



Xingye Copper International Group Limited

興業銅業國際集團有限公司

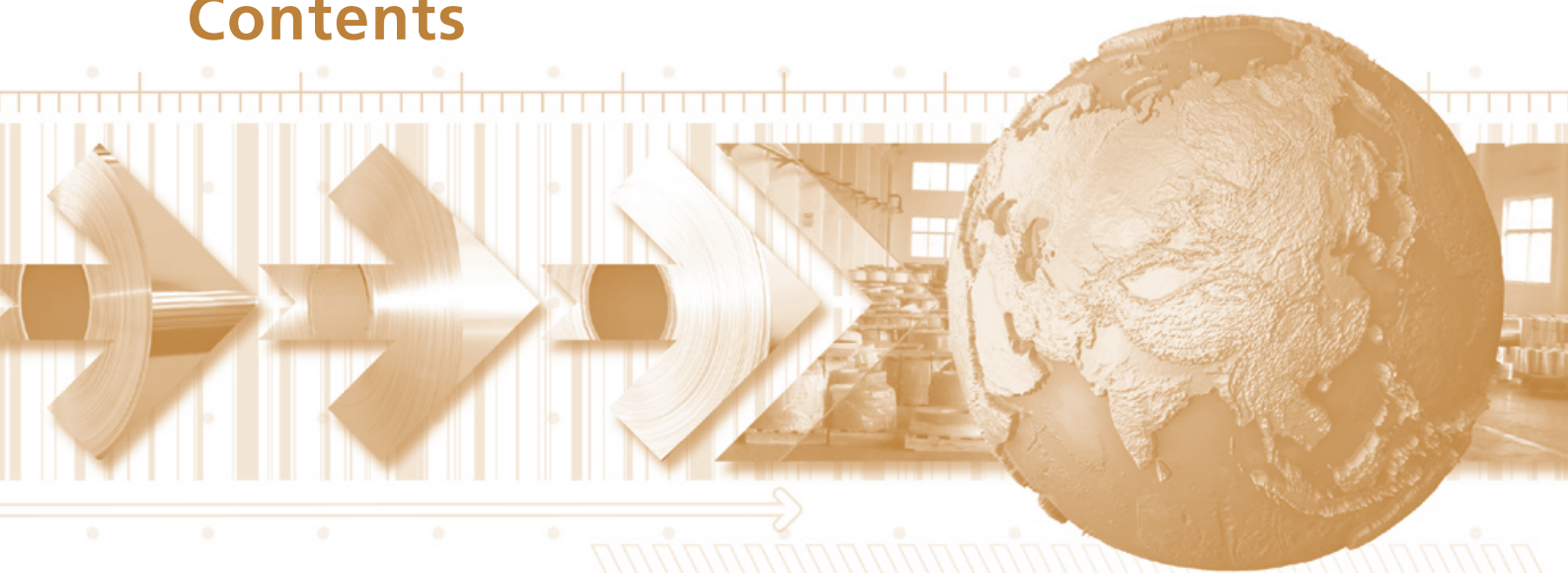
(incorporated in the Cayman Islands with limited liability)

Stock Code : 00505



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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 (*resigned on 22 June 2012*)
Mr. CUI Ming
Mr. XIE Shuisheng
Mr. CHAI Chaoming
Ms. LI Li

Audit Committee

Ms. LI Li (*Chairman*)
Mr. HE Changming (*resigned on 22 June 2012*)
Mr. CUI Ming
Mr. XIE Shuisheng
Mr. CHAI Chaoming

Remuneration Committee

Mr. CUI Ming (*Chairman*)
Mr. HE Changming (*resigned on 22 June 2012*)
Ms. LI Li
Mr. WANG Jianli

Nomination Committee

Mr. XIE Shuisheng (*Chairman*)
Mr. CUI Ming
Mr. CHAI Chaoming
Mr. MA Wanjun

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

SHINEWING (HK) CPA Limited

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
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

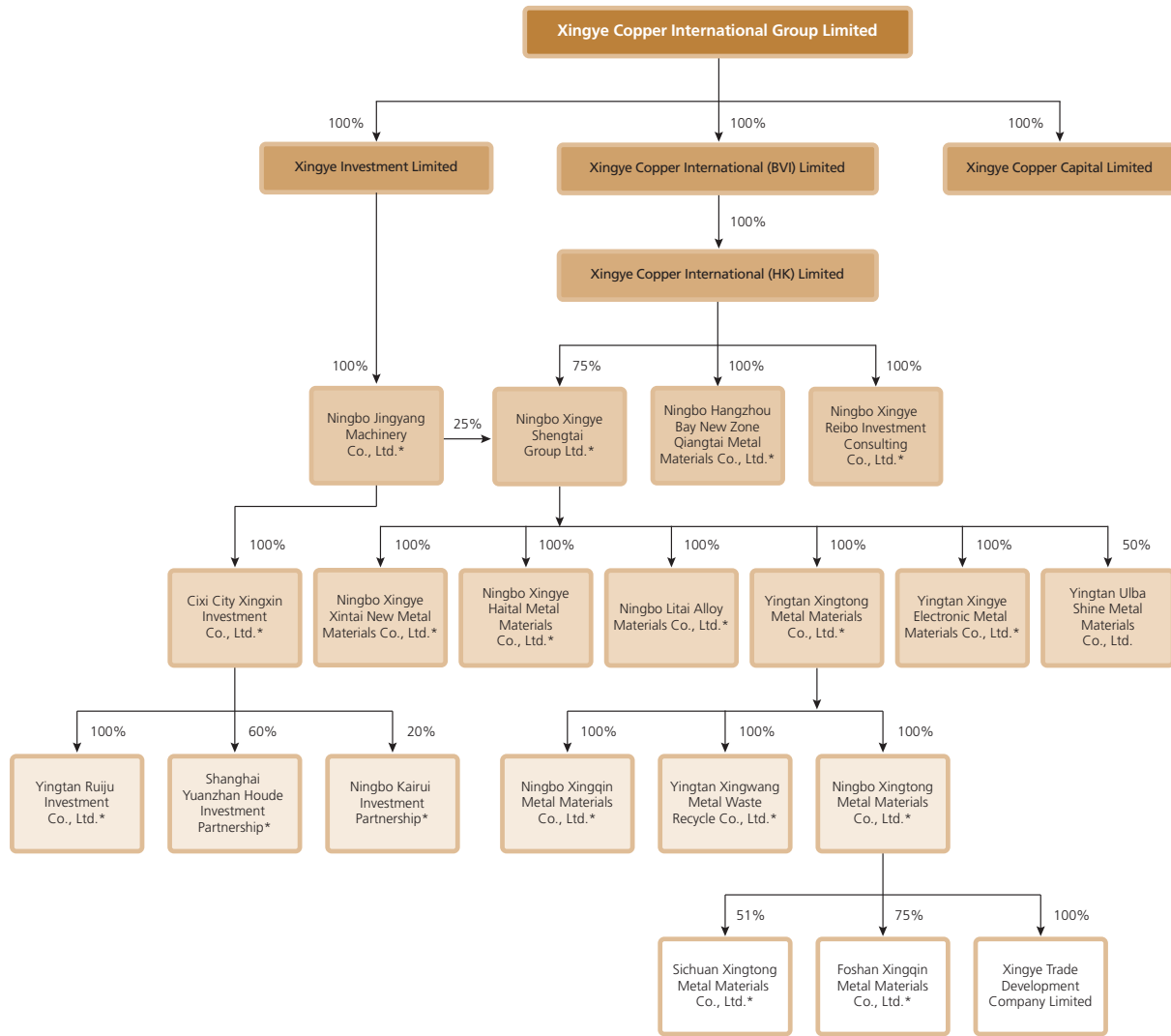
COMPANY WEBSITE

www.xingyecopper.com

STOCK CODE

505

Corporate Structure



* For Identification purpose only

Condensed Consolidated Income Statement

For the six months ended 30 June 2012

	Notes	Six months ended 30 June	
		2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited and restated)
Turnover	3	1,613,021	1,630,749
Cost of sales		(1,541,047)	(1,471,896)
Gross profit		71,974	158,853
Other income		30,727	29,838
Distribution expenses		(9,374)	(10,825)
Administrative expenses		(32,454)	(26,986)
Other expenses		(6,317)	(4,011)
Share of profit of an associate		2,713	–
Share of loss of a jointly controlled entity		(574)	(3,845)
Finance costs	4	(25,061)	(27,503)
Profit before tax		31,634	115,521
Income tax expense	5	(11,049)	(27,670)
Profit for the period	6	20,585	87,851
Profit for the period attributable to:			
Equity shareholders of the Company		20,226	87,637
Non-controlling interests		359	214
		20,585	87,851
Earnings per share			
– Basic (RMB cents)	8	2.89	12.95
– Diluted (RMB cents)	8	2.89	12.74

The notes on pages 10 to 26 form part of these unaudited interim financial statements.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2012

	Six months ended 30 June	
	2012	2011
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Profit for the period	20,585	87,851
Other comprehensive expense for the period:		
Exchange differences arising on translation of foreign operations	(405)	(618)
Total comprehensive income for the period	20,180	87,233
Total comprehensive income for the period attributable to:		
Equity shareholders of the Company	19,821	87,019
Non-controlling interests	359	214
	20,180	87,233

The notes on pages 10 to 26 form part of these unaudited interim financial statements.

Condensed Consolidated Statement of Financial Position

As at 30 June 2012

	<i>Notes</i>	At 30 June 2012 RMB'000 (Unaudited)	At 31 December 2011 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	9	581,275	549,684
Lease prepayments		36,139	18,443
Interests in associates	10	20,000	35,000
Interest in a jointly controlled entity		11,928	12,502
Available-for-sale investments	11	22,870	–
Deposit for the acquisition of property, plant and equipment		8,631	–
		680,843	615,629
Current assets			
Inventories	12	490,666	534,827
Trade and other receivables	13	538,255	594,865
Trading securities		–	12,772
Derivative financial instruments		19,770	3,951
Pledged deposits	14	186,253	32,351
Cash and cash equivalents		135,772	240,345
		1,370,716	1,419,111
Current liabilities			
Interest-bearing borrowings	15	956,142	843,711
Trade and other payables	16	377,993	480,002
Income tax payables		2,608	6,792
		1,336,743	1,330,505
Net current assets		33,973	88,606
Total assets less current liabilities		714,816	704,235
Non-current liabilities			
Deferred income		10,550	3,603
Deferred tax liabilities		25,997	18,177
		36,547	21,780
Net assets		678,269	682,455

The notes on pages 10 to 26 form part of these unaudited interim financial statements.

Condensed Consolidated Statement of Financial Position

As at 30 June 2012

		At 30 June	At 31 December
		2012	2011
		RMB'000	RMB'000
	<i>Notes</i>	(Unaudited)	(Audited)
Capital and reserves			
Share capital	18	64,881	64,881
Reserves		601,429	614,134
Equity attributable to:			
Equity shareholders of the Company		666,310	679,015
Non-controlling interests		11,959	3,440
Total equity		678,269	682,455

The notes on pages 10 to 26 form part of these unaudited interim financial statements.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2012

Notes	Attributable to equity shareholders of the Company							Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
	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			
At 1 January 2011 (audited)	62,511	207,035	259,726	44,027	(10,805)	4,157	70,632	637,283	2,387	639,670
Changes in equity for the six months ended 30 June 2011:										
Profit for the period	-	-	-	-	-	-	87,637	87,637	214	87,851
Exchange differences arising on translation of foreign operations	-	-	-	-	(618)	-	-	(618)	-	(618)
Total comprehensive income/ (expense) for the period	-	-	-	-	(618)	-	87,637	87,019	214	87,233
Share options exercised	101	1,799	-	-	-	(700)	-	1,200	-	1,200
Warrants exercised	1,262	10,473	-	-	-	-	-	11,735	-	11,735
Capital contribution from non-controlling interest	-	-	-	-	-	-	-	-	650	650
Dividend approved in respect of the previous reporting period	7	-	-	-	-	-	(28,875)	(28,875)	-	(28,875)
At 30 June 2011 (unaudited)	63,874	219,307	259,726	44,027	(11,423)	3,457	129,394	708,362	3,251	711,613
Notes	Attributable to equity shareholders of the Company							Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
	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			
At 1 January 2012 (audited)	64,881	227,978	259,726	47,847	(12,794)	-	91,377	679,015	3,440	682,455
Changes in equity for the six months ended 30 June 2012:										
Profit for the period	-	-	-	-	-	-	20,226	20,226	359	20,585
Exchange differences arising on translation of foreign operations	-	-	-	-	(405)	-	-	(405)	-	(405)
Total comprehensive income/ (expense) for the period	-	-	-	-	(405)	-	20,226	19,821	359	20,180
Dividend approved in respect of the previous reporting period	7	-	-	-	-	-	(34,109)	(34,109)	-	(34,109)
Equity-settled share-based payments	17	-	-	-	-	1,583	-	1,583	-	1,583
Share options lapsed	-	-	-	-	-	(23)	23	-	-	-
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-	8,160	8,160
At 30 June 2012 (unaudited)	64,881	227,978	259,726	47,847	(13,199)	1,560	77,517	666,310	11,959	678,269

The notes on pages 10 to 26 form part of these unaudited interim financial statements.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2012

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net cash generated from operating activities	55,641	131,293
Net cash used in investing activities	(107,352)	(25,164)
Net cash used in financing activities	(52,862)	(89,564)
Net (decrease)/increase in cash and cash equivalents	(104,573)	16,565
Cash and cash equivalents at 1 January	240,345	80,248
Cash and cash equivalents at 30 June, represented by Bank balances and cash	135,772	96,813

The notes on pages 10 to 26 form part of these unaudited interim financial statements.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

1. 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 2012 comprises the Company and its subsidiaries (together referred to as the “Group”).

The interim financial report has been prepared in accordance with the International Accounting Standard (“IAS”) 34 “Interim financial reporting”, adopted by the International Accounting Standards Board (“IASB”) as well as with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The principal activities of the Group are the manufacture and sales of high precision copper plates and strips, trading of raw materials, provision of processing services, and management of a portfolio of investments.

The condensed consolidated interim financial information are presented in Renminbi (“RMB”) which is also the functional currency of the Company.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2012 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2011.

In the current interim period, the Group has applied, for the first time, the following new or revised standards and interpretations (“new or revised IFRSs”) issued by the IASB.

IFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
IFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets
IAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets

The application of the above amendments to IFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

The Group has not early applied the following new or revised standards that have been issued but are not yet effective.

IFRSs (Amendments)	Annual Improvements 2009-2011 Cycle ²
IFRS 1 (Amendments)	First-time Adoption of IFRSs – Government Loan ²
IFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities ²
	Mandatory Effective Date of IFRS 9 and Transition Disclosure ⁴
IFRS 9	Financial Instruments ⁴
IFRS 10	Consolidated Financial Statements ²
IFRS 11	Joint Arrangements ²
IFRS 12	Disclosure of Interests in Other Entities ²
IFRS 13	Fair Value Measurement ²
IFRS 10, IFRS 11 and IFRS 12 (Amendments)	Transition Guidance ²
IAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income ¹
IAS 19 (as revised in 2011)	Employee Benefits ²
IAS 27 (as revised in 2011)	Separate Financial Statements ²
IAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures ²
IAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities ³
IFRIC – Int 20	Stripping Costs in the Production Phase of a Surface Mine ²

¹ Effective for annual periods beginning on or after 1 July 2012.

² Effective for annual periods beginning on or after 1 January 2013.

³ Effective for annual periods beginning on or after 1 January 2014.

⁴ Effective for annual periods beginning on or after 1 January 2015.

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application, but is not in a position to state whether these new and revised IFRSs will have significant impact on the Group's results of operations and financial positions.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

3. TURNOVER AND SEGMENT REPORTING

The principal activities of the Group are the sales of high precision copper plates and strips products, trading of raw materials and the provision of processing services.

The sales value of goods sold is stated after allowances for goods returned and deduction of any trade discounts, and excludes value added tax or other sales taxes. 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 has 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.
- Investment: this segment principally reports listed and unlisted investments made by the Group.

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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

3. TURNOVER AND SEGMENT REPORTING (CONTINUED)

Segment results (continued)

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

Six months ended 30 June 2012 (unaudited):

	Sales of copper products <i>RMB'000</i>	Trading of raw materials <i>RMB'000</i>	Processing services <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
SEGMENT TURNOVER					
External sales	1,192,545	362,388	58,088	–	1,613,021
Inter-segment sales	842,742	1,136,031	13,201	–	1,991,974
	2,035,287	1,498,419	71,289	–	3,604,995
Segment profit	57,060	1,048	13,866	1,845	73,819
Distribution expenses					(9,374)
Administrative expenses					(32,454)
Other operating income and expenses					22,565
Finance costs					(25,061)
Share of profit of an associate					2,713
Share of loss of a jointly controlled entity					(574)
Consolidated profit before tax					31,634

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

3. TURNOVER AND SEGMENT REPORTING (CONTINUED)

Segment results (continued)

Six months ended 30 June 2011 (unaudited and restated):

	Sales of copper products <i>RMB'000</i>	Trading of raw materials <i>RMB'000</i>	Processing services <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
SEGMENT TURNOVER					
External sales	1,266,784	304,892	59,073	–	1,630,749
Inter-segment sales	1,046,367	949,450	4,915	–	2,000,732
	2,313,151	1,254,342	63,988	–	3,631,481
Segment profit	129,471	9,087	20,295	1,451	160,304
Distribution expenses					(10,825)
Administrative expenses					(26,986)
Other operating income and expenses					24,376
Finance costs					(27,503)
Share of loss of a jointly controlled entity					(3,845)
Consolidated profit before tax					115,521

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

4. FINANCE COSTS

	Six months ended 30 June	
	2012	2011
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Interest on bank borrowings wholly repayable within five years	25,981	27,503
Less: Interest capitalised	(920)	–
	25,061	27,503

5. INCOME TAX EXPENSE

Income tax expense in the condensed consolidated income statement represents:

	Six months ended 30 June	
	2012	2011
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Current tax expense		
Provision for PRC income tax	3,229	29,079
Deferred tax	7,820	(1,409)
	11,049	27,670

- (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 2012 and 2011.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

5. INCOME TAX EXPENSE (CONTINUED)

- (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.

6. PROFIT FOR THE PERIOD

Profit for the period is arrived at after charging/(crediting):

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of inventories sold	1,541,047	1,471,896
Depreciation of property, plant and equipment	23,131	21,900
Amortisation of lease prepayments	272	199
(Gain)/loss on disposal of property, plant and equipment	(216)	634
Gain on disposal of lease prepayments	(4,483)	–
Impairment loss in respect of property, plant and equipment	2,700	–
Net realised and unrealised (gains)/losses on trading securities	(1,845)	158
Net realised and unrealised gains on derivative financial instruments	(6,047)	(8,060)
Net exchange losses/(gains)	2,084	(2,587)

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

7. DIVIDENDS

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

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interim dividend declared after the interim period: nil (six months ended 30 June 2011: HK7 cents per share)	–	39,659

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	
	2012	2011
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Final dividend in respect of the previous financial year, approved and paid during the interim period, of HK6 cents per share (six months ended 30 June 2010: HK5 cents per share)	34,109	28,875

Pursuant to a resolution passed at the board of directors' meeting on 16 March 2012, dividends of HK\$41,952,000 (equivalent to RMB34,109,000) were declared and paid on 28 May 2012.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

8. 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 2012 is based on the profit attributable to the equity shareholders of the Company of RMB20,226,000 (six months ended 30 June 2011: RMB87,637,000) and the weighted average number of 699,501,950 (six months ended 30 June 2011: 676,742,120) ordinary shares in issue during the period.

(b) Diluted earnings per share

The computation of diluted earnings per share for the six months ended 30 June 2012 does not assume the exercise of the Group's outstanding share options as the exercise price of those options is higher than the average market price of the Company's shares.

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 and the weighted average number of 687,766,822 ordinary shares.

	Six months ended 30 June	
	2012	2011
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	699,501,950	676,742,120
Effect of dilutive potential ordinary shares:		
Share options	–	1,586,613
Warrants	–	9,438,089
	699,501,950	687,766,822

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2012, the Group acquired items of property, plant and equipment with costs of RMB58,719,000 in aggregate (six months ended 30 June 2011: RMB32,744,000). Items of property, plant and equipment with a net book value of RMB1,297,000 were disposed of during the six months ended 30 June 2012 (six months ended 30 June 2011: RMB744,000), resulting in a gain on disposal of RMB216,000 (six months ended 30 June 2011: loss of RMB634,000). An impairment loss of RMB2,700,000 (six months ended 30 June 2011: nil) was recognised during the six months ended 30 June 2012 in respect of idle production machinery.

10. INTERESTS IN ASSOCIATES

During the six months ended 30 June 2012, one of the Group's associates with a carrying amount of RMB15,000,000 as at 31 December 2011 was liquidated and an amount of RMB15,000,000 was received by the Group as a return of capital on liquidation. No gain or loss on liquidation was recognised accordingly.

11. AVAILABLE-FOR-SALE INVESTMENTS

During the six months ended 30 June 2012, the Group made unlisted equity investments in the PRC of RMB22,870,000.

12. INVENTORIES

	At 30 June 2012 RMB'000 (Unaudited)	At 31 December 2011 RMB'000 (Audited)
Raw materials	92,040	67,028
Work in progress	273,567	346,406
Finished goods	116,091	116,405
Others	8,968	4,988
	490,666	534,827

As at 30 June 2012, inventories pledged for short-term bank loans amounted to RMB286,620,000 (31 December 2011: RMB282,000,000).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

13. TRADE AND OTHER RECEIVABLES

	At 30 June 2012 RMB'000 (Unaudited)	At 31 December 2011 RMB'000 (Audited)
Trade and bills receivables	339,416	370,373
Other receivables*	136,906	81,335
Prepayments	51,583	130,845
Trade receivable from a jointly-controlled entity	10,350	12,312
	538,255	594,865

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, based on invoice date, is as follows:

	At 30 June 2012 RMB'000 (Unaudited)	At 31 December 2011 RMB'000 (Audited)
Within 3 months	302,052	314,070
Over 3 months but less than 6 months	31,461	56,012
Over 6 months but less than 1 year	5,718	291
Over 1 year	185	–
	339,416	370,373

* Included in the balance as at 30 June 2012 was RMB18,630,000 (31 December 2011: nil) which is interest-bearing at 12% per annum, secured by the debtor's equity interest in a unlisted company in the PRC and payable on 31 March 2013.

14. PLEDGED DEPOSITS

Pledged deposits represented guarantee deposits for issuance of commercial bills and short-term banking facilities.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

15. INTEREST-BEARING BORROWINGS

	At 30 June 2012 RMB'000 (Unaudited)	At 31 December 2011 RMB'000 (Audited)
Repayable within 1 year:		
Secured bank loans	491,195	362,600
Unsecured bank loans	245,437	337,611
Discounted bills	219,510	143,500
	956,142	843,711

- (i) The secured bank loans as at 30 June 2012 bore interest at rates ranging from 1.87% to 7.89% (31 December 2011: 3.35% to 7.87%) per annum. The bank loans and certain banking facilities were secured by the following assets:

	At 30 June 2012 RMB'000 (Unaudited)	At 31 December 2011 RMB'000 (Audited)
Carrying amount of assets pledged:		
Inventories	286,620	282,000
Property, plant and equipment	138,258	187,381
Lease prepayments	15,655	10,339
Pledged deposits	186,253	32,351

- (ii) Unsecured bank loans as at 30 June 2012 bore interest at rates ranging from 3.55% to 7.87% (31 December 2011: 3.35% to 7.87%) per annum.
- (iii) The Group's discounted bills were with recourse and the related proceeds of the same amount are included in the Group's "bills receivable" and "discounted bills" as at the reporting date.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

16. TRADE AND OTHER PAYABLES

	At 30 June 2012 RMB'000 (Unaudited)	At 31 December 2011 RMB'000 (Audited)
Trade and bills payables	306,021	418,748
Other payables and accrued expenses	71,930	60,959
Trade payable due to a jointly controlled entity	42	295
	377,993	480,002

An ageing analysis of trade and bill payables of the Group, based on invoice date, is as follows:

	At 30 June 2012 RMB'000 (Unaudited)	At 31 December 2011 RMB'000 (Audited)
Within 3 months	286,315	364,289
Over 3 months but less than 6 months	9,018	51,317
Over 6 months but less than 1 year	8,866	1,377
Over 1 year	1,822	1,765
	306,021	418,748

17. EQUITY-SETTLED SHARE BASED PAYMENTS

Share Option Scheme

The Company has 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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

17. EQUITY-SETTLED SHARE BASED PAYMENTS (CONTINUED)

Share Option Scheme (continued)

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 19 March 2012, a total of 41,670,000 share options were granted to certain directors and employees of the Company with an exercise price of HK\$1.34 per share pursuant to the Share Option Scheme.

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 at the date of grant based on the Black-Scholes-Merton Option Pricing Model.

During the six months ended 30 June 2012, 600,000 (six months ended 30 June 2011: nil) share options under the Share Option Scheme were lapsed and no share options were exercised. As at 30 June 2012, 41,070,000 (31 December 2011: nil) share options remained outstanding under the Share Option Scheme.

18. SHARE CAPITAL

	Number of ordinary shares '000	Nominal value Amount HK\$'000	Equivalent RMB'000
Authorised:			
Ordinary shares of HK\$0.10 each	5,000,000	500,000	468,100
Issued and fully paid:			
At 1 January 2012 and 30 June 2012	699,502	69,950	64,881

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

19. RELATED PARTY TRANSACTIONS

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

During the six months ended 30 June 2012, the Group has transactions with Yingtan Ulba Shine Metal Materials Co., Ltd. ("Yingtan Ulba"), which is jointly controlled by the Group. Particulars of significant transactions between the Group and such related parties during the period are as follows:

(i) Significant related party transactions-Recurring

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
A jointly-controlled entity		
Sales of goods	6,360	5,363
Purchase of goods	1,012	10,494
Leasing income	172	286
Management fee income	550	–

The above transactions are entered into based on terms mutually agreed by the parties.

(ii) Balances with related party

	At 30 June	At 31 December
	2012	2011
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Trade and other receivables due from:		
A jointly-controlled entity	10,350	12,312
Trade and other payable due to:		
A jointly-controlled entity	42	295

The above balances are unsecured, interest free and repayable on demand.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

19. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Key management personnel remunerations

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

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Short-term employee benefits	1,667	1,691
Post-employment benefits	15	14
Share-based payments	463	–
	2,145	1,705

20. CAPITAL COMMITMENTS

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

	At 30 June	At 31 December
	2012	2011
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Authorised but not contracted for in respect of acquisition of property, plant and equipment	–	40,406
Contracted for in respect of acquisition of:		
– Property, plant and equipment	50,978	49,250
– Available-for-sale investment	30,000	–
	80,978	89,656

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

21. OPERATING LEASE COMMITMENTS

As at the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	At 30 June 2012 RMB'000 (Unaudited)	At 31 December 2011 RMB'000 (Audited)
Less than 1 year	1,283	900
Over 1 year but less than 5 years	1,510	1,974
	2,793	2,874

22. COMPARATIVE INFORMATION

Certain comparative figures have been reclassified to conform to the current periods presentation. The changes included reclassifications between other income, administrative expenses, finance costs and other expenses for the six months ended 30 June 2011.

Management Discussion and Analysis

PROSPECTS

In the first half of 2012, the European debt crisis further spread out and deteriorated while the U.S. economy was plagued by sluggish recovery. In addition, emerging economies faced pressures from structural adjustment and the economy also underwent an unexpected slowdown. All of these made it difficult to recover the global economy, with the impact of which, Chinese economy was not performing well. Although the output of nonferrous metals increased steadily, it was still a tough time for the nonferrous metal processing industry because of many factors, such as the increasing price of raw materials and the decline of processing service fees. The copper processing industry became the worst-hit area – with huge debt burden, certain small and medium sized enterprises went bankrupt one after the other; in respect of large companies, they also faced or is vulnerable to deficits, therefore it is not easy for them to balance their accounts, not to mention making profit. The net profit for the first half of this year decreased significantly compared to the same period last year, due to the fact that new products of the Group have not made any profit contribution, as well as the price of copper products and processing service fees declined because of the continuous global economy downturn.

Nevertheless, the Group overall maintained the original market share. In addition, to respond to changes in the market, the management of the Group with the strategy of “reinforce industry, expanding trading, stable investment and advanced research and development” as guideline, adjusted its policies actively, including:

- I. To increase investment in research and development as well as optimise product mix. Slim profit margin was the weakness of our original products. In order to overcome this shortage, the investment in research and development of new products increased dramatically in the first half of the year, which was approximately the gross investment of last year. New products were positioned in the “high-grade” level. As these new products are still in the development stage, they did not have any profit contribution yet. However, it is expected that these new products will make contribution to the profit of the Group in the future.

To support the production of new products, the Group spent huge sums to introduce international advanced production lines in two phases. The first phase is now under construction and the second phase will commence soon. By now, the Group has successfully developed the beryllium copper strip for vehicles and obtained national patent. Besides, it also has many other patents pending approval.

- II. To foster our technological innovation and improve the quality of our products. To solve the problem of low quality assurance as a result of low production yield, the management of the Group focused and agreed on a switch in the direction of our technological innovation strategy. The new direction was characterised by extra investment in our existing production lines to reduce investment risks and expedite production efficiency and we switched to the approach of reconstruction of amenity facilities of our existing production lines and construction in the last procedures of new projects. Our technological innovation proposal was implemented and initial improvement has been seen.

Management Discussion and Analysis

- III. To streamline our corporate structure and eliminate idle production capacity. To cater with the need of market development, after due consideration of the pros and cons, the management of the Group has decided to consolidate or even remove duplicated or redundant corporates to realise the simplest and most optimised structure. Meanwhile, the Group promptly responded to the call of the PRC government to reduce energy consumption and is in the process of eliminating or reconstructing equipment with high energy consumption, intensive pollution or high pollutant discharge. In addition, with an aim to reduce the idle rate to zero level, the Group disposed of or recycled idle assets to maximise our profit.
- IV. To provide intensive training to base-level management and invest in team building. On the back of slow sales, the management of the Group swiftly switch to focus on base-level management, capacity improvement and team building. To ensure more efficient output after our technological innovation, we intend to start from the basic and signed training and team building contracts with local training institutions for a term of several years, combined with the existing TTM and 5S management, we aim at enriching the management skills, tools and applications of our base-level management to strengthen our management on base-level staff and team.

At the same time, we also spent a lot effort in our team building process. During the first half of the year, we hired new graduates mainly from the comprehensive mechanical and electrical domain, with some other non-ferrous metal processing graduates for this year. We target to train them as major operator, team or group leader or even factory head. Furthermore, we will continue to recruit new hires from this year's graduates in the second half of the year and after a period of adjustment of two to three years, we expect our base-level staff, especially operators of our new production lines, to be composed mainly of university graduates so as to improve from a bottom-up perspective the quality of our staff, including core quality technological staff.

- V. To expand our investment path and expedite our project reporting process. To establish the Group as a comprehensive and modernised corporate group, the Group is in active pursuit of different investment themes. We are currently participating in various investment projects, which are underway and are expected to generate profits. Meanwhile, in order to improve our corporate image, we seek to comply with the reporting requirements on projects of the PRC and attempt to improve its inherent conditions. As at the date of this report, we have applied for certain awards including "National High-New Technology Enterprise", which is expected to be granted soon.
- VI. To reinforce external cooperation and establish an efficient platform. As a solution to the issues surrounding our production technologies, the Group is actively looking for breakthroughs. To this end, we have established long-term partnership with institutions such as the General Research Institute For Nonferrous Metals (北京有色總院) and invited experts to conduct investigation and research regularly, as well as to conduct in-depth analysis and research on the bottle-neck we experienced. Significant breakthroughs have been achieved.

Looking forward to the second half of the year, under the influence of the PRC's policy to fine tune and "stabilise growth momentum" and a steady real estate market, the PRC's economy is expected to stabilise and return to an uptrend. On the back of this, improvement will be seen in business environment and the nonferrous metal industry is expected to experience a new wave of development opportunities. The management of the Group believes that, as a result of the effort and transformation abovementioned, the Group will perform even better in an adverse environment and hold its ground in the market, and survive all streams ahead to build a brighter future.

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue and gross profit

Revenue of the Group for the six months ended 30 June 2012 amounted to RMB1,613.0 million, representing a decrease of 1.1% compared to RMB1,630.7 million of the corresponding period in 2011. Sales generated from the sale of high precision copper plates and strips, provision of processing services and trading of raw materials amounted to RMB1,192.5 million, RMB58.1 million and RMB362.4 million respectively (For the six months ended 30 June 2011: RMB1,266.8 million, RMB59.0 million and RMB304.9 million respectively). Although the total sales volume of high precision copper plates and strips products and the provision of processing services for the first half of 2012 amounted to 32,753 tonnes, which approximated to 31,602 tonnes as recorded in the corresponding period last year, the revenue generated from the sale of high precision copper plates and strips and the provision of processing services have both decreased compared to the corresponding period last year, which was due to the decrease in the selling price of copper products and the downward adjustment on processing service fees resulted from the continuous downturn of the global economy. The increase in the revenue of raw materials trading was mainly attributable to the sales volume in the first half of the year had increased by 53.2% to 8,963 tonnes from 5,851 tonnes of the corresponding period last year.

Gross profit of the Group for the six months ended 30 June 2012 amounted to RMB72.0 million, representing a decrease of 54.7% compared to RMB158.9 million of the corresponding last year, which was mainly due to the decrease in the selling price of copper products and the downward adjustment on processing service fees.

Other income

Other income of the Group mainly includes government subsidy and investment gains on bonds and futures. During the six months ended 30 June 2012, the Group's other income amounted to RMB30.7 million in total, representing an increase of 3.0% compared to RMB29.8 million of the corresponding period last year. Such increase was mainly attributable to the gain on disposal of a piece of land of RMB4.5 million, and no exchange gain was recorded in the period under review (corresponding period of last year: gain of RMB2.6 million).

Distribution expenses

During the six months ended 30 June 2012, our distribution expenses amounted to RMB9.4 million, which was slightly lower than that of RMB10.8 million of the corresponding period of last year. The drop was mainly attributable to the decrease in finance guarantee charges.

Administrative expenses

During the period under review, the Group's administrative expenses increased by 20.3% to RMB32.5 million from RMB27.0 million of the corresponding period last year. Such increase was mainly attributable to the increase in exchange loss and other tax expenses, which amounted to RMB2.1 million (corresponding period of last year: exchange gain of RMB2.6 million) and RMB1.5 million respectively, as well as the recognition of share-based payment expenses for share options granted on 19 March 2012 of RMB1.6 million.

Management Discussion and Analysis

Other operating expenses

During the six months ended 30 June 2012, other operating expenses of the Group were RMB6.3 million, representing an increase of RMB2.3 million compared with RMB4.0 million of the corresponding period last year. Such increase was mainly attributable to the impairment loss of RMB2.7 million provided for an idle equipment.

Finance cost

Finance cost of the Group for the six months ended 30 June 2012 decreased by 8.9% to RMB25.1 million compared to that of RMB27.5 million of the corresponding period last year. Such decrease was mainly attributable to the loan raised during the period under review had reduced as compared to the corresponding period last year.

Share of profit of an associate

During the six months ended 30 June 2012, the Group had received a gain of RMB2.7 million from deregistration of its associate Ningbo Ruiju.

Share of loss of a jointly controlled entity

For the six months ended 30 June 2012, the Group's share of loss of a jointly controlled entity, Yingtan Ulba Shine Metal Materials Co., Ltd. ("Yingtan Ulba"), amounted to RMB0.6 million, which had decreased by RMB3.3 million compared to that of the corresponding period last year, which was mainly because that Yingtan Ulba's management had successfully explored new businesses and new customers.

Income tax

The Group's corporate income tax expenses for the six months ended 30 June 2012 decreased by RMB16.6 million to RMB11.0 million, representing a decrease of 60.1% compared to the corresponding period in 2011, while our effective tax rate had also increased to 34.9% from 24% of the corresponding period last year which was mainly attributable to some of our loss-making subsidiaries for the current period.

Profit attributable to equity shareholders of the Company

Given the above reasons, the Group's profit attributable to equity shareholders for the six months ended 30 June 2012 amounted to RMB20.2 million, representing a decrease of 76.9% compared to that of RMB87.6 million of the corresponding period last year.

Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES

As at the end of the reporting period, the Group's balance of cash and cash equivalents amounted to RMB135.8 million, representing a decrease of RMB104.6 million from end of last year.

During the reporting period, the Group's net cash from operating activities amounted to RMB55.6 million, mainly comprising profit for the year of RMB20.6 million and adjustments for non-cash flow items such as depreciation of property, plant and equipment and unrealised fair value change on derivative financial instruments.

During the reporting period, the Group's net cash used in investing activities was RMB107.4 million, which mainly comprises of payment for acquisition of property, plant and equipment, a piece of land and available-for-sale investments.

During the reporting period, the Group recorded a net cash used in financing activities of RMB52.9 million, which mainly comprising dividend payment of RMB34.1 million increase in pledged deposits net of bank borrowings raised.

As at 30 June 2012, the Group had outstanding bank loans of approximately RMB956.1 million, which shall be repaid within 1 year. As at 30 June 2012, 51.4% of the Group's debts was on secured basis.

The gearing ratio in the period of under review was 46.6% (31 December 2011: 41.5%), which is calculated by dividing the total borrowings over the total assets.

Charge on assets

As at 30 June 2012, the Group pledged assets with an aggregate carrying value of approximately RMB626.8 million (31 December 2011: RMB512.1 million) to secure bank loans and facilities of the Group.

Capital expenditure

For the six months ended 30 June 2012, the Group has invested approximately RMB58.7 million for purchase of property, plant and equipment. These capital expenditures were financed by internal resources and bank loans.

Capital commitments

As at 30 June 2012, the Group has been contracted but not provided for future capital expenditures amounted to RMB81.0 million.

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 RMB6.0 million for the six months ended 30 June 2012, which corresponding period in last year was approximately RMB8.0 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 loss of RMB2.1 million while recording a gain of RMB2.6 million for the corresponding period in 2011.

Employees

As at 30 June 2012, the total number of the Group's employs was 1,292 (30 June 2011: 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 2012, 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	Founder of a discretionary trust	265,200,000 (Note 1)	37.91%
Chen Jianhua	Beneficial owner	1,480,000	0.21%
Wang Jianli	Beneficial owner	1,060,000	0.15%
Ma Wanjun	Beneficial owner	1,060,000	0.15%
Cui Ming	Beneficial owner	220,000	0.03%
Xie Shuisheng	Beneficial owner	175,000	0.03%
Chai Chaoming	Beneficial owner	134,000	0.02%
Li Li	Beneficial owner	320,000	0.05%

Notes:

- These 265,200,000 Shares were held by Luckie Strike Limited and Come Fortune International Limited which was wholly owned by Dynamic Empire Holdings Limited. The entire issued share capital of Dynamic Empire Holdings Limited was beneficially owned by the Hu Family Trust which was founded by Mr. Hu. Mr. Hu was deemed to be interested in these shares by virtue of the SFO.

* The percentages are calculated based on total issued number of Shares of 699,501,950 as at 30 June 2012.

Other Information

(ii) Interests in share options of the Company

Name of Directors	Capacity	Number of share options	Exercisable period	Exercise price per share <i>HK\$</i>	Approximate percentage of shareholding*
Chen Jianhua	Beneficial owner	800,000	19 March 2013 to 30 June 2016	1.34	0.11%
	Beneficial owner	800,000	19 March 2014 to 30 June 2016	1.34	0.11%
	Beneficial owner	800,000	19 March 2015 to 30 June 2016	1.34	0.11%
Wang Jianli	Beneficial owner	800,000	19 March 2013 to 30 June 2016	1.34	0.11%
	Beneficial owner	800,000	19 March 2014 to 30 June 2016	1.34	0.11%
	Beneficial owner	800,000	19 March 2015 to 30 June 2016	1.34	0.11%
Ma Wanjun	Beneficial owner	800,000	19 March 2013 to 30 June 2016	1.34	0.11%
	Beneficial owner	800,000	19 March 2014 to 30 June 2016	1.34	0.11%
	Beneficial owner	800,000	19 March 2015 to 30 June 2016	1.34	0.11%
Cui Ming	Beneficial owner	200,000	19 March 2013 to 30 June 2016	1.34	0.03%
	Beneficial owner	200,000	19 March 2014 to 30 June 2016	1.34	0.03%
	Beneficial owner	200,000	19 March 2015 to 30 June 2016	1.34	0.03%

Other Information

Name of Directors	Capacity	Number of share options	Exercisable period	Exercise price per share HK\$	Approximate percentage of shareholding*
Xie Shuishen	Beneficial owner	200,000	19 March 2013 to 30 June 2016	1.34	0.03%
	Beneficial owner	200,000	19 March 2014 to 30 June 2016	1.34	0.03%
	Beneficial owner	200,000	19 March 2015 to 30 June 2016	1.34	0.03%
Chai Chaoming	Beneficial owner	200,000	19 March 2013 to 30 June 2016	1.34	0.03%
	Beneficial owner	200,000	19 March 2014 to 30 June 2016	1.34	0.03%
	Beneficial owner	200,000	19 March 2015 to 30 June 2016	1.34	0.03%
Li Li	Beneficial owner	200,000	19 March 2013 to 30 June 2016	1.34	0.03%
	Beneficial owner	200,000	19 March 2014 to 30 June 2016	1.34	0.03%
	Beneficial owner	200,000	19 March 2015 to 30 June 2016	1.34	0.03%

Notes

These are the underlying Shares of the options granted to the relevant Directors by the Company on 19 March 2012 under Share Option Scheme and such share options remained outstanding as at 30 June 2012. The exercise price is the average closing price of HK\$1.34 per Share as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant.

* The percentages are calculated based on total issued number of shares of 699,501,950 as at 30 June 2012.

Save as disclosed above, as at 30 June 2012, 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 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 2011.

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 2012	Approximate percentage of issued share capital of the Company
				Outstanding as at 1 January 2012	Exercised during the period	Granted during the period	Lapsed during the period		
Directors									
Chen Jianhua	19-3-2012	19-3-2013 to 30-6-2016	1.34	-	-	800,000	-	800,000	0.11%
	19-3-2012	19-3-2014 to 30-6-2016	1.34	-	-	800,000	-	800,000	0.11%
	19-3-2012	19-3-2015 to 30-6-2016	1.34	-	-	800,000	-	800,000	0.11%
				-	-	2,400,000	-	2,400,000	0.33%
Wang Jianli	19-3-2012	19-3-2013 to 30-6-2016	1.34	-	-	800,000	-	800,000	0.11%
	19-3-2012	19-3-2014 to 30-6-2016	1.34	-	-	800,000	-	800,000	0.11%
	19-3-2012	19-3-2015 to 30-6-2016	1.34	-	-	800,000	-	800,000	0.11%
				-	-	2,400,000	-	2,400,000	0.33%
Ma Wanjun	19-3-2012	19-3-2013 to 30-6-2016	1.34	-	-	800,000	-	800,000	0.11%
	19-3-2012	19-3-2014 to 30-6-2016	1.34	-	-	800,000	-	800,000	0.11%
	19-3-2012	19-3-2015 to 30-6-2016	1.34	-	-	800,000	-	800,000	0.11%
				-	-	2,400,000	-	2,400,000	0.33%
He Changming	19-3-2012	19-3-2013 to 30-6-2016	1.34	-	-	200,000	(200,000)	-	-
	19-3-2012	19-3-2014 to 30-6-2016	1.34	-	-	200,000	(200,000)	-	-
	19-3-2012	19-3-2015 to 30-6-2016	1.34	-	-	200,000	(200,000)	-	-
				-	-	600,000	(600,000)	-	-
Cui Ming	19-3-2012	19-3-2013 to 30-6-2016	1.34	-	-	200,000	-	200,000	0.03%
	19-3-2012	19-3-2014 to 30-6-2016	1.34	-	-	200,000	-	200,000	0.03%
	19-3-2012	19-3-2015 to 30-6-2016	1.34	-	-	200,000	-	200,000	0.03%
				-	-	600,000	-	600,000	0.09%

Other Information

Name or type of grantee	Date of grant	Exercisable period	Exercise price HK\$	Number of share options				Outstanding as at 30 June 2012	Approximate percentage of issued share capital of the Company
				Outstanding as at 1 January 2012	Exercised during the period	Granted during the period	Lapsed during the period		
Xie Shuisheng	19-3-2012	19-3-2013 to 30-6-2016	1.34	-	-	200,000	-	200,000	0.03%
	19-3-2012	19-3-2014 to 30-6-2016	1.34	-	-	200,000	-	200,000	0.03%
	19-3-2012	19-3-2015 to 30-6-2016	1.34	-	-	200,000	-	200,000	0.03%
				-	-	600,000	-	600,000	0.09%
Chai Chaoming	19-3-2012	19-3-2013 to 30-6-2016	1.34	-	-	200,000	-	200,000	0.03%
	19-3-2012	19-3-2014 to 30-6-2016	1.34	-	-	200,000	-	200,000	0.03%
	19-3-2012	19-3-2015 to 30-6-2016	1.34	-	-	200,000	-	200,000	0.03%
				-	-	600,000	-	600,000	0.09%
Li Li	19-3-2012	19-3-2013 to 30-6-2016	1.34	-	-	200,000	-	200,000	0.03%
	19-3-2012	19-3-2014 to 30-6-2016	1.34	-	-	200,000	-	200,000	0.03%
	19-3-2012	19-3-2015 to 30-6-2016	1.34	-	-	200,000	-	200,000	0.03%
				-	-	600,000	-	600,000	0.09%
Employees	19-3-2012	19-3-2013 to 30-6-2016	1.34	-	-	10,490,000	-	10,490,000	1.50%
	19-3-2012	19-3-2014 to 30-6-2016	1.34	-	-	10,490,000	-	10,490,000	1.50%
	19-3-2012	19-3-2015 to 30-6-2016	1.34	-	-	10,490,000	-	10,490,000	1.50%
				-	-	31,470,000	-	31,470,000	4.50%
				-	-	41,670,000	(600,000)	41,070,000	5.85%

Notes:

- As at 30 June 2012, the total number of issued shares of the Company was 699,501,950.
- The vesting period of the share options is from the date of grant until the commencement of the exercisable period.

Other Information

The fair value of options granted on 19 March 2012 under the Share Option Scheme was determined using the "Black-Scholes-Merton Option Pricing Model". The significant inputs into the model were:

• Exercise price (HK\$)	1.34
• Risk-free rate (%)	0.6
• Employee exit rate	10%
• Expected Volatility (%)	59.94
• Expected Dividend (%)	9.92%

Based on the inputs above to the Black-Scholes-Merton Option Pricing Model, the total fair value of the outstanding options as at the grant date was HKD11,351,776.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2012, the following persons or corporations had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Name of Shareholder	Capacity	Number of shares	Approximate percentage of shareholding*
Luckie Strike Limited	Beneficial owner	110,000,000(L)	15.72%
Come Fortune International Limited	Beneficial owner	155,200,000(L)	22.19%
Dynamic Empire Holdings Limited (Note 1)	Interest of a controlled corporation	265,200,000(L)	37.91%
Barclays Wealth Trustees (Singapore) Limited (Note 1)	Trustee (other than a bare trustee)	265,200,000(L)	37.91%
Barclays PLC (Note 2)	Interest of a controlled Corporation	32,000(S) 32,000(L)	0.005% 0.005%
	Trustee (other than a bare trustee)	265,200,000(L)	37.91%
Yu Yuesu (Note 3)	Interest of spouse	265,200,000(L)	37.91%

Other Information

Notes:

1. The Shares were held by Luckie Strike Limited and Come Fortune International Limited which was wholly owned by Dynamic Empire Holdings Limited. The entire issued share capital of Dynamic Empire Holdings Limited was beneficially owned by the Hu Family Trust, the trustee of which was Barclays Wealth Trustees (Singapore) Limited. Dynamic Empire Holdings Limited was deemed to be interested in all the Shares in which Luckie Strike Limited and Come Fortune International Limited is interested by virtue of the SFO. Barclays Wealth Trustees (Singapore) Limited was deemed to be interested in all the Shares in which Dynamic Empire Holdings Limited was interested by virtue of the SFO. The Shares registered in the name of Luckie Strike Limited and Come Fortune International Limited was also disclosed as the interest of Mr. Hu Changyuan in the section headed "Directors and chief executive's interests in shares, underlying shares and debentures of the Company" above.
2. Barclays Wealth Trustees (Singapore) Limited was wholly owned by Barclays PLC. Barclays PLC was deemed to be interested in all the Shares in which Barclays Wealth Trustees (Singapore) Limited was interested by virtue of the SFO.
3. Ms. Yu Yuesu is deemed to be interested in these shares under the SFO by virtue of being the spouse of Mr. Hu Changyuan.

The letter "S" denotes a short position in the Share

The letter "L" denotes a long position in the Share

* The percentages are calculated based on total number of issued Shares of 699,501,950 as at 30 June 2012.

Save as disclosed herein, as at 30 June 2012, 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 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. The audit committee has discussed with the external auditor of the Company the results of their agreed-upon procedures.

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 2012.

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 2012.

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 2012.

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 does not recommend the payment of an interim dividend for the six months ended 30 June 2012 (six months ended 30 June 2011: HK7 cents).

By order of the Board

Hu Changyuan

Chairman

The PRC, 31 August 2012