



**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 2011



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## 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

#### 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  
37-39 Hung To Road, Kwun Tong  
Kowloon, Hong Kong

##### PRC

No.1 Linfang Road  
Bailiangqiao, Zonghan  
Cixi City  
Ningbo City, Zhejiang Province  
315301, 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

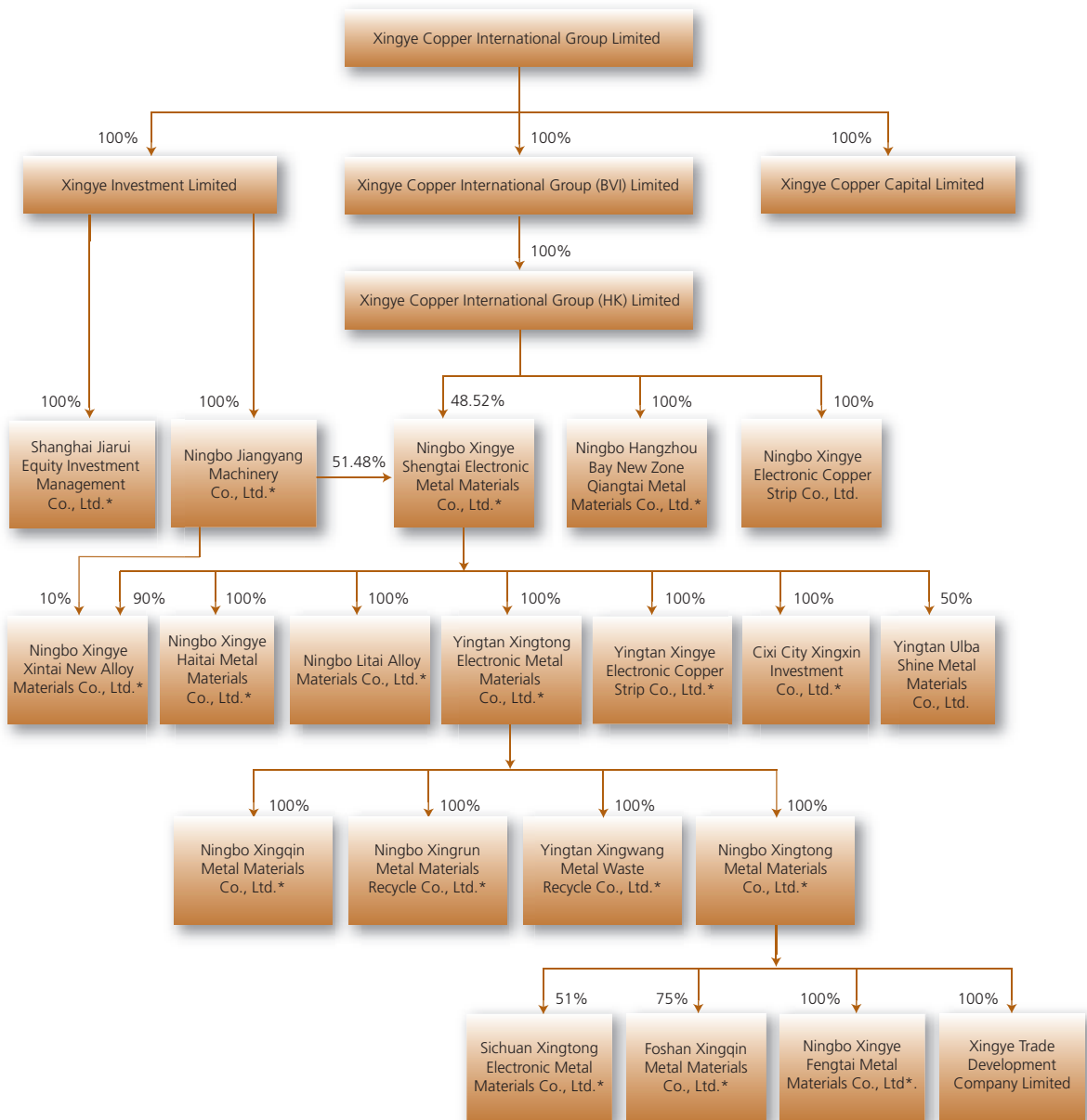
#### COMPANY WEBSITE

[www.xingyecopper.com](http://www.xingyecopper.com)

#### STOCK CODE

505

## Corporate Structure



Ningbo Kairui Investment Partnership\*

The Group effective held 20% interest in this partnership

Ningbo Ruiju Investment Partnership\*

The Group effective held 15% interest in this partnership

\* For Identification purpose only

## 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 28 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 2011 and the related consolidated income statement, the consolidated statement of comprehensive income, the consolidated 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 2011 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

19 August 2011

## Consolidated Income Statement

For the six months ended 30 June 2011 – unaudited

	Note	Six months ended 30 June	
		2011 RMB'000	2010 RMB'000
<b>Turnover</b>	3	<b>1,630,749</b>	1,398,265
Cost of sales		<b>(1,471,896)</b>	(1,295,569)
<b>Gross profit</b>		<b>158,853</b>	102,696
Other income		<b>25,383</b>	53,218
Distribution expenses		<b>(10,825)</b>	(8,834)
Administrative expenses		<b>(23,589)</b>	(22,666)
Other expenses		<b>(3,853)</b>	(3,655)
<b>Profit from operations</b>		<b>145,969</b>	120,759
Finance income		<b>4,455</b>	3,281
Finance expenses		<b>(31,058)</b>	(17,633)
<b>Net finance costs</b>	4(i)	<b>(26,603)</b>	(14,352)
Share of loss of a jointly controlled entity		<b>(3,845)</b>	(831)
<b>Profit before income tax</b>	4	<b>115,521</b>	105,576
Income tax	5	<b>(27,670)</b>	(21,305)
<b>Profit for the period</b>		<b>87,851</b>	84,271
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>87,637</b>	84,271
Non-controlling interests		<b>214</b>	–
<b>Profit for the period</b>		<b>87,851</b>	84,271
<b>Earnings per share</b>			
Basic (RMB)	6(a)	<b>0.129</b>	0.131
Diluted (RMB)	6(b)	<b>0.127</b>	0.127

The notes on pages 12 to 28 form part of these unaudited interim financial statements. Details of dividends payable to equity shareholders of the Company are set out in note 17(b).

## Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2011 – unaudited

	Six months ended 30 June	
	2011 RMB'000	2010 RMB'000
<b>Profit for the period</b>	<b>87,851</b>	84,271
<b>Other comprehensive income for the period (after tax and reclassification adjustment):</b>		
Exchange differences on translation of financial statements of overseas subsidiaries	(618)	(619)
<b>Total comprehensive income for the period</b>	<b>87,233</b>	83,652
<b>Attributable to:</b>		
Equity shareholders of the Company	87,019	83,652
Non-controlling interests	214	–
<b>Total comprehensive income for the period</b>	<b>87,233</b>	83,652

The notes on pages 12 to 28 form part of these unaudited interim financial statements.

## Consolidated Statement of Financial Position

At 30 June 2011 – unaudited

	Note	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
<b>Non-current assets</b>			
Property, plant and equipment	7	521,480	511,380
Lease prepayments		18,637	18,210
Interest in associates	8	35,000	55,000
Interest in a jointly controlled entity	9	16,691	17,246
		<b>591,808</b>	601,836
<b>Current assets</b>			
Inventories	10	613,263	587,756
Trade and other receivables	11	591,839	562,036
Pledged deposits	12	140,021	154,378
Trading securities	13	15,896	–
Cash and cash equivalents		96,813	80,248
		<b>1,457,832</b>	1,384,418
<b>Current liabilities</b>			
Interest-bearing borrowings	14	909,510	997,413
Derivative financial instruments		10,329	34,460
Trade and other payables	15	382,700	280,255
Income tax payables		14,290	11,094
		<b>1,316,829</b>	1,323,222
<b>Net current assets</b>		<b>141,003</b>	61,196
<b>Total assets less current liabilities</b>		<b>732,811</b>	663,032
<b>Non-current liabilities</b>			
Interest-bearing borrowings	14	3,272	4,000
Deferred income		919	946
Deferred tax liabilities		17,007	18,416
		<b>21,198</b>	23,362
<b>Net assets</b>		<b>711,613</b>	639,670

The notes on pages 12 to 28 form part of these unaudited interim financial statements.



**Consolidated Statement of Financial Position (continued)**

At 30 June 2011 – unaudited

	<i>Note</i>	<b>At 30 June 2011 RMB'000</b>	At 31 December 2010 RMB'000
<b>Capital and reserves</b>			
Share capital	17(a)	<b>63,874</b>	62,511
Reserves		<b>644,488</b>	574,772
<b>Total equity attributable to equity shareholders of the Company</b>		<b>708,362</b>	637,283
<b>Non-controlling interests</b>		<b>3,251</b>	2,387
<b>Total equity</b>		<b>711,613</b>	639,670

The notes on pages 12 to 28 form part of these unaudited interim financial statements

## Consolidated Statement of Changes in Equity

For the six months ended 30 June 2011 – unaudited

	Attributable to equity shareholders of the Company								Non-controlling interests	Total	
	Note	Share capital	Share premium	Capital reserve	PRC statutory reserves	Translation reserve	Share-based compensation reserve	Retained earnings			Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
<b>At 1 January 2010</b>		59,129	173,809	259,726	28,001	(8,831)	7,145	74,280	593,259	-	593,259
<b>Changes in equity for the six months ended 30 June 2010:</b>											
Profit for the period		-	-	-	-	-	-	84,271	84,271	-	84,271
Other comprehensive income		-	-	-	-	(619)	-	-	(619)	-	(619)
Total comprehensive income for the period		-	-	-	-	(619)	-	84,271	83,652	-	83,652
Share options exercised		614	10,366	-	-	-	(3,900)	-	7,080	-	7,080
Equity settled share-based payments		-	-	-	-	-	335	-	335	-	335
Share issuance expenses-warrants		-	(115)	-	-	-	-	-	(115)	-	(115)
Warrants exercised		2,015	16,722	-	-	-	-	-	18,737	-	18,737
Dividends approved in respect of the previous year	17b(ii)	-	-	-	-	-	-	(58,029)	(58,029)	-	(58,029)
<b>At 30 June 2010 and 1 July 2010</b>		61,758	200,782	259,726	28,001	(9,450)	3,580	100,522	644,919	-	644,919
<b>Changes in equity for the six months ended 31 December 2010:</b>											
Profit for the period		-	-	-	-	-	-	14,419	14,419	(63)	14,356
Other comprehensive income		-	-	-	-	(1,355)	-	-	(1,355)	-	(1,355)
Total comprehensive income for the period		-	-	-	-	(1,355)	-	14,419	13,064	(63)	13,001
Equity settled share-based payments		-	-	-	-	-	577	-	577	-	577
Warrants exercised		753	6,253	-	-	-	-	-	7,006	-	7,006
Transfer to reserve		-	-	-	16,026	-	-	(16,026)	-	-	-
Dividend declared in respect of the current year	17b(i)	-	-	-	-	-	-	(28,283)	(28,283)	-	(28,283)
Capital contribution received in a non-wholly owned subsidiary by a non-controlling shareholder		-	-	-	-	-	-	-	-	2,450	2,450
<b>At 31 December 2010</b>		62,511	207,035	259,726	44,027	(10,805)	4,157	70,632	637,283	2,387	639,670

The notes on pages 12 to 28 form part of these unaudited interim financial statements.

## Consolidated Statement of Changes in Equity (continued)

For the six months ended 30 June 2011 – unaudited

Note	Attributable to equity shareholders of the Company							Total	Non-controlling interests	Total
	Share capital	Share premium	Capital reserve	PRC statutory reserves	Translation reserve	Share-based compensation reserve	Retained earnings			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>At 31 December 2010 and at 1 January 2011</b>	62,511	207,035	259,726	44,027	(10,805)	4,157	70,632	637,283	2,387	639,670
<b>Changes in equity for the six months ended 30 June 2011:</b>										
Profit for the period	-	-	-	-	-	-	87,637	87,637	214	87,851
Other comprehensive income	-	-	-	-	(618)	-	-	(618)	-	(618)
Total comprehensive income for the period	-	-	-	-	(618)	-	87,637	87,019	214	87,233
Dividend approved in respect of the previous year	17(b)(ii)	-	-	-	-	-	(28,875)	(28,875)	-	(28,875)
Share options exercised	16(a) & 17(a)	101	1,799	-	-	-	(700)	1,200	-	1,200
Warrants exercised	16(c)	1,262	10,473	-	-	-	-	11,735	-	11,735
Capital contribution received in a non-wholly owned subsidiary by a non-controlling shareholder		-	-	-	-	-	-	-	650	650
<b>At 30 June 2011</b>	63,874	219,307	259,726	44,027	(11,423)	3,457	129,394	708,362	3,251	711,613

The notes on pages 12 to 28 form part of these unaudited interim financial statements.

## Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2011 – unaudited

	Six months ended 30 June	
	2011 RMB'000	2010 RMB'000
Cash generated from operations	157,176	39,753
Income tax paid	(25,883)	(16,191)
Net cash generated from operating activities	131,293	23,562
Net cash used in investing activities	(25,164)	(28,143)
Net cash (used in)/generated from financing activities	(89,564)	11,578
Net increase in cash and cash equivalents	16,565	6,997
Cash and cash equivalents at 1 January	80,248	121,430
Cash and cash equivalents at 30 June	96,813	128,427

The notes on pages 12 to 28 form part of these unaudited interim financial statements.

## Notes to the Unaudited Interim Financial Report

### 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 2011 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 2010 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2011 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 2010 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 reports to the Board of Directors is included on page 4.

The financial information relating to the financial year ended 31 December 2010 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 2010 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 18 March 2011.

## Notes to the Unaudited Interim Financial Report

### 2 CHANGES IN ACCOUNTING POLICIES

The IASB has issued 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:

- IAS 24 (revised 2009), Related party disclosures
- Improvements to IFRSs (2010)

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. These developments have had no material impact on the contents of this interim financial report.

### 3 SEGMENT REPORTING

The Group's revenue and operating results are principally generated from the manufacturing and sales of high precision copper plates and strips products, trading of raw materials and the provision of processing services. In accordance with IFRS 8, segment information disclosed in the interim financial report has been prepared in a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purpose of resource allocation and performance assessment. The Group's most senior executive management have identified the following four 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.
- Others: this segment reports principally listed and unlisted equity and debt investments made by the Group.

#### (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 on the following bases:

Segment revenue represents revenue derived from the sales of copper products, trading of raw materials, and the provision of processing services to external customers, as well as income derived from listed and unlisted equity and debt investments.

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.

## Notes to the Unaudited Interim Financial Report

### 3 SEGMENT REPORTING (continued)

#### (a) Segment results (continued)

The Group's senior executive management are of the view that the Group's principal assets and liabilities are jointly used and shared by the following segments: (1) sales of copper products; (2) trading of raw materials; and (3) processing services. Accordingly, the allocation of assets and liabilities of these segments would be arbitrary and not meaningful. The assets and liabilities relevant to the remaining segment are insignificant for the purpose of segment reporting. Therefore, no analysis on the assets and liabilities of this segment 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 2011:

	Sales of copper products RMB'000	Trading of raw materials RMB'000	Processing services RMB'000	Others RMB'000	Total RMB'000
<b>Segment revenue:</b>					
Revenue from external customers	1,266,784	304,892	59,073	–	1,630,749
Inter-segment revenue	1,046,367	949,450	4,915	–	2,000,732
Other income	–	–	–	1,534	1,534
Reportable segment revenue	2,313,151	1,254,342	63,988	1,534	3,633,015
Reportable segment profit	129,471	9,087	20,295	1,451	160,304

For the six months ended 30 June 2010:

	Sales of copper products RMB'000	Trading of raw materials RMB'000	Processing services RMB'000	Others RMB'000	Total RMB'000
<b>Segment revenue:</b>					
Revenue from external customers	1,173,655	169,722	54,888	–	1,398,265
Inter-segment revenue	1,584,758	309,398	8,078	–	1,902,234
Other income	–	–	–	–	–
Reportable segment revenue	2,758,413	479,120	62,966	–	3,300,499
Reportable segment profit	78,415	5,388	18,893	1,578	104,274

## Notes to the Unaudited Interim Financial Report

### 3 SEGMENT REPORTING (continued)

#### (b) Reconciliation of reportable segments revenue and profit:

	Six months ended 30 June	
	2011 RMB'000	2010 RMB'000
<b>Revenue</b>		
Total revenue for reportable segments	3,633,015	3,300,499
Elimination of inter-segment revenue	(2,000,732)	(1,902,234)
Other income	(1,534)	–
Consolidated revenue	1,630,749	1,398,265
<b>Profit</b>		
Reportable segment profit	160,304	104,274
Distribution expenses	(10,825)	(8,834)
Administrative expenses	(23,589)	(22,666)
Other operating income and expenses	19,996	49,563
Net finance costs	(26,520)	(15,930)
Share of loss of a jointly controlled entity	(3,845)	(831)
Consolidated profit before income tax	115,521	105,576

#### (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	
	2011 RMB'000	2010 RMB'000
PRC	1,285,778	1,156,135
Others	344,971	242,130
	1,630,749	1,398,265



## Notes to the Unaudited Interim Financial Report

### 4. PROFIT BEFORE INCOME TAX

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

#### (i) Net finance costs

	Six months ended 30 June	
	2011 RMB'000	2010 RMB'000
Interest expense	27,503	15,994
Net foreign exchange loss	–	100
Bank charges	3,397	1,539
Net change in fair value of trading securities	158	–
<b>Finance expenses</b>	<b>31,058</b>	<b>17,633</b>
Net foreign exchange gain	(2,587)	–
Interest income on bank deposits	(1,793)	(1,703)
Interest income on investment in trading securities	(75)	(1,044)
Net change in fair value of trading securities	–	(534)
<b>Finance income</b>	<b>(4,455)</b>	<b>(3,281)</b>
	<b>26,603</b>	<b>14,352</b>

#### (ii) Other items

	Six months ended 30 June	
	2011 RMB'000	2010 RMB'000
Cost of inventories	1,471,896	1,295,569
Depreciation	21,900	19,689
Amortisation of lease prepayments	199	192
Write down of inventories to net realisable value	–	7,649
Net realised and unrealised losses/(gains) on trading securities	158	(534)
Net realised and unrealised gains on derivative financial instruments	(8,060)	(16,656)

## Notes to the Unaudited Interim Financial Report

### 5. INCOME TAX

Income tax expense in the consolidated income statement represents:

	Six months ended 30 June	
	2011	2010
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Current tax expense</b>		
Provision for PRC income tax	29,079	18,496
<b>Deferred tax</b>		
Reversal and origination of temporary differences	(1,409)	2,809
	<b>27,670</b>	<b>21,305</b>

- (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 did not have assessable profits subject to Hong Kong Profits Tax for the six months ended 30 June 2011.
- (c) The provision for PRC Corporate 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 Corporate Income Tax Law of the People's Republic of China, 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.

### 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 2011 is based on the profit attributable to the equity shareholders of the Company of RMB87,637,000 (six months ended 30 June 2010: RMB84,271,000) and the weighted average number of 676,742,120 (six months ended 30 June 2010: 645,123,119) 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 2011 is based on profit attributable to equity shareholders of the Company of RMB87,637,000 (six months ended 30 June 2010: RMB84,271,000) and the weighted average number of 687,766,822 (six months ended 30 June 2010: 664,513,880) ordinary shares (diluted).

## Notes to the Unaudited Interim Financial Report

### 7 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2011, the Group acquired items of property, plant and equipment with costs of RMB32,744,000 in aggregate (six months ended 30 June 2010: RMB14,626,000). Items of property, plant and equipment with a net book value of RMB744,000 were disposed of during the six months ended 30 June 2011 (six months ended 30 June 2010: RMB540,000), resulting in a loss on disposal of RMB634,000 (six months ended 30 June 2010: loss of RMB506,000).

### 8 INTEREST IN ASSOCIATES

	<b>At 30 June 2011 RMB'000</b>	At 31 December 2010 RMB'000
Share of net assets	<b>35,000</b>	55,000

The following list contains only the particulars of associates, all of which are unlisted entities, which principally affected the results or assets of the Group:

Name of associates	Form of business structure	Place and date of establishment	Issued and paid-up/ registered capital	Proportion of ownership interest		Principal activities
				Group's effective interest	Held by subsidiaries	
Ningbo Kairui Investment Partnership ("Ningbo Kairui")	Partnership	The PRC 17 November, 2010	RMB100,000,000/ RMB100,000,000	20%	20%	Equity investment and portfolio management
Ningbo Ruiju Investment Partnership ("Ningbo Ruiju")	Partnership	The PRC 17 November, 2010	RMB20,000,000/ RMB100,000,000	15%	15%	Equity investment and portfolio management

On 30 April 2011, the Group sold 20% equity interest in Ningbo Kairui to Yuyao Haotian Investment Advisory Co. Ltd. ("Yuyao Haotian"), an independent third party, at a consideration of RMB21,534,000. This resulted in a gain on equity transfer of RMB1,534,000, and the Group's equity interest in Ningbo Kairui was reduced to 20% thereupon.

As at 30 June 2011, the partners of Ningbo Kairui comprised Cixi City Xingxin Investment Co., Ltd. ("Xingxin Investment") (20%), a subsidiary of the Group; Cixi Xingye Investment Co., Ltd. ("Cixi Xingye") (35%), a related party of the Group; Shanghai Dingtai Electric Elements Co., Ltd. (5%) and Ningbo Haoyuan Investment Co., Ltd. ("Ningbo Haoyuan") (5%), both independent third parties; Yuyao Haotian (20%), and three independent third party individuals (each 5%).

## Notes to the Unaudited Interim Financial Report

### 8 INTEREST IN ASSOCIATES (continued)

As at 30 June 2011, the partners of Ningbo Ruiju comprised Xingxin Investment (15%), Cixi Xingye (80%) and Ningbo Haoyuan (5%). There has been no change in the respective equity interest during the period.

Ningbo Haoyuan is the general partner of Ningbo Kairui and Ningbo Ruiju, whilst other investors are limited partners. The liability of the limited partners is restricted to the extent of capital contributions made by them. Each partner is entitled to one equal-weight vote at partners' meetings, regardless of their equity interest in these entities.

### 9 INTERESTS IN A JOINTLY CONTROLLED ENTITY

	At 30 June 2011 <i>RMB'000</i>	At 31 December 2010 <i>RMB'000</i>
Share of net assets	<b>16,691</b>	17,246

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.

On 27 January 2011, the Group made additional capital contribution in cash of USD500,000 (equivalent to RMB3,290,000) to Yingtan Ulba and maintained its 50% equity interest in this entity.

### 10. INVENTORIES

	At 30 June 2011 <i>RMB'000</i>	At 31 December 2010 <i>RMB'000</i>
Raw materials	<b>170,056</b>	215,583
Work in progress	<b>275,688</b>	292,225
Finished goods	<b>154,256</b>	74,797
Others	<b>13,263</b>	5,151
	<b>613,263</b>	587,756

As at 30 June 2011, inventories pledged for short-term bank loans amounted to RMB187,000,000 (31 December 2010: RMB187,000,000) (see note 14(i)).

## Notes to the Unaudited Interim Financial Report

### 11 TRADE AND OTHER RECEIVABLES

	<b>At 30 June 2011 RMB'000</b>	At 31 December 2010 RMB'000
Trade and bill receivables	<b>401,829</b>	277,090
Non-trade receivables	<b>89,710</b>	162,134
Prepayments	<b>88,773</b>	113,281
Amount due from a related party	<b>11,527</b>	9,531
	<b>591,839</b>	562,036

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:

	<b>At 30 June 2011 RMB'000</b>	At 31 December 2010 RMB'000
Within 3 months	<b>305,541</b>	228,324
Over 3 months but less than 6 months	<b>95,277</b>	48,528
Over 6 months but less than 1 year	<b>1,011</b>	238
	<b>401,829</b>	277,090

### 12 PLEDGED DEPOSITS

Pledged deposits can be analysed as follows:

	<b>At 30 June 2011 RMB'000</b>	At 31 December 2010 RMB'000
Guarantee deposits for issuance of commercial bills and banking facilities	<b>140,021</b>	154,378

## Notes to the Unaudited Interim Financial Report

### 13 TRADING SECURITIES

	<b>At 30 June 2011 RMB'000</b>	At 31 December 2010 RMB'000
Quoted debentures	<b>15,896</b>	–

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

### 14 INTEREST-BEARING BORROWINGS

	<b>At 30 June 2011 RMB'000</b>	At 31 December 2010 RMB'000
<b>Current</b>		
Secured bank loans	<b>259,900</b>	280,000
Unsecured bank loans	<b>215,864</b>	219,699
Bank advances under discounted bills	<b>433,746</b>	497,714
	<b>909,510</b>	997,413
<b>Non-current</b>		
Secured loans – others	<b>3,272</b>	4,000
	<b>912,782</b>	1,001,413

- (i) The secured bank and other loans as of 30 June 2011 bore interest at rates ranging from 4.59% to 6.36% (31 December 2010: 3.97% to 5.56%) per annum and were secured by the following assets:

	<b>At 30 June 2011 RMB'000</b>	At 31 December 2010 RMB'000
Carrying amounts of assets:		
Inventories	<b>187,000</b>	187,000
Property, plant and equipment	<b>216,136</b>	228,790
Lease prepayments	<b>9,271</b>	11,425

## Notes to the Unaudited Interim Financial Report

### 14 INTEREST-BEARING BORROWINGS (continued)

(ii) Unsecured bank loans as of 30 June 2011 bore interest at rates ranging from 2.28% to 5.84% (31 December 2010: 1.99% to 6.12%) per annum.

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

	<b>At 30 June 2011 RMB'000</b>	At 31 December 2010 RMB'000
Over 2 years	<b>3,272</b>	4,000
	<b>3,272</b>	4,000

(iv) 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.

### 15 TRADE AND OTHER PAYABLES

	<b>At 30 June 2011 RMB'000</b>	At 31 December 2010 RMB'000
Trade and bill payables	<b>312,710</b>	188,376
Non-trade payables and accrued expenses	<b>69,990</b>	91,879
	<b>382,700</b>	280,255

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

	<b>At 30 June 2011 RMB'000</b>	At 31 December 2010 RMB'000
Within 3 months	<b>108,901</b>	169,438
Over 3 months but less than 6 months	<b>201,652</b>	16,351
Over 6 months but less than 1 year	<b>940</b>	1,769
Over 1 year but less than 2 years	<b>1,095</b>	526
Over 2 years	<b>122</b>	292
	<b>312,710</b>	188,376

## Notes to the Unaudited Interim Financial Report

### 16 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 2011, 1,200,000 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 HKD120,000 (equivalent to RMB101,000) representing the par value, were credited to the Company's share capital. The remaining proceeds of HKD1,308,000 (equivalent to RMB1,099,000) were credited to the share premium account.

#### (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 2011, no share options under the Share Option Scheme were exercised.



## Notes to the Unaudited Interim Financial Report

### 16 EQUITY-SETTLED SHARE BASED PAYMENTS (continued)

#### (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 2011, 15,066,300 Warrants were exercised for the same amount of shares at an exercise price of HKD0.93 per share. The proceeds of HKD1,507,000 (equivalent to RMB1,262,000) representing the par value, were credited to the Company's share capital. The remaining proceeds of HKD12,505,000 (equivalent to RMB10,473,000) were credited to the share premium account.

### 17 CAPITAL, RESERVE AND DIVIDENDS

#### (a) Share capital

	The Group and the Company		
	Number of ordinary shares '000	Nominal value Amount HKD'000	RMB equivalent RMB'000
Authorised:			
Ordinary shares of HKD0.10 each	5,000,000	500,000	468,100
Issued and fully paid:			
At 1 January 2011	670,927	67,092	62,511
Warrants exercised	15,066	1,507	1,262
Share options exercised	1,200	120	101
At 30 June 2011	687,193	68,719	63,874

During the six months ended 30 June 2011, 1,200,000 share options under the Pre-IPO Option (see note 16(a)) (six months ended 30 June 2010: 6,300,000) were exercised for the same amount of shares at an exercise price of HKD1.19 per share. All issued shares are fully paid. HKD833,000 (equivalent to RMB700,000) has been transferred from the share-based compensation reserve to the share premium account in accordance with the Group's accounting policies.

During the six months ended 30 June 2011, 15,066,300 Warrants (see note 16(c)) (six months ended 30 June 2010: 22,907,000) 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 Interim Financial Report

### 17 CAPITAL, RESERVE AND DIVIDENDS (continued)

#### (b) Dividends

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

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Interim dividend declared after the interim period of HKD7 cents per share (six months ended 30 June 2010: HKD5 cents per share)	39,659	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	
	2011	2010
	RMB'000	RMB'000
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of HKD5 cents per share (six months ended 30 June 2010: HKD10 cents per share)	28,875	58,029

Pursuant to a resolution passed at the board of directors' meeting on 18 March 2011, dividends of HKD34,354,405 (equivalent to RMB28,875,000) were declared and paid on 12 May 2011 and 20 May 2011, respectively.

## Notes to the Unaudited Interim Financial Report

### 18 RELATED PARTY TRANSACTIONS

#### (a) Transactions with related party

Particulars of significant transactions between the Group and related parties during the period are as follows:

##### (i) Significant related party transactions – Recurring

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
<b>Yingtian Ulba</b>		
Sales of goods	5,363	5,520
Purchase of goods	10,494	2,255
Leasing income	286	362

##### (ii) Significant related party transactions – Non-recurring

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
<b>Cixi Xingye</b>		
Property service fee	–	996
Interest-bearing borrowings provided to	–	20,000
Interest-bearing borrowings provided by	–	13,000
Interest income	–	226
Rental expenses	–	387

## Notes to the Unaudited Interim Financial Report

### 18 RELATED PARTY TRANSACTIONS (continued)

#### (a) Transactions with related party (continued)

##### (iii) Balances with related parties

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
<b>Trade and other receivables due from:</b>		
Yingtian Ulba	11,527	9,531

#### (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	
	2011 RMB'000	2010 RMB'000
Short-term employee benefits	1,691	1,678
Post-employment benefits	14	12
Share-based payment	–	141
	<b>1,705</b>	<b>1,831</b>

#### (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 RMB2,102,000 for the six months ended 30 June 2011 (six months ended 30 June 2010: RMB1,944,000). As at 30 June 2011, there was no outstanding contribution to post-employment benefit plans (31 December 2010: Nil).

## Notes to the Unaudited Interim Financial Report

### 19 CAPITAL COMMITMENTS

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

	<b>At 30 June 2011 RMB'000</b>	At 31 December 2010 RMB'000
Authorised but not contracted for	<b>52,413</b>	44,020
Contracted for	<b>32,989</b>	11,837
	<b>85,402</b>	55,857

### 20 OPERATING LEASE COMMITMENTS

Non-cancellable operating lease rentals were payable as follows:

	<b>At 30 June 2011 RMB'000</b>	At 31 December 2010 RMB'000
Less than 1 year	<b>900</b>	—
Over 1 year but less than 5 years	<b>2,424</b>	—
	<b>3,324</b>	—

## Management Discussion and Analysis

### PROSPECTS

In the first half of 2011, global economy continued its recovery seen in 2010 albeit the increase in uncertainties in its process, such as the debt crisis in Europe, worldwide inflation and political turmoil in certain regions, yet the overall economy was still growing. Amidst a complex international environment as well as new issues and situation arising in the operation of domestic economy, in particular the tightening monetary environment and the appreciation of Renminbi, the growth of China's economy has slowed down. Nonetheless, the government has still kept the overall situation under control, hence paving the way to the positive "soft landing" for the economy.

The management of the Company believes that the second half of the year would be the turning point for inflation in China. With the adjustment on tightening monetary policies, the operating environment for the Company would probably encounter effective improvement, while the nonferrous metal industry would also achieve better development along with the rebounding of economy and the commencement of a new round of electricity and power grid investment. In the first half of 2011, the national production volume for ten nonferrous metals has increased by 9.8% over the same period last year, among which, the production volume of copper has grown by 13.9%. Smelting and rolling processing industry for nonferrous metals recorded a growth of 35.3% in terms of profit. Meanwhile, given the prolonged high price level of copper within and outside China, copper processing enterprises have faced substantial pressure with those with inferior level of equipment and management gradually phased out of the market, thereby providing market share for those which could survive under difficulties. Under such situation, the management of the Company keeps on adjusting its development strategies to strive for the rapid enhancement of its own competitive edges, promotion of management structure, improvement of systems and flows, optimization of corporate structure as well as exploration of new investment opportunities. Upholding the strategy of establishing strong and conducting enterprise, material transaction, stable investment and advanced research and development, the Company will rise to a new level and become a respectful and modern group during the next round of elimination of poor players.

Currently, given the operation and implementation of the Company's marketing segment, the manufacturing segment has also been established. Through upgrading Ningbo Xingye Shengtai Electronic Metal Materials Co., Ltd. to Ningbo Xingye Shengtai Group Co., Ltd. (寧波興業盛泰集團有限公司), such platform is utilized for the development and optimization of manufacturing segment. At the same time, the Company will take an active role in establishing the investment segment and the research and development segment to escalate its overall strength.

## Management Discussion and Analysis

### FINANCIAL REVIEW

#### Revenues

Sales of high precision copper plates and strips, processing services and trading of raw materials accounted for 77.7%, 3.6% and 18.7% of the total revenue for the period under review, respectively. The Group's revenue for the six months ended 30 June 2011 increased by 16.6% to RMB1,630.7 million from RMB1,398.3 million for the corresponding period of last year, which was mainly due to the increase in market price of copper and increase in trading of raw materials. The revenue generated from trading of copper increased by 79.6% to RMB304.9 million from RMB169.7 million over the corresponding period of last year.

As result of intense market competition, the total volume of sales for high precision copper plates and strips, processing services and trading of raw materials decreased by 3.2% to 37,584 tonnes from 38,832 tonnes as compared to the corresponding period of last year.

#### Gross profit and gross profit margin

The gross profit of the Group for the six months ended 30 June 2011 amounted to RMB158.9 million, representing an increase of 54.7% as compared to RMB102.7 million for the same period of last year, which was mainly attributable to the realization of low cost inventories purchased in the 4th quarter of 2010. The Group enlarged its purchase of raw materials for reserve and the production of semi-finished products in the 4th quarter of 2010 for the purpose of taking the advantage of the previous policy on scrap metal materials recycling which was more preferential than the one implemented in 2011 and to minimize the impact on the delivery of order in February 2011 resulting from a 25-day repair and maintenance for walking beam furnace during the Spring Festival this year.

During the period under review, the Group recorded a profit of RMB9.1 million in trading of raw materials, representing an increase of 68.6% as compared to RMB5.4 million recorded in the corresponding period of last year, which was mainly due to increase in trading of copper.

#### Other income

For the six months ended 30 June 2011, the Group's other income amounted to RMB25.4 million which dropped by 52.3% from RMB53.2 million for the corresponding period of last year. Such decline was mainly due to (i) decrease in value-added tax refund for using scrap copper to RMB11.9 million in the six months ended 30 June 2011 from RMB24.8 million in the corresponding period of last year as a result of a decrease in effective refund rate from 71% to 34%; (ii) decrease in gain from hedging activities involving copper futures contracts by RMB8.7 million to RMB8.0 million in the period under review from RMB16.7 million in the same period of last year.

#### Distribution expenses

For the six months ended 30 June 2011, the ratio of distribution expenses to the revenue was 0.66% (corresponding period of last year: 0.63%), the slightly increase in the aforesaid ratio was due to the increase transportation cost and credit insurance.

## Management Discussion and Analysis

### Administrative expenses

The Group's administrative expenses increased by 4.1% to RMB23.6 million for the period under review from RMB22.7 million in the same period of last year, which was attributable to the increase in staff cost resulting from the increase in number of staff and office expenditures.

### Net finance costs

The Group's net finance costs increased by 85.4% to RMB26.6 million in the six months ended 30 June 2011 from RMB14.4 million for the corresponding period of last year, which was primarily attributed to the increase in interest rate, bank borrowings and bills discounted to banks.

### Income tax

For the six months ended 30 June 2011, the Group's corporate income tax expense was RMB27.7 million, representing an increase of 29.9% from RMB21.3 million for the corresponding period last year. The effective tax rate increase to 24.0% in the six months ended 30 June 2011 from 20.2% for the corresponding period of last year. The increase in effective tax rate was mainly attributable to the corporate income rate of Ningbo Xingye Shengtai Group Co., Ltd resumed to 25% in 2011.

### Profit attributable to equity shareholder of the Company

As a result of the factors discussed above, the Group's profit attributable to shareholders of the Company for the six months ended 30 June 2011 amounted to RMB87.9 million, representing an increase of 4.2% from RMB84.3 million in corresponding period of last year.

### LIQUIDITY AND FINANCIAL RESOURCES

The Group's net cash generated from operating activities increased to RMB131.3 million in the period under review from RMB23.6 million for the corresponding period of last year. This was mainly due to decrease in inventories and trade and other receivable, which was partially offset by increase in trade and other payable.

The net cash used in investing activities of the Group slightly decreased to RMB25.2 million in the period under review from RMB28.1 million for the corresponding period of last year.

The Group recorded a net cash used in financing activities of RMB89.6 million in the period under review whilst the net cash generated from financing activities in the corresponding period of last year was RMB11.6 million. This was mainly due to the increase in repayment of bank interest-bearing borrowings.

As at 30 June 2011, the Group had outstanding bank loans and other borrowing of approximately RMB912.8 million, of which approximately RMB909.5 million shall be repaid within 1 year, approximately RMB3.3 million shall be repaid over 2 years. As at 30 June 2011, 28.8% of the Group's debts was on secured basis.

The gearing ratio in the period of under review was 44.5% (31 December 2010: 50.4%), which is calculated by dividing the total borrowings over the total assets.



## Management Discussion and Analysis

### Charge on assets

As at 30 June 2011, the Group pledged assets with an aggregate carrying value of approximately RMB412.4 million (31 December 2010: RMB427.2 million) to secure bank loan facilities of the Group.

### Capital expenditure

As at ended 30 June 2011, the Group has invested approximately RMB31.4 million for 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 Group in December 2007.

### Capital commitments

As at 30 June 2011, the Group has been authorized but not contracted for, and has been contracted but not provided for future capital expenditures amounted to approximately 52.4 million and RMB33.0 million.

### Use of net proceeds from the issue of new shares

	Planned amount <i>RMB'million</i>	Amount utilized up to 30 June 2011 <i>RMB'million</i>	Balance as at 30 June 2011 <i>RMB'million</i>
Expand production capacity	119.4	119.4	–
Develop large-scale production of new products	29.6	29.2	0.4
Research and development	12.6	12.2	0.4
General working capital purposes	59.8	59.8	–
	221.4	220.6	0.8

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

### MARKET RISK

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

## Management Discussion and Analysis

### Price risk

The Group is exposed to raw material price fluctuations. 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 had makes such purchases at market prices. In addition, sales of all products of the Group according to market price, which might fluctuate and were beyond our control. Therefore, fluctuations in the prices of raw materials may have an adverse effect on the results of the Group's operations.

The Group uses its Shanghai Futures Exchange and London Metal Exchange copper futures contracts to hedge against fluctuations in copper price. The Group recorded a gain on futures contracts of approximately RMB8.0 million for the six months ended 30 June 2011, which corresponding period in last year was approximately RMB16.7 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 maintains a portfolio of investments with different risks. Management of Investments portfolio is based on the growth potential, and will regularly monitor their performance is consistent with expectations.

### Interest rate risk

In addition to short-term deposits, the Group has no significant interest-bearing assets. Therefore, the Group's 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's exposure to debt is used for general corporate purposes, including capital expenditures and working capital needs. The Group's bank borrowings bear interest rates that are subject to adjustment by lenders in accordance with changes of the relevant regulations of the People's Bank of China ("PBOC"). The Group's financing costs will increase when the PBOC to raise interest rates. Fluctuations in interest rates will affect the cost of undertaking new debts. The Group had not entered any interest rate swap to hedge against exposure to interest rate risk.

### Foreign exchange risk

The Group's export sales and certain part of the 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 foreign exchange rate risk. For period under review, the Group had recorded a net foreign exchange gain of RMB2.6 million; corresponding period in 2010 was a loss of RMB100,000.

### Employees

As at 30 June 2011, the total number of the Group's employs was 1,128. Remuneration policies are reviewed periodically to ensure that the Group is offering competitive employment packages to our employees. The employees' benefits include salaries, pensions, medical insurance scheme and other applicable social insurance. Promotion and salary increments are assessed in accordance with performance-based. The Group's business growth depends on its employees' skills and contributions. The Group believes important position of human resources in a highly competitive industry and has devoted resources to training its employees. The Group has established an annual training program for our new employees so that the new employees can master the basic skills required to perform their duties, and existing employees can enhance or upgrade their skills.

## Other Information

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

As at 30 June 2011, 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	220,000,000	32.01%
	Beneficial owner	(Note 1) 45,200,000	6.58%
Chen Jianhua	Beneficial owner	1,480,000	0.22%
Wang Jianli	Beneficial owner	1,060,000	0.15%
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	156,000	0.02%
Li Li	Beneficial owner	320,000	0.05%

Notes:

1. These 220,000,000 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.

\* The percentages are calculated based on total issued number of shares of 687,193,400 as at 30 June 2011.

## Other Information

### (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*
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%

Notes:

- 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 2011. All options under the Pre-IPO Option were granted on 1 December 2007 at an exercise price of HK\$1.19 per share.

\* The percentages are calculated based on total issued number of shares of 687,193,400 as at 30 June 2011.

### (iii) Interests in Warrants of the Company

Name of Directors	Capacity	Number of Warrants	Approximate percentage of shareholding*
Chen Jianhua	Beneficial owner	90,000	0.013%
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%

Notes:

- 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 687,193,400 as at 30 June 2011.

Save as disclosed above, as at 30 June 2011, 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 2010.

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 HK\$	Number of share options				Outstanding as at 30 June 2011	Approximate percentage of issued share capital of the Company
				Outstanding as at 1 January 2011	Exercised during the period	Granted during the period	Lapsed during the period		
<b>Directors</b>									
Hu Changyuan	1-12-2007	27-12-2009 to 26-12-2011	1.19	600,000	(600,000)	-	-	-	-
	1-12-2007	27-12-2010 to 26-12-2011	1.19	600,000	(600,000)	-	-	-	-
				1,200,000	(1,200,000)	-	-	-	-
Chen Jianhua	1-12-2007	27-12-2010 to 26-12-2011	1.19	500,000	-	-	-	500,000	0.07%
Wang Jianli	1-12-2007	27-12-2010 to 26-12-2011	1.19	400,000	-	-	-	400,000	0.06%
Ma Wanjun	1-12-2007	27-12-2010 to 26-12-2011	1.19	400,000	-	-	-	400,000	0.06%
<b>Employees</b>									
	1-12-2007	27-12-2009 to 26-12-2011	1.19	110,000	-	-	-	110,000	0.02%
	1-12-2007	27-12-2010 to 26-12-2011	1.19	3,560,000	-	-	-	3,560,000	0.52%
	11-5-2009	12-5-2009 to 26-12-2011	0.82	80,000	-	-	-	80,000	0.01%
				3,750,000	-	-	-	3,750,000	0.55%
				6,250,000	(1,200,000)	-	-	5,050,000	0.74%

**Notes:**

- As at 30 June 2011, the total number of issued shares of the Company was 687,193,400.
- 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 2011, 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
Yu Yuesu ( <i>Note 1</i> )	Interest of spouse	265,200,000	38.59%
Luckie Strike Limited ( <i>Note 2</i> )	Beneficial owner	110,000,000	16.61%
Come Fortune International Limited ( <i>Note 2</i> )	Beneficial owner	110,000,000	16.61%

Notes:

1. Of these 265,200,000 shares, 220,000,000 shares were held by Luckie Strike Limited and Come Fortune International Limited which were wholly-owned by Mr. Hu Changyuan, and 45,200,000 shares were held beneficially by Mr. Hu Changyuan. Ms. Yu Yuesu is deemed to be interested in these shares under the SFO by virtue of being the spouse of Mr. Hu Changyuan.
2. Each of Luckie Strike Limited and Come Fortune International Limited was wholly-owned companies of Mr. Hu Changyuan.

Save as disclosed herein, as at 30 June 2011, 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.

## Other Information

### AUDIT COMMITTEE

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

### COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules during the six months ended 30 June 2011.

### 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 2011.

### 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 2011.

### 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 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 HK7 cents per Share in cash for the six months ended 30 June 2011 to shareholders whose names appear on the register of members of the Company on 7 September 2011. The interim dividend will be paid on or about 16 September 2011.

### CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed on Wednesday, 7 September 2011, 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 Tuesday, 6 September 2011.

By order of the Board  
**Hu Changyuan**  
*Chairman*

The PRC, 19 August 2011