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 2010

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
Mr. CUI Ming
Mr. XIE Shuisheng
Mr. CHAI Chaoming
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
Ms. LI Li
Mr. WANG Jianli

Nomination Committee

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

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
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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 Fulcrum Group (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
Wanchai, Hong Kong

PRINCIPAL BANKERS

Agricultural Bank of China
China Construction Bank

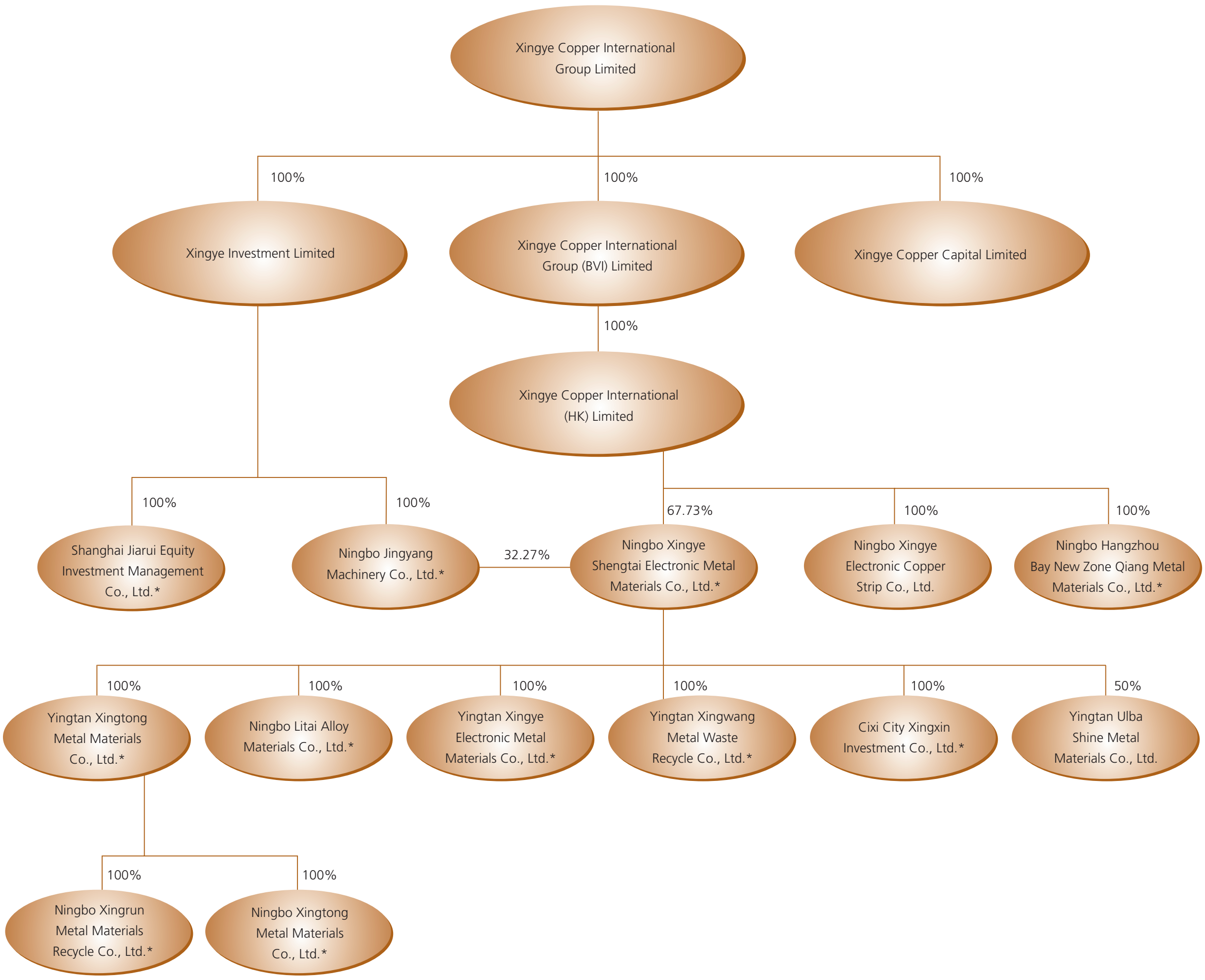
COMPANY WEBSITE

www.xingyecopper.com

STOCK CODE

505

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 30 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 2010 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 2010 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

20 August 2010

Consolidated Income Statement

For the six months ended 30 June 2010 – unaudited

		Six months ended 30 June	
		2010	2009
	Note	***RMB'000***	*RMB'000*
Turnover	*3*	**1,398,265**	701,031
Cost of sales		**(1,295,569)**	(621,188)
Gross profit		**102,696**	79,843
Other income		**53,218**	43,582
Distribution expenses		**(8,834)**	(4,051)
Administrative expenses		**(22,666)**	(22,768)
Other expenses		**(3,655)**	(1,289)
Profit from operations		**120,759**	95,317
Finance income		**3,281**	3,676
Finance expenses		**(17,633)**	(12,843)
Net finance costs	*4(i)*	**(14,352)**	(9,167)
Share of (loss)/profit of a jointly controlled entity		**(831)**	657
Profit before income tax		**105,576**	86,807
Income tax	*5*	**(21,305)**	(13,333)
Profit for the period			
– attributable to equity shareholders of the Company		**84,271**	73,474
Earnings per share			
– Basic *(RMB)*	*6(a)*	**0.131**	0.118
– Diluted *(RMB)*	*6(b)*	**0.127**	0.118

The notes on pages 12 to 30 form part of these unaudited interim financial statements. Details of dividends payable to equity shareholders of the Company are set out in note 16.

Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2010 – unaudited

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
Profit for the period	**84,271**	73,474
Other comprehensive income for the period		
Foreign currency translation differences for foreign operations	**(619)**	(151)
Total comprehensive income for the period		
– attributable to equity shareholders of the Company	**83,652**	73,323

The notes on pages 12 to 30 form part of these unaudited interim financial statements.

Consolidated Statement of Financial Position

At 30 June 2010 – unaudited

	Note	**At 30 June 2010 RMB'000**	At 31 December 2009 RMB'000
Non-current assets			
Property, plant and equipment	7	**493,151**	498,754
Lease prepayments		**17,709**	17,901
Interest in a jointly controlled entity	8	**18,468**	19,299
		529,328	535,954
Current assets			
Inventories	9	**449,368**	344,179
Derivative financial instruments		**567**	–
Trade and other receivables	10	**397,199**	250,259
Pledged deposits	11	**197,862**	88,813
Trading securities	12	**51,193**	33,835
Cash and cash equivalents		**128,427**	121,430
		1,224,616	838,516
Current liabilities			
Interest-bearing borrowings	13	**767,223**	614,269
Derivative financial instruments		**–**	5,214
Trade and other payables	14	**312,012**	138,025
Income tax payables		**7,768**	5,463
		1,087,003	762,971
Net current assets		**137,613**	75,545
Total assets less current liabilities		**666,941**	611,499
Non-current liabilities			
Interest-bearing borrowings	13	**4,000**	4,000
Deferred income		**973**	–
Deferred tax liabilities		**17,049**	14,240
		22,022	18,240
Net assets		**644,919**	593,259

The notes on pages 12 to 30 form part of these unaudited interim financial statements.

Consolidated Statement of Financial Position (continued)

At 30 June 2010 – unaudited

	Note	**At 30 June 2010** *RMB'000*	At 31 December 2009 *RMB'000*
Capital and reserves			
Share capital	*16(a)*	**61,758**	59,129
Reserves		**583,161**	534,130
Total equity attributable to equity shareholders of the Company		**644,919**	593,259
Total equity		**644,919**	593,259

The notes on pages 12 to 30 form part of these unaudited interim financial statements.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2010 – 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 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		–	–	–	–	–	2,439	–	2,439
Share options exercised		382	6,709	–	–	–	(2,547)	–	4,544
At 30 June 2009 and 1 July 2009		58,650	169,838	259,726	19,484	(8,924)	6,870	3,916	509,560
Total comprehensive income for the period		–	–	–	–	93	–	78,881	78,974
Share options exercised		477	4,500	–	–	–	(1,063)	–	3,914
Equity settled share-based payments		–	–	–	–	–	1,338	–	1,338
Share issuance expenses-warrants		–	(547)	–	–	–	–	–	(547)
Warrants exercised		2	18	–	–	–	–	–	20
Transfer to reserve		–	–	–	8,517	–	–	(8,517)	–
At 31 December 2009 and 1 January 2010		59,129	173,809	259,726	28,001	(8,831)	7,145	74,280	593,259

The notes on pages 12 to 30 form part of these unaudited interim financial statements.

Consolidated Statement of Changes in Equity (continued)

For the six months ended 30 June 2010 – 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*	Retained earnings *RMB'000*	Total *RMB'000*
At 31 December 2009 and at 1 January 2010		59,129	173,809	259,726	28,001	(8,831)	7,145	74,280	593,259
Total comprehensive income for the period		–	–	–	–	(619)	–	84,271	83,652
Share options exercised	*16(a)*	614	10,366	–	–	–	(3,900)	–	7,080
Equity settled share-based payments		–	–	–	–	–	335	–	335
Share issuance expenses-warrants		–	(115)	–	–	–	–	–	(115)
Warrants exercised	*16(a)*	2,015	16,722	–	–	–	–	–	18,737
Dividends to equity shareholders	*16(b) (ii)*	–	–	–	–	–	–	(58,029)	(58,029)
At 30 June 2010		61,758	200,782	259,726	28,001	(9,450)	3,580	100,522	644,919

The notes on pages 12 to 30 form part of these unaudited interim financial statements.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2010 – unaudited

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
Cash generated from/(used in) operations	**39,753**	(61,623)
Income tax paid	**(16,191)**	(3)
Net cash generated from/(used in) operating activities	**23,562**	(61,626)
Net cash used in investing activities	**(28,143)**	(43,507)
Net cash generated from financing activities	**11,578**	143,348
Net increase in cash and cash equivalents	**6,997**	38,215
Cash and cash equivalents at 1 January	**121,430**	130,498
Cash and cash equivalents at 30 June	**128,427**	168,713

The notes on pages 12 to 30 form part of these unaudited interim financial statements.

Notes to the Unaudited Financial Statements

1 GENERAL INFORMATION 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 2010 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 2009 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2010 annual financial statements. Details of these changes in accounting policies are set out in note 2.

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.

This 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 2009 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs").

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.

The financial information relating to the financial year ended 31 December 2009 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 2009 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 29 March 2010.

Notes to the Unaudited Financial Statements

2 CHANGES IN ACCOUNTING POLICIES

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

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

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

The amendments to IAS 39 and the improvements to IFRSs (2009) 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. The other developments resulted in changes in accounting policy but none of these changes in policy have a material impact on the current or comparative periods, for the following reasons:

- The impact of the majority of the revisions to IFRS 3 and IAS 27 have not yet had a material effect on the Group's financial statements as these changes will first be effective as and when the Group enters into a relevant transaction (for example, a business combination) and there is no requirement to restate the amounts recorded in respect of previous such transactions.
- The impact of the amendments to IFRS 3 (in respect of recognition of acquiree's deferred tax assets) has had no material impact as there is no requirement to restate amounts recorded in previous periods and no such deferred tax assets arose in the current period.

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

- As a result of the adoption of IFRS 3 (revised 2008), any business combination acquired on or after 1 January 2010 will be recognised in accordance with the new requirements and detailed guidance contained in IFRS 3 (revised 2008). These include the following changes in accounting policies:
  - Transaction costs that the Group incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees, will be expensed as incurred, whereas previously they were accounted for as part of the cost of the business combination and therefore impacted the amount of goodwill recognised.

Notes to the Unaudited Financial Statements

2 CHANGES IN ACCOUNTING POLICIES (continued)

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

– Contingent consideration will be measured at fair value at the acquisition date. Any subsequent changes in the measurement of that contingent consideration will be recognised in profit or loss, unless they arise from obtaining additional information about facts and circumstances that existed at the acquisition date within 12 months from the date of acquisition (in which case they will be recognised as an adjustment to the cost of the business combination). Previously, contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably. All subsequent changes in the measurement of contingent consideration and from its settlement were previously recognised as an adjustment to the cost of the business combination and therefore impacted the amount of goodwill recognised.

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

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

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

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

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

Notes to the Unaudited Financial Statements

2 CHANGES IN ACCOUNTING POLICIES (continued)

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

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

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

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

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

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. 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 Unaudited 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 principal 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:

For the six months ended 30 June 2010:

	Sales of copper products *RMB'000*	Trading of raw materials *RMB'000*	Processing services *RMB'000*	Total *RMB'000*
Turnover from external customers	**1,173,655**	**169,722**	**54,888**	**1,398,265**
Inter-segment turnover	**1,584,758**	**309,398**	**8,078**	**1,902,234**
Reportable segment turnover	**2,758,413**	**479,120**	**62,966**	**3,300,499**
Reportable segment profit	**78,415**	**5,388**	**18,893**	**102,696**

Notes to the Unaudited Financial Statements

3 SEGMENT REPORTING (continued)

(a) Segment results (continued)

For the six months ended 30 June 2009:

	Sales of copper products *RMB'000*	Trading of raw materials *RMB'000*	Processing services *RMB'000*	Total *RMB'000*
Turnover from external customers	581,141	85,676	34,214	701,031
Inter-segment turnover	246,641	208,543	1,585	456,769
Reportable segment turnover	827,782	294,219	35,799	1,157,800
Reportable segment profit	64,258	3,348	12,237	79,843

(b) Reconciliation of reportable segments turnover and profit:

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
Turnover		
Reportable segment turnover	**3,300,499**	1,157,800
Elimination of inter-segment turnover	**1,902,234**	456,769
Consolidated turnover	**1,398,265**	701,031
Profit		
Reportable segment profit	**102,696**	79,843
Distribution expenses	**(8,834)**	(4,051)
Administrative expenses	**(22,666)**	(22,768)
Other operating income and expenses	**49,563**	42,293
Net finance costs	**(14,352)**	(9,167)
Share of (loss)/profit of a jointly controlled entity	**(831)**	657
Consolidated profit before income tax	**105,576**	86,807

Notes to the Unaudited Financial Statements

3 SEGMENT REPORTING (continued)

(c) Geographic information

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

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
Turnover		
PRC	**1,156,135**	604,605
Others	**242,130**	96,426
	1,398,265	701,031

4 PROFIT BEFORE INCOME TAX

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

(i) Net finance costs

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
Interest expense	**15,994**	12,225
Net foreign exchange loss	**100**	–
Bank charges	**1,539**	618
Finance expenses	**17,633**	12,843
Net foreign exchange gain	**–**	(31)
Interest income on bank deposits	**(1,703)**	(673)
Interest income on investment in trading securities	**(1,044)**	(341)
Net change in fair value of trading securities	**(534)**	(2,631)
Finance income	**(3,281)**	(3,676)
	14,352	9,167

Notes to the Unaudited Financial Statements

4 PROFIT BEFORE INCOME TAX (continued)

(ii) Other items

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
Cost of inventories	**1,295,569**	621,188
Depreciation	**19,689**	17,501
Amortisation of lease prepayments	**192**	192
Write down/(reversal of write down) of inventories to net realisable value	**7,649**	(5,682)
Net realised and unrealised gains on derivative financial instruments	**(16,656)**	(20,317)
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	
	2010	2009
	RMB'000	*RMB'000*
Current tax expense		
Provision for PRC income tax	**18,496**	6,945
Deferred tax		
Reversal and origination of temporary differences	**2,809**	6,388
	21,305	13,333

(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 2010.

(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) 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 ("the New Tax Law"). Pursuant to the New Tax Law, 5% withholding tax is levied on the foreign investor in respect of dividend distributions arising from the profits of a foreign investment enterprise in the PRC earned after 1 January 2008. Deferred tax liabilities have been recognised for undistributed retained earnings of the Group's PRC subsidiaries to the extent that the earnings would be distributed in the foreseeable future.

Notes to the Unaudited Financial Statements

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 2010 is based on the profit attributable to the equity shareholders of the Company of RMB84,271,000 (six months ended 30 June 2009: RMB73,474,000) and the weighted average number of 645,123,119 (six months ended 30 June 2009: 622,860,833) 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 2010 is based on profit attributable to equity shareholders of the Company of RMB84,271,000 (six months ended 30 June 2009: RMB73,474,000) and the weighted average number of 664,513,880 (six months ended 30 June 2009: 624,514,670) ordinary shares (diluted).

7 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2010, the Group acquired items of property, plant and equipment with costs of RMB14,626,000 in aggregate (six months ended 30 June 2009: RMB16,279,000). Items of property, plant and equipment with a net book value of RMB540,000 were disposed of during the six months ended 30 June 2010 (six months ended 30 June 2009: RMB1,124,000), resulting in a loss on disposal of RMB506,000 (six months ended 30 June 2009: gain of RMB38,000).

8 INTERESTS IN A JOINTLY CONTROLLED ENTITY

	At 30 June 2010 ***RMB'000***	At 31 December 2009 *RMB'000*
Share of net assets	**18,468**	19,299

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 2010 ***RMB'000***	At 31 December 2009 *RMB'000*
Raw materials	**104,289**	115,099
Work in progress	**209,363**	157,692
Finished goods	**128,897**	63,873
Others	**6,819**	7,515
	449,368	344,179

As at 30 June 2010, inventories pledged for short term bank loans amounted to RMB162,057,000 (31 December 2009: Nil) (see note 13(i)). In addition, inventories with carrying amount of RMB9,491,000 (31 December 2009: Nil) have been placed under the physical custody of Great Wall Futures Corporation Limited, a registered future broker in the PRC, as margin for future contracts entered into by a subsidiary.

Notes to the Unaudited Financial Statements

10 TRADE AND OTHER RECEIVABLES

	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
Trade and bill receivables	**289,338**	181,807
Non-trade receivables	**53,763**	38,668
Prepayments	**46,704**	28,492
Amount due from a related party	**7,394**	1,292
	397,199	250,259

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 2010 RMB'000	At 31 December 2009 RMB'000
Within 3 months	**268,047**	149,409
Over 3 months but less than 6 months	**21,291**	32,398
	289,338	181,807

11 PLEDGED DEPOSITS

Pledged deposits can be analysed as follows:

	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
Guarantee deposits for issuance of commercial bills and banking facilities	**197,862**	88,813

Notes to the Unaudited Financial Statements

12 TRADING SECURITIES

	At 30 June 2010 *RMB'000*	At 31 December 2009 *RMB'000*
Quoted debentures	**38,104**	33,396
Mutual funds	**13,089**	439
	51,193	33,835

The fair values are determined based on quoted prices by financial institutions which are publicly available.

13 INTEREST-BEARING BORROWINGS

	At 30 June 2010 *RMB'000*	At 31 December 2009 *RMB'000*
Current		
Secured bank loans	**290,121**	176,524
Unsecured bank loans	**120,749**	141,921
Unsecured loan from a related party	**13,000**	–
Current portion of non-current secured bank loans	**38,000**	60,000
Bank advances under discounted bills	**305,353**	235,824
	767,223	614,269
Non-current		
Secured loans – others	**4,000**	4,000
	771,223	618,269

Notes to the Unaudited Financial Statements

13 INTEREST-BEARING BORROWINGS (continued)

(i) The secured bank and other loans as of 30 June 2010 bore interest at rates ranging from 3.65% to 5.58% (31 December 2009: 4.86% to 6.37%) per annum and were secured by the following assets:

	At 30 June 2010 *RMB'000*	At 31 December 2009 *RMB'000*
Carrying amounts of assets:		
Inventories	**162,057**	–
Property, plant and equipment	**238,383**	247,988
Lease prepayments	**11,552**	11,681
Pledged deposit	**49,054**	–

(ii) Unsecured bank loans as of 30 June 2010 bore interest at rates ranging from 3.65% to 5.84% (31 December 2009: 4.37% to 5.35%) per annum.

(iii) Unsecured loan from a related party bore interest at a rate of 5.31% per annum, which was determined with reference to prevailing market rate. The loan was unsecured and repayable on demand.

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

	At 30 June 2010 *RMB'000*	At 31 December 2009 *RMB'000*
Over 2 years	**4,000**	4,000
	4,000	4,000

(v) The Group's discounted bills with recourse have been accounted for as collateralised bank advances. The discounted bills 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 reporting date.

Notes to the Unaudited Financial Statements

14 TRADE AND OTHER PAYABLES

	At 30 June 2010 *RMB'000*	At 31 December 2009 *RMB'000*
Trade and bill payables	**253,052**	78,647
Non-trade payables and accrued expenses	**56,862**	56,531
Amount due to related parties	**2,098**	2,847
	312,012	138,025

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

	At 30 June 2010 *RMB'000*	At 31 December 2009 *RMB'000*
Within 3 months	**211,671**	53,735
Over 3 months but less than 6 months	**39,527**	21,486
Over 6 months but less than 1 year	**1,340**	1,180
Over 1 year but less than 2 years	**416**	2,148
Over 2 years	**98**	98
	253,052	78,647

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 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 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 2010, 6,300,000 share options under the Pre-IPO Option were exercised for the same amount of shares at an exercise price of HKD1.19 per share. The proceeds of HKD630,000 (equivalent to RMB554,000) representing the par value, were credited to the Company's share capital. The remaining proceeds of HKD6,867,000 (equivalent to RMB6,035,000) were credited to the share premium account.

Notes to the Unaudited 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.

During the six months ended 30 June 2010, 680,000 share options under the Share Option Scheme were exercised for the same amount of share at an exercise price of HKD0.82 per share. The proceeds of HKD68,000 (equivalent to RMB60,000) representing the par value, were credited to the Company's share capital. The remaining proceeds of HKD498,600 (equivalent to RMB431,000) were credited to the share premium account.

(c) Warrants

On 3 November 2009, the Company issued 63,209,000 warrants (the "Warrants") to the shareholders of ordinary shares of the Company on the basis of one warrant for every 10 ordinary shares held on 27 October 2009 at an initial subscription price of HKD0.93 per ordinary share (subject to adjustment) at any time during the period commencing 3 November 2009 and expiring on 2 November 2011 (both dates inclusive).

During the six months ended 30 June 2010, 22,907,000 Warrants were exercised for the same amount of shares at an exercise price of HKD0.93 per share. The proceeds of HKD2,290,700 (equivalent to RMB2,015,000) representing the par value, were credited to the Company's share capital. The remaining proceeds of HKD19,012,810 (equivalent to RMB16,722,000) were credited to the share premium account.

Notes to the Unaudited Financial Statements

16 CAPITAL, RESERVE AND DIVIDENDS

(a) Share capital

	The Group and the Company		
	Number of ordinary shares *'000*	Nominal value Amount *HK$'000*	Nominal value Equivalent *RMB'000*
Authorised:			
Ordinary shares of HKD0.10 each	5,000,000	500,000	468,100
Issued and fully paid:			
At 1 January 2010	632,275	63,227	59,129
Warrant exercised	22,907	2,291	2,015
Share options exercised	6,980	698	614
At 30 June 2010	662,162	66,216	61,758

During the six months ended 30 June 2010, 6,300,000 share options under the Pre-IPO Option (see note 15(a)) (six months ended 30 June 2009: 4,330,000) were exercised for the same amount of shares at an exercise price of HKD1.19 per share and 680,000 share options under the Share Option Scheme (see note 15(b)) (six months ended 30 June 2009: Nil) were exercised for the same amount of shares at an exercise price of HKD0.82 per share respectively. All issued shares are fully paid. HKD4,449,000 (equivalent to RMB3,900,000) has been transferred from the capital reserve to the share premium account in accordance with the Group's accounting policies.

During the six months ended 30 June 2010, 22,907,000 Warrants (see note 15(c)) (six months ended 30 June 2009: Nil) were exercised for the same amount of shares at an exercise price of HKD0.93 per share. All issued shares are fully paid.

Notes to the Unaudited Financial Statements

16 CAPITAL, RESERVE AND DIVIDENDS (continued)

(b) Dividends

(i) Dividends payable to equity shareholders attributable to the interim period

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
Interim dividend declared after the interim period of HKD5 cents per share (six months ended 30 June 2009: Nil)	**28,883**	–

The interim dividend has not been recognised as a liability at the reporting date.

(ii) Dividends payable to equity shareholders attributable to the previous financial year, approved and paid during the interim period

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of HKD10 cents per share (six months ended 30 June 2009: Nil)	**58,029**	–

Pursuant to a resolution passed at the board of directors' meeting on 29 March 2010, dividends of HKD66,213,420 (equivalent to RMB58,029,000) were declared and paid on 21 May 2010.

Notes to the Unaudited Financial Statements

17 RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

During the six months ended 30 June 2010, the Group have transactions with Yingtan Ulba which is jointly controlled by the Group, and Cixi Xingye Investment Co., Ltd. ("Cixi Xingye Investment"), of which Mr. Hu Changyuan, the Chairman of the Group, was an investor, during the interim period. Particulars of significant transactions between the Group and such related parties during the period are as follows:

(i) Significant related party transactions

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
Interest expense charged by:		
Yingtan Ulba	**–**	463
Purchase of goods from:		
Yingtan Ulba	**2,255**	189
Leasing income from:		
Yingtan Ulba	**362**	282
Sales income from:		
Yingtan Ulba	**5,520**	–
Property service fee paid to:		
Cixi Xingye Investment	**996**	–
Interest-bearing borrowings provided to:		
Cixi Xingye Investment	**20,000**	–
Interest-bearing borrowings provided by:		
Cixi Xingye Investment	**13,000**	–
Interest expense charged to:		
Cixi Xingye Investment	**226**	–
Rental fee paid to:		
Cixi Xingye Investment	**387**	–

Notes to the Unaudited Financial Statements

17 RELATED PARTY TRANSACTIONS (continued)

(a) Transactions with related parties (continued)

(ii) Balances with related parties

	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
Trade and other receivables due from:		
Yingtan Ulba	**7,394**	1,292
Trade and other payables due to:		
Yingtan Ulba	**1,600**	2,847
Cixi Xingye Investment	**498**	–
Interest-bearing borrowing due to:		
Cixi Xingye Investment	**13,000**	–

The borrowing from Cixi Xingye Investment bore interest at a rate of 5.31% per annum, which was determined with reference to prevailing market rate. The borrowing was unsecured and was repaid on 31 July 2010.

(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 2010 RMB'000	2009 RMB'000
Short-term employee benefits	**1,678**	1,561
Post-employment benefits	**12**	14
Share-based payment	**141**	722
	1,831	2,297

Notes to the Unaudited Financial Statements

17 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 RMB1,944,000 for the six months ended 30 June 2010 (six months ended 30 June 2009: RMB926,000). As at 30 June 2010 and 31 December 2009, there was no material outstanding contribution to post-employment benefit plans.

18 CAPITAL COMMITMENTS

Capital commitments outstanding at the period end not provided for in the interim financial report were as follows:

	At 30 June 2010	At 31 December 2009
	RMB'000	*RMB'000*
Authorised but not contracted for	**42,350**	60,500
Contracted for	**22,138**	11,544
	64,488	72,044

19 SUBSEQUENT EVENTS

On 20 August 2010, the Group's subsidiary, Cixi City Xingxin Investment Co., Ltd ("Cixi Xingxin"), as the lender, entered into a loan agreement (the "Loan Agreement") with Mr. Fu Huanan ("Mr. Fu"), as the borrower, and Ningbo Shangri Real Estate Development Co., Ltd., as the guarantor, pursuant to which Cixi Xingxin has agreed to provide a loan (the "Loan") of RMB100,000,000 (approximately HK$114,626,000) to Mr. Fu, subject to and upon the terms of the Loan Agreement. Mr. Fu and the guarantor are independent third parties of the Company and the guarantor is a company controlled by Mr. Fu. As security for the Loan, the guarantor has agreed to guarantee the obligations of Mr. Fu under the Loan Agreement. Further, Mr. Fu and the guarantor have executed an undertaking letter (which forms part and partial of the Loan Agreement) in favour of Cixi Xingxin giving certain undertakings in respect of the obligations under the Loan Agreement. The Loan carries interest at a rate of 25% per annum is repayable on 19 February 2011.

Management Discussion and Analysis

PROSPECTS

The world has not completely got rid of all the adverse impacts during the post-financial crisis period, hence governments around the world have maintained appropriate measures to stimulate the economy. The economy of China is also at the stage of steady recovery and its government will continue to adopt reasonably loose monetary policies, while the direction of macro-economic policies will remain unchanged in the second half of the year. In view of the unresolved aftermaths of the financial crisis, we will be confronted with uncertainties affecting the economic development.

During the first half of the year 2010, the price of nonferrous metal has gone up and the global price of copper reached USD8,000 in April, marking the record high over the past 20 months. Judging from the strong fundamental demand for copper, the price of copper will remain high in the second half of the year.

The Group will continue its prudent operational approach to constantly adjust its development strategies in accordance with domestic and overseas economic conditions. It will also improve its internal system and optimize its management structure to raise its core competitiveness. In order to raise its fundamental strength, the Group will take elastic materials as its key product and the research and development of terminal materials and copper for automobile as its key development, reduce its product costs and widen the scope and intensify its efforts in the circular economy (consumption of metal). Persisting in the principle of "volume reduction, reuse and reclamation", the Group will utilise its internal potentials to maximize the technical level of its products and its market share. The Group will enhance the development of its end-user market network by exploring new and existing customers, raising the turnover of inventories by increasing its capital flow and establishing its sales network at local, national and even global levels. To maximize the interests of its shareholders, the Group will enhance the management of its capital operation, seek for new investment gateways and open up new sources of economic growth. With the unremitting efforts of our management and staff, the Group is confident in achieving better results in the second half of the year.

FINANCIAL REVIEW

Revenues

The Group's revenue was derived from sales of high precision copper plates and strips, processing services and trading of raw materials which accounted for 84.0%, 3.9% and 12.1% of the total revenue for the period under review, respectively. The Group's revenue for the period under review increased by 99.5% to RMB1,398.3 million from RMB701.0 million over the corresponding period of last year was mainly due to increase in the sales volume and increase in market price of copper. The volume of sales and processing services for high precision copper plates and strips increased by 36.2% and 63.4% to 22,319 tonnes from 16,384 tonnes and 10,354 tonnes from 6,335 tonnes as compared to the corresponding period of last year, respectively.

Gross profit

The gross profit for the six months ended 30 June 2010 was RMB102.7 million, representing an increase of 28.6% as compared to the RMB79.8 million recorded in the corresponding period of last year.

The average gross profit per tonne of sales of high precision copper plates and strips and processing services for the period under review were RMB3,500 and RMB1,800 respectively (corresponding period of last year: RMB3,900 and RMB1,900 respectively). The change in average gross profit per tonne was mainly due to a change in products mix and the different standard of products required by customers.

For the period under review, the Group recorded a gain of RMB5.4 million in trading of raw materials (corresponding period of last year: RMB3.3 million).

Management Discussion and Analysis

Other income

The Group's other income increased by 22.1% to RMB53.2 million in the six months ended 30 June 2010 from RMB43.6 million in the corresponding period of last year. Such increase was mainly due to (i) increase in value-added tax refund of RMB5.5 million benefiting from renewable resource recycling and utilization of related value-added tax policy with effect from 1 January 2009; and (ii) various awards and subsidies from the government as encouragement for the Group's development in the industry.

Distribution expenses

Consistent with the corresponding period of last year, the Group's distribution expenses represented 0.6% of the Group's revenue.

Administrative expenses

There was no material fluctuation in the Group's administrative expenses as compared to the corresponding period of last year.

Net finance costs

The Group's net finance costs increased by 56.6% to RMB14.4 million in the six months ended 30 June 2010 from RMB9.2 million for the corresponding period of last year. The increase in the financial costs was primarily due to an increase in interest expense and bank charges as a result of an increase in bank borrowings and sales transactions.

Income tax

The corporation income tax expenses increased by 59.8% to RMB21.3 million in the six months ended 30 June 2010 from RMB13.3 million for the corresponding period of last year and the effective tax rate increased to 20.2% in the six months ended 30 June 2010 from 15.4% in the corresponding period of last year. Such increase was due to an increase in the profit generated by Ningbo Xingtong Metal Materials Co., Ltd. and Yingtan Xingye Electronic Metal Materials Co., Ltd., which was subject to full tax charge; whereas the Group's profit for the corresponding period of last year was mainly generated by Ningbo Xingye Shengtai Electronic Metal Materials Co., Ltd. which enjoyed a 50% tax reduction.

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 14.7% to RMB84.3 million from RMB73.5 million for the corresponding period of last year.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2010, the Group's liquidity position remained strong with available undrawn bank facilities together with bank deposits of RMB530.0 million and RMB326.3 million (comprised of bank deposits of RMB197.9 million and cash and cash equivalents of RMB128.4 million) respectively.

The Group recorded a net cash generated from the operating activities of RMB23.6 million in the period under review whilst the net cash used in operating activities in the corresponding period of last year was RMB61.6 million. This was mainly due to an increase in trade and other payables. The Group's net cash used in investing activities decreased to RMB28.1 million in the period under review from RMB43.5 million for the corresponding period of last year. This was mainly due to the decrease in acquisition of fixed assets of RMB3.3 million and net investment in trading securities of RMB11.2 million.

Management Discussion and Analysis

The Group's net cash generated from financing activities decreased to approximately RMB11.6 million in the period under review from approximately RMB143.3 million for the corresponding period of last year. This was mainly due to the increase in pledged deposits and dividend paid, which was partially offset by an increase in the net proceeds from the issuance of shares due to the exercise of share options and Warrants in the relevant period and interest-bearing borrowings.

As at 30 June 2010, the Group had outstanding bank loans and other borrowings of approximately RMB771.2 million, of which approximately RMB767.2 million shall be repaid within 1 year and approximately RMB4.0 million shall be repaid over 2 years. As at 30 June 2010, 43.1% of the Group's debts was on secured basis.

The gearing ratio as at 30 June 2010 was 44% (31 December 2009: 45%), which is calculated by dividing the total borrowings over the total assets.

Charge on assets

As at 30 June 2010, the Group pledged assets with an aggregate carrying value of RMB461.0 million (31 December 2009: RMB259.7 million) to secure bank loan facilities of the Group.

Capital expenditure

For the six months ended 30 June 2010, the Group invested RMB13.0 million for the purchase of property, plant and equipment. These capital expenditures were fully financed by internal resources and net proceeds from the issuance of shares from the initial public offering of the shares of the Company in December 2007.

Capital commitments

As at 30 June 2010, the future capital expenditure, for which the Group had authorised but not contracted for and contracted but not provided for, amounted to approximately RMB42.4 million and RMB22.1 million, respectively.

Use of net proceeds from the issue of new shares

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

	Planned amount *RMB'million*	**Amount utilised up to 30 June 2010** *RMB'million*	**Balance as at 30 June 2010** *RMB'million*
Expand production capacity	119.4	81.1	38.3
Develop large-scale production of new products	29.6	25.8	3.8
Research and development	12.6	7.9	4.7
General working capital purposes	59.8	59.8	–
	221.4	174.6	46.8

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

Management Discussion and Analysis

MARKET RISK

The Group is exposed to various types of market risks, including price risk, interest rate risk and foreign exchange risk.

Price risk

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 of the Group. 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 gain on futures contracts of RMB16.7 million (corresponding period in last year: RMB20.3 million).

The Group is also exposed to price changes arising from investment in bonds and funds classified as investments at fair value through profit or loss. The management manages these exposure by maintaining a portfolio of investments with different risks. Investments portfolio has been chosen based on their growth potential and is monitored regularly for performance against expectations.

Interest rate risk

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 relates primarily to fluctuations in interest rates on bank borrowings. The Group undertakes debt obligations to support general corporate purposes, including capital expenditure and working capital needs. The Group's bank borrowings bear interest rates that are subject to adjustment by lenders in accordance with changes of 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 undertaking new debts. The Group has not entered any interest rate swap arrangement to hedge against exposure to interest rate risk.

Foreign exchange risk

The Group's export sales and certain portion of purchase of raw materials were 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 has not entered into any foreign exchange contract to hedge against exposure to foreign exchange rate risks. For period under review, the Group recorded a net foreign exchange loss of RMB0.1 million (corresponding period in last year: net gain of RMB31,000).

Employees

As at 30 June 2010, the Group had 1,063 employees. Remuneration policies are reviewed regularly to ensure that the Group is offering competitive employment packages to our employees. Benefits for the employees include salaries, pension, medical insurance scheme and other applicable social insurance. Promotion and salary increments are assessed based on performance related basis. The Group's growth is dependent upon the skills and dedication of its employees. The Group recognizes the importance of human resources in a competitive industry and has devoted resources to training its employees. The Group has established an annual training program for our new 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 2010, 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	Corporate interest	210,000,000 *(Note 1)*	31.71%
	Beneficial owner	42,600,000	6.43%
Yu Yuesu	Interest of spouse	252,600,000 *(Note 2)*	38.14%
Chen Jianhua	Beneficial owner	1,480,000	0.22%
Wang Jianli	Beneficial owner	1,000,000	0.15%
	Corporate interest	18,758,000 *(Note 3)*	2.83%
Ma Wanjun	Beneficial owner	1,000,000	0.15%
He Changming	Beneficial owner	120,000	0.02%
Cui Ming	Beneficial owner	220,000	0.03%
Xie Shuisheng	Beneficial owner	128,000	0.02%
Chai Chaoming	Beneficial owner	140,000	0.02%
Li Li	Beneficial owner	300,000	0.05%

Other Information

Notes:

1. These 210,000,000 shares were held by Luckie Strike Limited and Come Fortune International Limited which are 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 shares held by Mr. Hu Changyuan in the Company. Ms. Yu Yuesu is deemed to be interested in these shares under the SFO by virtue of being the spouse of Mr. Hu.

3. These 18,758,000 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 Jianli 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 of 662,161,800 as at 30 June 2010.

(ii) Interests in share options of the Company

Name of Directors	Capacity	Number of share options	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	0.09%
		600,000 *(Note 1)*	27 December 2010 to 26 December 2011	1.19	0.09%
Yu Yuesu	Interest of spouse	600,000 *(Note 2)*	27 December 2009 to 26 December 2011	1.19	0.09%
	Interest of spouse	600,000 *(Note 2)*	27 December 2010 to 26 December 2011	1.19	0.09%
Chen Jianhua	Beneficial owner	500,000 *(Note 1)*	27 December 2010 to 26 December 2011	1.19	0.08%
Wang Jianli	Beneficial owner	400,000 *(Note 1)*	27 December 2010 to 26 December 2011	1.19	0.06%
Ma Wanjun	Beneficial owner	400,000 *(Note 1)*	27 December 2010 to 26 December 2011	1.19	0.06%

Other Information

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 2010. 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 in the underlying shares of the options granted to Mr. Hu Changyuan by the Company. Ms. Yu Yuesu is deemed to be interested in these interests under the SFO by virtue of being the spouse of Mr. Hu Changyuan.

* The percentages are calculated based on total issued number of shares of 662,161,800 as at 30 June 2010.

(iii) Interests in Warrants of the Company

Name of Directors	Capacity	Number of Warrants	Approximate percentage of shareholding*
Hu Changyuan	Corporate interest	10,000,000 *(Note 1)*	1.51%
	Beneficial owner	1,400,000	0.21%
Yu Yuesu	Interest of spouse	11,400,000 *(Note 2)*	1.72%
Chen Jianhua	Beneficial owner	90,000	0.014%
Wang Jianli	Beneficial owner	60,000	0.009%
	Corporate interest	363,800 *(Note 3)*	0.055%
Ma Wanjun	Beneficial owner	60,000	0.009%
Cui Ming	Beneficial owner	22,000	0.003%
Chai Chaoming	Beneficial owner	12,000	0.002%
Li Li	Beneficial owner	12,000	0.002%

Other Information

Notes:

1. These 10,000,000 Warrants (entitling the holder thereof to subscribe for 10,000,000 shares) were held by Come Fortune International Limited which was wholly owned by Mr. Hu Changyuan. Mr. Hu was deemed to be interested in these Warrants by virtue of the SFO.

2. These refer to the interests in the Warrants of Mr. Hu Changyuan. Ms. Yu Yuesu was deemed to be interested in these interests under the SFO by virtue of being the spouse of Mr. Hu. Changyuan.

3. These 363,800 Warrants (entitling the holder thereof to subscribe for 363,800 shares) were 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 was wholly owned by Mr. Wang Jianli who was therefore deemed to be interested in these Warrants by virtue of the SFO.

4. The Warrants may be exercised at any time during the period commencing on 3 November 2009 and expiring on 2 November 2011 at an initial subscription price of HK$0.93 per (subject to adjustments).

* The percentages are calculated based on total number of issued shares of 662,161,800 as at 30 June 2010.

Save as disclosed above, as at 30 June 2010, 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.

Other Information

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 2009.

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

				Number of share options					
Name or type of grantee	Date of grant	Exercisable period	Exercise price *HK$*	Outstanding as at 1 January 2010	Exercised during the period	Granted during the period	Lapsed during the period	Outstanding as at 30 June 2010	Approximate percentage of issued share capital of the Company
Directors									
Hu Changyuan	1-12-2007	27-12-2009 to 26-12-2011	1.19	600,000	–	–	–	600,000	0.09%
	1-12-2007	27-12-2010 to 26-12-2011	1.19	600,000	–	–	–	600,000	0.09%
				1,200,000	–	–	–	1,200,000	0.18%
Chen Jianhua	1-12-2007	27-12-2009 to 26-12-2011	1.19	500,000	(500,000)	–	–	–	–
	1-12-2007	27-12-2010 to 26-12-2011	1.19	500,000	–	–	–	500,000	0.08%
				1,000,000	(500,000)	–	–	500,000	0.08%
Wang Jianli	1-12-2007	27-12-2009 to 26-12-2011	1.19	400,000	(400,000)	–	–	–	–
	1-12-2007	27-12-2010 to 26-12-2011	1.19	400,000	–	–	–	400,000	0.06%
				800,000	(400,000)	–	–	400,000	0.06%

Other Information

Name or type of grantee	Date of grant	Exercisable period	Exercise price HK$	Number of share options: Outstanding as at 1 January 2010	Exercised during the period	Granted during the period	Lapsed during the period	Outstanding as at 30 June 2010	Approximate percentage of issued share capital of the Company
Ma Wanjun	1-12-2007	27-12-2009 to 26-12-2011	1.19	400,000	(400,000)	–	–	–	–
	1-12-2007	27-12-2010 to 26-12-2011	1.19	400,000	–	–	–	400,000	0.06%
				800,000	(400,000)	–	–	400,000	0.06%
He Changming	11-5-2009	12-5-2009 to 26-12-2011	0.82	120,000	(120,000)	–	–	–	–
Xie Shuisheng	11-5-2009	12-5-2009 to 26-12-2011	0.82	120,000	(120,000)	–	–	–	–
Employees	1-12-2007	27-12-2008 to 26-12-2011	1.19	1,550,000	(1,550,000)	–	–	–	–
	1-12-2007	27-12-2009 to 26-12-2011	1.19	3,880,000	(3,450,000)	–	(320,000)	110,000	0.02%
	1-12-2007	27-12-2010 to 26-12-2011	1.19	3,880,000	–	–	(320,000)	3,560,000	0.54%
	11-5-2009	12-5-2009 to 26-12-2011	0.82	720,000	(440,000)	–	(120,000)	160,000	0.02%
				10,030,000	(5,440,000)	–	(760,000)	3,830,000	0.58%
				14,070,000	(6,980,000)	–	(760,000)	6,330,000	0.96%

Notes:

1. As at 30 June 2010, the total number of issued shares of the Company was 662,161,800.

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

Other Information

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2010, the following persons or corporations had interests or short positions in the shares and underlying shares of HK$0.10 each 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	Approximate percentage of shareholding
Luckie Strike Limited *(Note)*	Beneficial owner	110,000,000	16.61%
Come Fortune International Limited *(Note)*	Beneficial owner	110,000,000	16.61%

Note: Each of Luckie Strike Limited and Come Fortune International Limited was wholly-owned companies of Mr. Hu Changyuan. The interests of Come Fortune International Limited comprises 100,000,000 shares and 10,000,000 underlying shares under the 10,000,000 Warrants held by it.

Save as disclosed herein, as at 30 June 2010, 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 of the Company 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 the paragraph headed "Share Option Schemes", at no time during the period under review 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 of the Company, 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 of the Company.

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 2010.

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 2010.

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 2010.

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 cents per Share in cash for the six months ended 30 June 2010 to shareholders whose names appear on the register of members of the Company on 10 September 2010. The interim dividend will be paid on or about 17 September 2010.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed on Friday, 10 September 2010, 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 9 September 2010.

By order of the Board
Hu Changyuan
Chairman

The PRC, 20 August 2010