESERVE AND DIVIDENDS

(a) Share capital

	The Group and the Company		
	Number of ordinary shares '000	Nominal value HK$'000	Nominal value RMB'000
Authorised:			
Ordinary shares of HKD0.10 each	5,000,000	500,000	468,100
Issued and fully paid:			
At 1 January 2009	622,500	62,250	58,268
Share options exercised	4,330	433	382
At 30 June 2009	626,830	62,683	58,650

Notes to the Financial Statements

14. CAPITAL, RESERVE AND DIVIDENDS (continued)

(a) Share capital (continued)

During the six months ended 30 June 2009, 4,330,000 ordinary shares were issued as a result of the exercise of vested options arising from the Pre-IPO Share Option Scheme ("the Pre-IPO Option") (see note 15(a)) (2008: Nil). Options were exercised at an exercise price of HKD1.19 per option. All issued shares are fully paid.

(b) Dividends

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

	Six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
Dividend declared and paid during the period	–	39,218
Interim dividend proposed after balance sheet date: Nil (2008: HK5.0 cents per share)	–	27,318
	–	66,536

The calculation of interim dividend per share in respect of the six months ended 30 June 2008 is based on 622,500,000 ordinary shares in issue as at the date of dividend declaration.

15. 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 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 per share pursuant to the Pre-IPO Option is a 30% discount to the global offering price.

Each option granted under the Pre-IPO Option has a vesting period of one year commencing from the date of listing of the Company on the Stock Exchange ("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.

During the six months ended 30 June 2009, 4,330,000 share options under the Pre-IPO Option were exercised for the same amount of shares at an exercise price of HKD1.19 per share. This resulted in the issue of 4,330,000 ordinary shares of the Company and new share capital of RMB382,000 and share premium of RMB6,709,000.

Notes to the Financial Statements

15. 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.

On 11 May 2009, a total of 6,380,000 share options were granted to 56 eligible employees of the Company with an exercise price of HKD0.82 per share pursuant to the Share Option Scheme. The options are exercisable for the period from 12 May 2009 to 26 December 2011.

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

No share options under the Share Option Scheme were exercised during the period.

Notes to the Financial Statements

16. RELATED PARTY TRANSACTIONS

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

During the six months ended 30 June 2009, 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:

(i) Significant related party transactions

	Six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
Interest-bearing borrowings provided by:		
Yingtan Ulba	**–**	17,000
Interest expense charged by:		
Yingtan Ulba	**463**	122
Purchase of goods from:		
Yingtan Ulba	**189**	–
Leasing income from:		
Yingtan Ulba	**282**	–

Notes to the Financial Statements

16. RELATED PARTY TRANSACTIONS (continued)

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

(ii) Balances with a related party

	At 30 June 2009 *RMB'000*	At 31 December 2008 *RMB'000*
Trade and other receivables due from:		
Yingtan Ulba	**21,160**	20,193
Trade and other payables due to:		
Yingtan Ulba	**1,028**	5,992
Interest-bearing borrowings due to:		
Yingtan Ulba	**12,500**	15,500

The borrowings from Yingtan Ulba carried interest rate at 6% (31 December 2008: 6%) per annum, which was determined with reference to prevailing market rate. The borrowings were unsecured and repayable on demand.

(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	
	2009 *RMB'000*	2008 *RMB'000*
Short-term employee benefits	**1,561**	1,883
Post-employment benefits	**14**	10
Share-based payment	**722**	1,482
	2,297	3,375

Notes to the Financial Statements

16. RELATED PARTY TRANSACTIONS (continued)

(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, and a defined contribution Mandatory Provident Fund retirement benefits scheme under the Mandatory Provident Fund Schemes Ordinance for all of its employees employed by the Company in Hong Kong. The Group's contribution to these post-employment benefit plans amounted to RMB926,000 for the six months ended 30 June 2009 (six months ended 30 June 2008: RMB1,909,000). As at 30 June 2009 and 31 December 2008, there was no material outstanding contribution to post-employment benefit plans.

17. CAPITAL COMMITMENTS

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

	At 30 June 2009	At 31 December 2008
	RMB'000	*RMB'000*
Authorised but not contracted for	**74,100**	86,000
Contracted for	**10,516**	9,310
	84,616	95,310

18. COMPARATIVE FIGURES

As a result of the application of Revised IAS 1, Presentation of financial statement, and IFRS 8, Operating segments, certain comparative figures have been adjusted to conform to current period's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2009. Further details of these developments are disclosed in note 2.

Management Discussion and Analysis

PROSPECTS

Being affected by the financial tsunami originated from US sub-prime mortgage crisis, the global economy experienced a serious downturn. The consuming power had been weakened while manufacturing shrank and development in the industry was stagnant. Governments around the world had implemented measures to stimulate the economy. The PRC Government had aligned its marco-economic policies, implemented proactive fiscal policies, maintained reasonably loose monetary policies and increased investment in the PRC, fundamental infrastructures to expand domestic market demands. All these measures had effectively eased further deterioration of the PRC economy, and government resources had been the main driving force for economic recovery. Recently, domestic economy has shown observable positive signs. The processing and manufacturing industry has recommenced production while market demands have further increased in line with the economy rebound. Price of nonferrous metal has been going upward. Therefore, it is expected that the price of copper will maintain at a high level during most of the time in the second half of the year of 2009.

The Company's management believes that, although effects of the economic crisis have not completely vanished, with the economic stimulation policies introduced by various governments, the global economy has basically bottomed-out. In the first half of the year, while the global industrial cycle has stably recovered, the price of oil and nonferrous metal kept increasing. Moreover, the financial crisis also induced companies within the industry to undertake consolidation and restructuring, optimizing resources, enhancing competitiveness and secure quality assets, which has further promoted economic development. To keep up with the economic development, the management has continuously adjusted the Company's development strategies and has adopted a prudent operational approach, which focuses on enhancing its core competitiveness and aim at developing the Company into a large and strong economic entity. To solidify the market leading position of the Company's main products, we will continue to focus on research and development of new products and follow the strategy of product diversification. We aim to raise profitability through better management of capital operation and fully utilize the listing platform to explore investment opportunities and broaden sources of revenue. We will also enhance the "soft strength" of the Company and emphasis on its superstructure. Looking ahead, the Group will aggressively enhance its marketing competitiveness, consolidate its capital operation and improve its internal system to enhance the Group's overall strength.

Currently, the Group is undergoing an internal restructuring to optimize its management structure, strengthen its core competitiveness and improve its economic benefit. Ningbo Xingye Electronic Copper Strip Co., Ltd. ("Xingye Electronic") will not apply for extension of business after operational period expired, and its assets and liabilities will be taken over by Ningbo Xingye Shengtai Electronic Metal Materials Co., Ltd ("Shengtai") through the process of liquidation and merger. The preliminary work is under progress and the businesses and related assets and liabilities of the Xingye Electronic are being transferred to Shengtai progressively.

FINANCIAL REVIEW

Revenues

The global recession in the first half of 2009 had made the business conditions extremely challenging for high precision copper plates and strips. For the period under review, the Group's revenue had fallen by 35.2% to RMB701.0 million and the volume of sales and processing services for high precision copper plates and strips had fallen by 13.2% to 22,719 tonnes compared to the same period last year, which had been reduced in line with the fall in demand and decrease in copper prices.

Management Discussion and Analysis

The global economic downturn had brought about a sharp reduction in the volume of exports, and the Group's export sales had been affected and was reduced by 66% comparing to the same period of last year.

During the period under review, the Group had commenced trading of raw materials such as cathode copper and zinc in order to widen the Group's source of revenue. The revenue generated from trading accounted for 12.2% of the Group's revenue for the period under review.

Gross profit and gross profit margin

The gross profit for the six months ended 30 June 2009 was RMB79.8 million, representing a decrease of 33.1% as compared with the RMB119.3 million recorded in the corresponding period of last year. Overall gross profit margin for the period had increased from 11.0% to 11.4% as compared to corresponding period of last year.

Other income

The Group's other income had increased by 454.0% to RMB46.6 million in the six months ended 30 June 2009 from RMB8.4 million in the corresponding period of last year. Such increase was mainly due to (i) an increase in government grants and subsidies of RMB14.8 million for encouragement of the Group's development in the industry and making investment in Yingtan, the PRC; and (ii) a gain of RMB20.3 million from hedging activities involving copper futures contracts were recorded in the period under review (corresponding period of last year: loss RMB2.2 million), which reflected increases in the forward prices for copper during the period under review.

Distribution expenses

The Group's distribution expenses had decreased by 42.7% to RMB4.1 million in the six months ended 30 June 2009 from RMB7.1 million for the corresponding period of last year, in line with the fall in revenue.

Administrative expenses

The Group's administrative expenses had decreased by 11.1% to RMB22.8 million in the six months ended 30 June 2009 from RMB25.6 million for the corresponding period of last year. The decrease in administrative expenses was mainly due to reduction in salaries of employees.

Net finance costs

The Group's net finance costs increased by 18.9% to RMB12.1 million in the six months ended 30 June 2009 from RMB10.2 million for the corresponding period of last year. The increase in the financial costs was primarily due to (i) a decrease in interest income of RMB2.3 million and (ii) a decrease in net foreign exchange gain of RMB6.5 million arisen from converting the loans of subsidiaries dominated in Hong Kong dollar into the reported currency Renminbi, the loans had been repaid in the second half of 2008. The decrease in interest income and net foreign exchange was partially offset by a decrease in interest expense of RMB6.5 million as a result of a decrease in the loan interest rate and Group's borrowings and discounted bills.

Management Discussion and Analysis

Income tax

The corporation income tax expenses had decreased by 25.7% to RMB13.3 million in the six months ended 30 June 2009 from RMB17.9 million for the corresponding period of last year. The decrease in the income tax expenses was benefited from the tax benefit provided by the PRC Government, and the effective tax rate decreased to 15.4% in the six months ended 30 June 2009 from 22.4% for the corresponding period of last year. The Group's profit for the period under review was mainly contributed by Shengtai which had enjoyed a 50% tax reduction in 2009; whereas the Group's profit for the corresponding period of last year was mainly generated by Xingye Electronic which was subject to full tax charge.

Profit attributable to equity shareholders of the Company

As a result of the factors discussed above, the Group's profit attributable to equity shareholders of the Company for the period under review increased by 18.1% to RMB73.5 million from RMB62.2 million for the corresponding period in last year.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2009, the Group's liquidity position remained strong with available undrawn bank facilities together with bank deposits of RMB268.5 million and RMB196.9 million (comprised of bank deposits of RMB28.2 million and cash and cash equivalents of RMB168.7 million) respectively.

Cash flows

The Group had recorded a net cash used in operating activities of RMB61.6 million in the period under review whilst the net cash generated from the operating activities for the Group in the same period of last year was RMB48.7 million. This change was mainly due to an increase in inventories, trade and other receivables, which was partially offset by an increase in trade and other payables. The Group's net cash used in investing activities decreased to approximately RMB43.5 million in the period under review from approximately RMB123.3 million for the corresponding period of last year. This was mainly due to the decrease in acquisition of fixed assets and bank deposits with maturity over three months. During the period under review, the Group had recorded a net cash generated from financing activities of approximately RMB143.3 million, which was mainly due to a decrease in pledged deposits of approximately RMB52.4 million and increase in bank loans of RMB83.8 million.

Borrowings

As at 30 June 2009, the Group had outstanding bank loans and other borrowings of approximately RMB605.2 million, out of which approximately RMB521.2 million shall be repaid within 1 year, approximately RMB80.0 million shall be repaid after 1 year but within 2 years and approximately RMB4.0 million shall be repaid over 2 years. As at 30 June 2009, 39.8% 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 2009 was 46.4% (31 December 2008: 49.0%), 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 receivables.

Management Discussion and Analysis

Charge on assets

As at 30 June 2009, the Group pledged assets with an aggregate carrying value of RMB360.4 million (31 December 2008: RMB327.1 million) to secure bank loan facilities of the Group.

Capital expenditure

For the six months ended 30 June 2009, the Group had invested RMB16.3 million for the purchase of property, plant and equipment. These capital expenditures were fully financed by internal resources and net proceeds from issuance shares.

Capital commitments

As at 30 June 2009, the future capital expenditures, for which the Group had authorised but not contracted for and contracted but not provided for, amounted to approximately RMB74.1 million and RMB10.5 million, respectively.

Use of net proceeds from the issue of new shares

The net proceeds from the issue of new shares of the Company (the "Shares") amounted to approximately RMB221.4 million. Part of the net proceeds had been applied as follows:

	Planned amount *RMB'million*	**Amount utilised up to 30 June 2009** *RMB'million*	**Balance as at 30 June 2009** *RMB'million*
Expansion in production capacity	119.4	56.2	63.2
Development in large-scale production of new products	29.6	18.2	11.4
Research and development	12.6	7.9	4.7
General working capital purposes	59.8	59.8	–
	221.4	142.1	79.3

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

Management Discussion and Analysis

MARKET RISKS

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

Commodity price risks

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

The Group had hedged its future contracts traded on the Shanghai Futures Exchange against fluctuations in copper prices. For the period under review, the Group had recorded a gain on futures contracts of RMB20.3 million (corresponding period in last year: loss of RMB2.2 million).

Interest rate risks

The Group had not had significant interest-bearing assets other than short-term deposits. As such, income and operating cash flows had been, 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 had undertaken debt obligations to support general corporate purposes, including capital expenditures and working capital needs. The Group's bank borrowings bore interest rates that are subject to adjustment made by the lenders in accordance with changes to the relevant regulations of the People's Bank of China ("PBOC"). Increases in the PBOC interest rate would increase the Group's financing costs. Fluctuations in interest rates would affect the cost of new debts. The Group had not entered into any interest rate swaps to hedge against exposure to interest rate risks.

Foreign currency risk

The Group's export sales and certain portion of purchase of raw materials had been denominated in foreign currencies, primarily U.S. dollars. Therefore, fluctuations in the exchange rates may have an impact on the Group's operating results. The Group had not entered into any foreign exchange contract to hedge against exposure to foreign exchange rate risks. For period under review, the Group had recorded a net foreign exchange gain of RMB31,000 (corresponding period in last year: net gain of RMB6.6 million).

Employees

As at 30 June 2009, the Group had 958 employees. Remuneration policies had been reviewed regularly as to ensure that the Group had been offering competitive employment packages to its employees. Compensation for the employees includes salaries, pension, medical insurance schemes and other applicable social insurances. Promotion and salary increments had been 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 in training. 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 role and existing employees can upgrade or improve their skills.

Other Information

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

As at 30 June 2009, the interests and short positions of the directors ("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 Issuers ("Model Code") contained in the Listing Rules, were as follows:

(i) Interest in Shares of HK$0.10 each of the Company

Name of Directors	Capacity	Number of Shares held	Approximate percentage of shareholding*
Hu Changyuan ("Mr. Hu")	Interest of a controlled corporation	330,165,000 *(Note 1)*	52.67%
	Beneficial owner	600,000	0.10%
Yu Yuesu ("Ms. Yu")	Interest of spouse	330,765,000 *(Note 2)*	52.77%
Chen Jianhua	Beneficial owner	500,000	0.08%
Wang Jianli ("Mr. Wang")	Beneficial owner	400,000	0.06%
	Corporate interest	23,168,000 *(Note 3)*	3.70%
Ma Wanjun	Beneficial owner	400,000	0.06%
Cui Ming	Beneficial owner	100,000	0.02%
Li Li	Beneficial owner	170,000	0.03%

Other Information

Notes:

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

2. These refer to the interests held by Mr. Hu in the Company. Ms. Yu is deemed to be interested in these interests under the SFO by virtue of being the spouse of Mr. Hu.

3. These 23,168,000 Shares are held by Sun Fook Limited as a nominee for 842 employees of the Company pursuant to a declaration of trust dated 7 September 2007. Sun Fook Limited is wholly owned by Mr. Wang who is therefore deemed to be interested in these Shares by virtue of the SFO.

* The percentages are calculated based on total issued number of Shares as at 30 June 2009.

(ii) Interests in underlying Shares

Name of Directors	Capacity	Number of underlying Shares	Exercisable Period	Exercise price per share *HK$*	Approximate percentage of shareholding*
Hu Changyuan	Beneficial owner	600,000 *(Note 1)*	27 December 2009 to 26 December 2011	1.19	0.10%
		600,000 *(Note 1)*	27 December 2010 to 26 December 2011	1.19	0.10%
Yu Yuesu	Interest of spouse	600,000 *(Note 2)*	27 December 2009 to 26 December 2011	1.19	0.10%
	Interest of spouse	600,000 *(Note 2)*	27 December 2010 to 26 December 2011	1.19	0.10%
Chen Jianhua	Beneficial owner	500,000 *(Note 1)*	27 December 2009 to 26 December 2011	1.19	0.08%
	Beneficial owner	500,000 *(Note 1)*	27 December 2010 to 26 December 2011	1.19	0.08%
	Beneficial owner	400,000 *(Note 3)*	12 May 2009 to 26 December 2011	0.82	0.06%
Wang Jianli	Beneficial owner	400,000 *(Note 1)*	27 December 2009 to 26 December 2011	1.19	0.06%
	Beneficial owner	400,000 *(Note 1)*	27 December 2010 to 26 December 2011	1.19	0.06%
	Beneficial owner	200,000 *(Note 3)*	12 May 2009 to 26 December 2011	0.82	0.03%

Other Information

Name of Directors	Capacity	Number of underlying Shares	Exercisable Period	Exercise price per share *HK$*	Approximate percentage of shareholding*
Ma Wanjun	Beneficial owner	400,000 *(Note 1)*	27 December 2009 to 26 December 2011	1.19	0.06%
	Beneficial owner	400,000 *(Note 1)*	27 December 2010 to 26 December 2011	1.19	0.06%
	Beneficial owner	200,000 *(Note 3)*	12 May 2009 to 26 December 2011	0.82	0.03%
He Changming	Beneficial owner	120,000 *(Note 3)*	12 May 2009 to 26 December 2011	0.82	0.02%
Cui Ming	Beneficial owner	120,000 *(Note 3)*	12 May 2009 to 26 December 2011	0.82	0.02%
Xie Shuisheng	Beneficial owner	120,000 *(Note 3)*	12 May 2009 to 26 December 2011	0.82	0.02%
Chai Chaoming	Beneficial owner	120,000 *(Note 3)*	12 May 2009 to 26 December 2011	0.82	0.02%
Li Li	Beneficial owner	120,000 *(Note 3)*	12 May 2009 to 26 December 2011	0.82	0.02%

Notes:

1. These are the underlying Shares of the options granted to the relevant Directors by the Company under the Pre-IPO Option and such share options remained outstanding as at 30 June 2009. All options under the Pre-IPO Option were granted on 1 December 2007 at an exercise price of HK$1.19 per share.

2. These refer to the interests held by Mr. Hu in the Company. Ms. Yu is deemed to be interested in these interests under the SFO by virtue of being the spouse of Mr. Hu.

3. These are the underlying Shares of the options granted to the relevant Directors by the Company under the Share Option Scheme and such share options remained outstanding as at 30 June 2009. The exercise price is the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant.

* The percentages are calculated based on total issued number of Shares as at 30 June 2009.

Other Information

Save as disclosed above, as at 30 June 2009, none of the Directors or chief executive of the Company held or was deemed to hold any interests or short positions in the shares or underlying shares of the Company or any of its associated corporations (as defined in the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or were required to be recorded in the register required to be kept pursuant to section 352 of the SFO, or is otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEMES

The Company has adopted the Pre-IPO Option and the Share Option Scheme on 1 December 2007. Details of such share option schemes are set out in the published annual report of the Company for the year ended 31 December 2008.

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

Name or type of grantee	Date of grant	Exercisable period	Exercise price	Number of share options: Outstanding as at 1 January 2009	Exercised during the period	Granted during the period	Outstanding as at 30 June 2009	Approximate percentage of issued share capital of the Company
			HK$					
Directors								
Hu Changyuan	1-12-2007	27-12-2008 to 26-12-2011	1.19	600,000	(600,000)	–	–	–
	1-12-2007	27-12-2009 to 26-12-2011	1.19	600,000	–	–	600,000	0.10%
	1-12-2007	27-12-2010 to 26-12-2011	1.19	600,000	–	–	600,000	0.10%
				1,800,000	(600,000)	–	1,200,000	0.20%
Chen Jianhua	1-12-2007	27-12-2008 to 26-12-2011	1.19	500,000	(500,000)	–	–	–
	1-12-2007	27-12-2009 to 26-12-2011	1.19	500,000	–	–	500,000	0.08%
	1-12-2007	27-12-2010 to 26-12-2011	1.19	500,000	–	–	500,000	0.08%
	11-5-2009	12-5-2009 to 26-12-2011	0.82	–	–	400,000	400,000	0.06%
				1,500,000	(500,000)	400,000	1,400,000	0.22%

Other Information

Name or type of grantee	Date of grant	Exercisable period	Exercise price *HK$*	Number of share options: Outstanding as at 1 January 2009	Exercised during the period	Granted during the period	Outstanding as at 30 June 2009	Approximate percentage of issued share capital of the Company
Wang Jianli	1-12-2007	27-12-2008 to 26-12-2011	1.19	400,000	(400,000)	–	–	–
	1-12-2007	27-12-2009 to 26-12-2011	1.19	400,000	–	–	400,000	0.06%
	1-12-2007	27-12-2010 to 26-12-2011	1.19	400,000	–	–	400,000	0.06%
	11-5-2009	12-5-2009 to 26-12-2011	0.82	–	–	200,000	200,000	0.03%
				1,200,000	(400,000)	200,000	1,000,000	0.15%
Ma Wanjun	1-12-2007	27-12-2008 to 26-12-2011	1.19	400,000	(400,000)	–	–	–
	1-12-2007	27-12-2009 to 26-12-2011	1.19	400,000	–	–	400,000	0.06%
	1-12-2007	27-12-2010 to 26-12-2011	1.19	400,000	–	–	400,000	0.06%
	11-5-2009	12-5-2009 to 26-12-2011	0.82	–	–	200,000	200,000	0.03%
				1,200,000	(400,000)	200,000	1,000,000	0.15%
He Changming	11-5-2009	12-5-2009 to 26-12-2011	0.82	–	–	120,000	120,000	0.02%
Cui Ming	11-5-2009	12-5-2009 to 26-12-2011	0.82	–	–	120,000	120,000	0.02%
Xie Shuisheng	11-5-2009	12-5-2009 to 26-12-2011	0.82	–	–	120,000	120,000	0.02%
Chai Chaoming	11-5-2009	12-5-2009 to 26-12-2011	0.82	–	–	120,000	120,000	0.02%

Other Information

Name or type of grantee	Date of grant	Exercisable period	Exercise price *HK$*	Number of share options: Outstanding as at 1 January 2009	Exercised during the period	Granted during the period	Outstanding as at 30 June 2009	Approximate percentage of issued share capital of the Company
Li Li	11-5-2009	12-5-2009 to 26-12-2011	0.82	–	–	120,000	120,000	0.02%
Employees	1-12-2007	27-12-2008 to 26-12-2011	1.19	3,980,000	(2,430,000)	–	1,550,000	0.25%
	1-12-2007	27-12-2009 to 26-12-2011	1.19	3,980,000	–	–	3,980,000	0.63%
	1-12-2007	27-12-2010 to 26-12-2011	1.19	3,980,000	–	–	3,980,000	0.63%
	11-5-2009	12-5-2009 to 26-12-2011	0.82	–	–	4,980,000	4,980,000	0.80%
				11,940,000	(2,430,000)	4,980,000	14,490,000	2.31%
				17,640,000	(4,330,000)	6,380,000	19,690,000	3.13%

Notes:

1. As at 30 June 2009, the total number of issued Shares was 626,830,000.

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

3. During the period, no share options mentioned above were lapsed or cancelled.

The fair value of options granted on 11 May 2009 under Share Option Scheme was determined using the "Black-Scholes-Merton Option Pricing model". The significant inputs into the model were:

• Exercise price (HK$)	0.82
• Risk-free rate (%)	0.292
• Expected Option Period (Years)	1.27
• Expected Volatility (%)	61.88
• Expected Dividend (%)	0

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 was HK$1,421,086.

Other Information

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 have a substantial effect on the assessment of the fair value of the options.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2009, the following persons or corporations had interests or short positions in the Shares and underlying Shares as recorded in the register required to be kept under section 336 of the SFO:

Name of Shareholder	Capacity	Number of Shares	Approximate percentage of shareholding
Shine International Holdings Limited *(Note)*	Beneficial owner	330,165,000	52.67%

Note: Shine International Holdings Limited is wholly owned by Mr. Hu Changyuan.

Save as disclosed herein, as at 30 June 2009, so far as the Directors are aware, there were no other person, other than the Directors and chief executive of the Company, who had any interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept under section 336 of the SFO.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than disclosed above under "Share Option Schemes", at no time during this period were the Company or its subsidiaries parties to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the Directors nor the chief executive, 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.

Other Information

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 2009.

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, all Directors confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2009.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2009.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2009 (six months ended 30 June 2008: HK5.0 cents).

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.

By order of the Board
Hu Changyuan
Chairman

Hong Kong, 18 September 2009