



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

2014

Interim Report



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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. MAO Xuechang (appointed on 26 May 2014)
Mr. CUI Ming
Mr. XIE Shuisheng (Resigned on 24 April 2014)
Mr. CHAI Chaoming
Ms. LI Li

Audit Committee

Ms. LI Li (*Chairman*)
Mr. MAO Xuechang (appointed on 26 May 2014)
Mr. CUI Ming
Mr. XIE Shuisheng (Resigned on 24 April 2014)
Mr. CHAI Chaoming

Remuneration Committee

Mr. CUI Ming (*Chairman*)
Mr. MAO Xuechang (appointed on 26 May 2014)
Ms. LI Li
Mr. WANG Jianli

Nomination Committee

Mr. CHAI Chaoming (*Chairman*)
Mr. MAO Xuechang (appointed on 26 May 2014)
Mr. XIE Shuisheng (Resigned on 24 April 2014)
Mr. CUI Ming
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.68, Jin Xi Road
Hangzhou Bay New Zone
Ningbo
Zhejiang Province
315336, PRC

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

Agricultural Bank of China
China Construction Bank

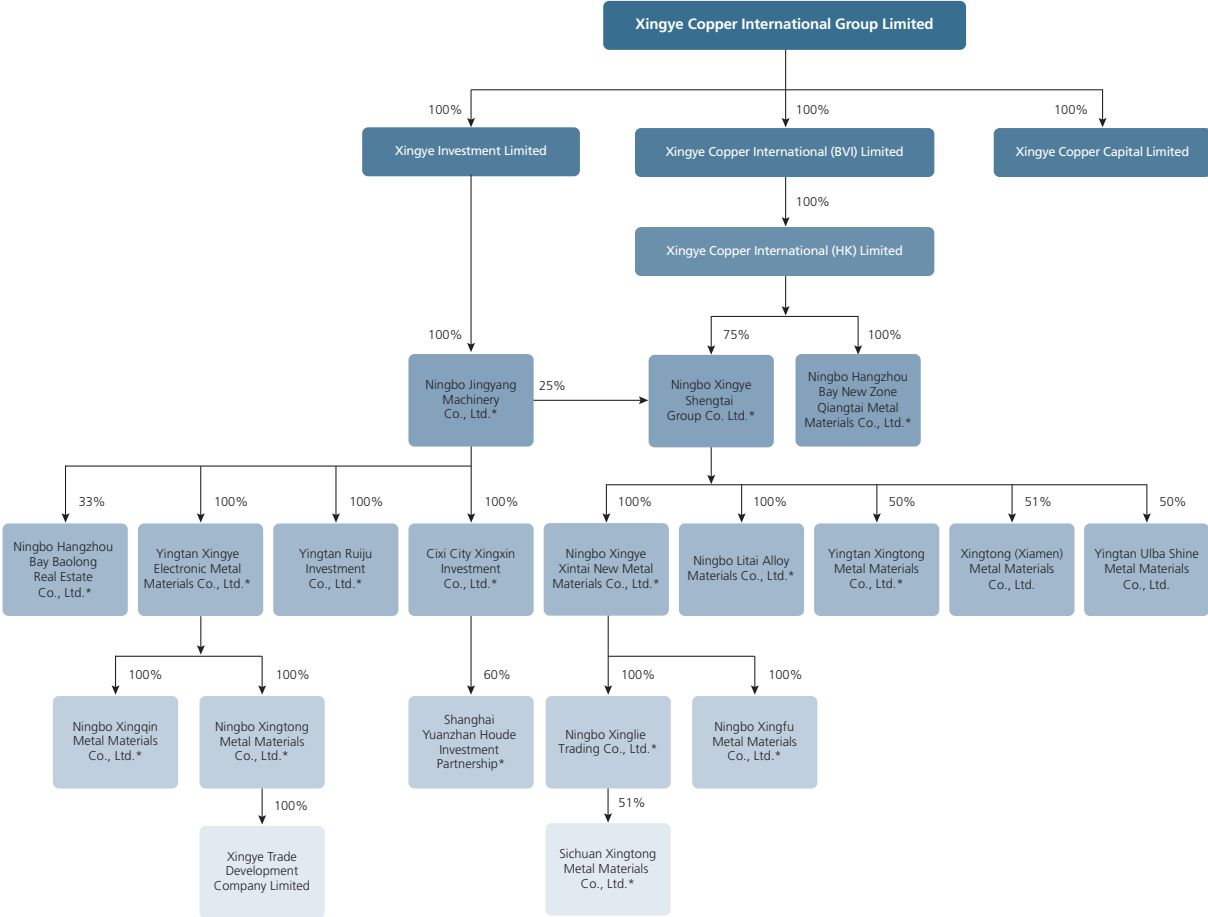
COMPANY WEBSITE

www.xingyecopper.com

STOCK CODE

505

Corporate Structure



* For Identification purpose only

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2014

	Notes	Six months ended 30 June	
		2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited and restated)
Revenue	3	1,667,383	1,624,238
Cost of sales		(1,536,692)	(1,549,805)
Gross profit		130,691	74,433
Other income		11,062	25,499
Other gains and losses, net		(19,409)	26,295
Distribution expenses		(11,325)	(11,054)
Administrative expenses		(79,652)	(63,312)
Share of profit of an associate		–	321
Share of loss of a joint venture		–	(523)
Finance costs	4	(20,490)	(20,473)
Profit before tax		10,877	31,186
Income tax expense	5	(2,462)	(8,023)
Profit for the period	6	8,415	23,163
Profit for the period attributable to:			
Owners of the Company		7,786	23,148
Non-controlling interests		629	15
		8,415	23,163
Earnings per share			
– Basic and diluted (RMB cents)	8	1.11	3.31

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2014

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit for the period	8,415	23,163
Other comprehensive income for the period:		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	171	25
Total comprehensive income for the period	8,586	23,188
Total comprehensive income for the period attributable to:		
Owners of the Company	7,957	23,173
Non-controlling interests	629	15
	8,586	23,188

There is no tax effect relating to the component in other comprehensive income.

Condensed Consolidated Statement of Financial Position

As at 30 June 2014

		At 30 June 2014 <i>RMB'000</i> (Unaudited)	At 31 December 2013 <i>RMB'000</i> (Audited)
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment	9	903,063	728,155
Lease prepayments		31,264	29,714
Interest in an associate		6,613	6,613
Available-for-sale investment		33,907	35,000
Deposit for acquisition of property, plant and equipment		44,636	77,783
		1,019,483	877,265
Current assets			
Inventories	10	426,671	427,909
Trade and other receivables	11	490,679	444,182
Loan receivables	12	66,178	60,396
Pledged deposits	13	292,527	103,294
Cash and cash equivalents		157,183	56,730
		1,433,238	1,092,511
Current liabilities			
Trade and other payables	14	512,121	449,060
Derivative financial instruments		5,854	2,872
Interest-bearing borrowings	15	1,083,162	775,769
Income tax payables		15,288	11,769
		1,616,425	1,239,470
Net current liabilities		(183,187)	(146,959)
Total assets less current liabilities		836,296	730,306
Non-current liabilities			
Interest-bearing borrowings	15	120,199	18,940
Deferred income		9,204	9,513
Deferred tax liabilities		13,467	18,939
		142,870	47,392
Net assets		693,426	682,914

Condensed Consolidated Statement of Financial Position

As at 30 June 2014

	<i>Notes</i>	At 30 June 2014 RMB'000 (Unaudited)	At 31 December 2013 RMB'000 (Audited)
Capital and reserves			
Share capital	16	64,881	64,881
Reserves		608,349	598,466
Equity attributable to owners of the Company		673,230	663,347
Non-controlling interests		20,196	19,567
Total equity		693,426	682,914

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2014

Note	Attributable to owners 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 2013 (audited)	64,881	227,978	259,726	60,452	(14,178)	4,154	77,029	680,042	18,403	698,445
Changes in equity for the six months ended 30 June 2013:										
Profit for the period	-	-	-	-	-	-	23,148	23,148	15	23,163
Other comprehensive income	-	-	-	-	25	-	-	25	-	25
Total comprehensive income for the period	-	-	-	-	25	-	23,148	23,173	15	23,188
Dividend approved in respect of the previous reporting period	7	-	-	-	-	-	(27,840)	(27,840)	-	(27,840)
Equity-settled share-based payments	-	-	-	-	-	1,335	-	1,335	-	1,335
At 30 June 2013 (unaudited)	64,881	227,978	259,726	60,452	(14,153)	5,489	72,337	676,710	18,418	695,128

Note	Attributable to owners 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 2014 (audited)	64,881	227,978	259,726	66,785	(15,524)	7,596	51,905	663,347	19,567	682,914
Changes in equity for the six months ended 30 June 2014:										
Profit for the period	-	-	-	-	-	-	7,786	7,786	629	8,415
Other comprehensive income	-	-	-	-	171	-	-	171	-	171
Total comprehensive income for the period	-	-	-	-	171	-	7,786	7,957	629	8,586
Transfer to reserve	-	-	-	361	-	-	(361)	-	-	-
Equity-settled share-based payments	-	-	-	-	-	1,926	-	1,926	-	1,926
Share option cancelled	-	-	-	-	-	(8,292)	8,292	-	-	-
At 30 June 2014 (unaudited)	64,881	227,978	259,726	67,146	(15,353)	1,230	67,622	673,230	20,196	693,426

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2014

	Six months ended 30 June	
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Net cash used in operating activities	(15,439)	(197,051)
Net cash used in investing activities	(174,018)	(165,541)
Net cash generated from financing activities	289,739	385,509
Net increase in cash and cash equivalents	100,282	22,917
Cash and cash equivalents at 1 January	56,730	87,603
Effect of foreign exchange rate changes	171	25
Cash and cash equivalents at 30 June, represented by bank balances and cash	157,183	110,545

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

1. BASIS OF PREPARATION

Xingye Copper International Group Limited (the "Company") is 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 2014 comprises the financial information of the Company and its subsidiaries (together referred to as the "Group").

The condensed consolidated financial statements has been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" adopted by the International Accounting Standards Board ("IASB") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

As at 30 June 2014, the Group had net current liabilities of approximately RMB183,187,000.

In preparing the condensed consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group for the twelve months from the end of the reporting period in light of the Group's financial position and substantial capital commitment.

The Group has unutilised banking facilities of RMB411,400,000 as at 30 June 2014 that will not be expired within 12 months from 30 June 2014. Taking into the Group's financial position, results of operations and credit history, the directors of the Company considered it is unlikely that the banks will terminate the facilities granted to the Group prior to their expiry and the directors of the Company did not foresee any difficulties for the Group to renew the facilities. Taking into account such, in the opinion of the directors of the Company, the Group will have sufficient working capital for the twelve months after the end of the reporting period and thus it is appropriate to prepare the condensed consolidated financial statements on the going concern basis.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

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 value, 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 2014 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2013.

In the current interim period, the Group has applied, for the first time, the following new Interpretation and amendments to International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standard Board ("IASB") that are relevant for the preparation of the Group's condensed consolidated financial statements:

Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to IAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting
IFRIC*– Interpretation 21	Levies

* IFRIC represents the International Financial Reporting Interpretations Committee

The application of the above new interpretation and 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 2014

3. TURNOVER AND SEGMENT REPORTING

Segment results

The following is an analysis of the Group's revenue and results by reportable and operating segments

Six months ended 30 June 2014 (unaudited):

	Sales of copper products <i>RMB'000</i>	Trading of raw materials <i>RMB'000</i>	Processing services <i>RMB'000</i>	Investment <i>RMB'000</i>	Elimination <i>RMB'000</i>	Total <i>RMB'000</i>
SEGMENT TURNOVER	1,475,131	1,272,485	71,989	1,093	(1,152,222)	1,668,476
SEGMENT REVENUE AND OTHER INCOME						
External sales	1,291,154	308,573	67,656	-	-	1,667,383
Intra-segment sales	183,977	963,912	4,333	-	(1,152,222)	-
Segment revenue	1,475,131	1,272,485	71,989	-	(1,152,222)	1,667,383
Total segment revenue and other income	1,475,131	1,272,485	71,989	-	(1,152,222)	1,667,383
Segment profit	81,918	5,708	43,065			130,691
Unallocated income and gains						(8,347)
Unallocated expense						(90,977)
Finance costs						(20,490)
Profit before tax						10,877

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

3. TURNOVER AND SEGMENT REPORTING (CONTINUED)

Segment results (continued)

Six months ended 30 June 2013 (unaudited):

	Sales of copper products <i>RMB'000</i> (Restated)	Trading of raw materials <i>RMB'000</i>	Processing services <i>RMB'000</i>	Investment <i>RMB'000</i>	Elimination <i>RMB'000</i>	Total <i>RMB'000</i> (Restated)
SEGMENT TURNOVER	1,909,649	696,881	60,686	25,799	(1,042,978)	1,650,037
SEGMENT REVENUE AND OTHER INCOME						
External sales	1,193,612	370,451	60,175	–	–	1,624,238
Intra-segment sales	716,037	326,430	511	–	(1,042,978)	–
Segment revenue	1,909,649	696,881	60,686	–	(1,042,978)	1,624,238
Other income and gains	–	–	–	6,359	–	6,359
Total segment revenue and other income	1,909,649	696,881	60,686	6,359	(1,042,978)	1,630,597
Segment profit	48,492	4,935	21,006	6,680		81,113
Unallocated income and gains						45,435
Unallocated expense						(74,366)
Finance costs						(20,473)
Share of loss of a joint venture						(523)
Profit before tax						31,186

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

3. TURNOVER AND SEGMENT REPORTING (CONTINUED)

Segment asset and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segments

	At 30 June 2014 <i>RMB'000</i> (Unaudited)	At 31 December 2013 <i>RMB'000</i> (Audited)
Segment assets		
Investments	100,085	95,396
Jointly shared by sales of copper products, trading of raw materials and provision of processing services	1,896,313	1,707,743
Unallocated	456,323	166,637
Consolidated assets	2,452,721	1,969,776
Segment liabilities		
Jointly shared by sales of copper products, trading of raw materials and provision of processing services and consolidated liabilities	512,121	449,060
Unallocated	1,247,174	837,802
Consolidated liabilities	1,759,295	1,286,862

4. FINANCE COSTS

	Six months ended 30 June 2014 <i>RMB'000</i> (Unaudited)	2013 <i>RMB'000</i> (Unaudited)
Interest on bank borrowings	24,309	23,059
Less: Interest capitalised	(3,819)	(2,586)
	20,490	20,473

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

5. INCOME TAX EXPENSE

Income tax expense in the condensed consolidated statement of profit or loss represents:

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax expense		
Provision for PRC corporate income tax	7,863	6,408
Deferred tax	(5,401)	1,615
	2,462	8,023

- (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 2014 and 2013.
- (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) On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the People's Republic of China (the "New Tax Law"). Pursuant to the New Tax Law, 5% withholding tax is levied on the foreign investor in respect of dividend distributions arising from the profits of a foreign investment enterprise in the PRC earned after 1 January 2008. Deferred tax liabilities have been recognised for undistributed retained earnings of the Group's PRC subsidiaries to the extent that the earnings would be distributed in the foreseeable future.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

6. PROFIT FOR THE PERIOD

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

	Six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited and restated)
Cost of inventories recognised as an expenses	1,536,692	1,549,805
Staff costs	35,749	34,118
Depreciation of property, plant and equipment	29,590	25,279
Amortisation of lease prepayments	427	426
Total depreciation and amortisation	30,017	25,705
Government grants	(5,175)	(19,294)
Bank interest income	(2,613)	(3,527)
Interest income from loan receivables	(3,248)	(1,663)
Interest income from non-controlling interests	–	(297)
Loss on disposal/written-off of property, plant and equipment	14,299	1,533
Gain on disposal of an associate	–	(4,395)
Net realised gains on derivative financial instruments	(16,654)	(11,102)
Net unrealised loss (gain) on derivative financial instruments	3,241	(10,946)
Net exchange losses (gains)	2,832	(1,385)
Impairment loss in respect of property, plant and equipment	19,335	–
Reversal of impairment loss in respect of prepaid lease payment	(1,977)	–
Share-based payment expenses	1,926	1,335

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

7. DIVIDENDS

During the period ended 30 June 2014, no dividend was declared or distributed and the directors of the Company have determined that no dividend will be paid in respect of the interim period.

During the period ended 30 June 2013, a final dividend of HK5 cents per share in respect of the year ended 31 December 2013, totally RMB27,840,000 was recognized as distribution and paid.

8. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share for the six months ended 30 June 2014 is based on the profit attributable to the equity shareholders of the Company of RMB7,786,000 (six months ended 30 June 2013: RMB23,148,000) and the weighted average number of 699,501,950 (six months ended 30 June 2013: 699,501,950) ordinary shares in issue during the period.

Number of shares ('000)	Six months ended 30 June	
	2014 (Unaudited)	2013 (Unaudited)
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	699,502	699,502

The computation of diluted earnings per share for the six months ended 30 June 2014 and 2013 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.

9. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2014, additions to property, plant and equipment amounted to RMB240,977,000 (six months ended 30 June 2013: RMB92,358,000) in aggregate. Items of property, plant and equipment with a net book value of RMB8,905,000 (six months ended 30 June 2013: RMB1,690,000) were written off/disposed of during the six months ended 30 June 2014 and resulted in a loss on disposal of RMB14,299,000 (six months ended 30 June 2013: loss of RMB1,533,000). An impairment loss of RMB19,335,000 (six months ended 30 June 2013: RMB nil) was recognized during the current interim period in respect of obsolete plant and machinery.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

10. INVENTORIES

	At 30 June 2014 <i>RMB'000</i> (Unaudited)	At 31 December 2013 <i>RMB'000</i> (Audited)
Raw materials	43,705	55,605
Work in progress	273,489	289,438
Finished goods	108,939	82,375
Others	538	491
	426,671	427,909

As at 30 June 2014, inventories amounted to RMB346,325,000 (31 December 2013: RMB340,000,000) were pledged for short-term bank loans.

11. TRADE AND OTHER RECEIVABLES

	At 30 June 2014 <i>RMB'000</i> (Unaudited)	At 31 December 2013 <i>RMB'000</i> (Audited)
Trade and bills receivables	372,893	306,098
Trade receivable from a joint venture	10,435	14,562
Sub-total	383,328	320,660
Less: accumulated impairment	(4,782)	(4,782)
	378,546	315,878
Other receivables	50,670	41,003
Prepayments	60,713	86,551
Current portion of lease prepayment	750	750
	490,679	444,182

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

11. TRADE AND OTHER RECEIVABLES (CONTINUED)

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 bills receivables of the Group, based on invoice date, which approximate the revenue recognition date, is as follows:

	At 30 June 2014 RMB'000 (Unaudited)	At 31 December 2013 RMB'000 (Audited)
Within 3 months	344,429	260,596
Over 3 months but less than 6 months	26,979	47,621
Over 6 months but less than 1 year	1,375	4,508
Over 1 year	5,763	3,153
	378,546	315,878

12. LOAN RECEIVABLES

The loan receivables are unsecured, bear interest at 7.2% to 14.4% per annum.

13. 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 2014

14. TRADE AND OTHER PAYABLES

	At 30 June 2014 <i>RMB'000</i> (Unaudited)	At 31 December 2013 <i>RMB'000</i> (Audited)
Trade and bills payables	417,583	364,643
Trade payable due to a joint venture	–	219
Sub-total	417,583	364,862
Other payables and accruals*	94,538	84,198
	512,121	449,060

* Included in other payables is advance of RMB2,450,000 (2013: RMB2,450,000) received from a non-controlling interest which is unsecured, interest-free and repayable on demand.

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

	At 30 June 2014 <i>RMB'000</i> (Unaudited)	At 31 December 2013 <i>RMB'000</i> (Audited)
Within 3 months	367,884	257,037
Over 3 months but less than 6 months	44,585	57,533
Over 6 months but less than 1 year	1,544	47,713
Over 1 year	3,570	2,579
	417,583	364,862

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

15. INTEREST-BEARING BORROWINGS

	At 30 June 2014 <i>RMB'000</i> (Unaudited)	At 31 December 2013 <i>RMB'000</i> (Audited)
Secured bank loans	596,618	558,765
Discounted bills	80,575	65,145
Unsecured bank loans	526,168	170,799
	1,203,361	794,709
Carrying amount payable (based on scheduled repayment dates set out in the loan agreements):		
Within one year	1,083,162	775,769
More than one year, but not exceeding five years	120,199	18,940
	1,203,361	794,709
Less: Amounts due within one year shown under current liabilities	(1,083,162)	(775,769)
Amounts shown under non-current liabilities	120,199	18,940

During the current interim period, the Group raised new borrowings and repaid borrowings of RMB1,236 million (period ended 30 June 2013: RMB1,110 million) and RMB762 million (period ended 30 June 2013: RMB715 million) respectively.

16. SHARE CAPITAL

	Number of ordinary shares '000	Nominal value Amount <i>HK\$'000</i>	Equivalent <i>RMB'000</i>
Authorised:			
Ordinary shares of HK\$0.10 each	5,000,000	500,000	468,100
Issued and fully paid:			
At 1 January 2013, 31 December 2013, 1 January 2014 (audited) and 30 June 2014 (unaudited)	699,502	69,950	64,881

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

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.

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 31 March 2014, 39,660,000 share options that were granted during the year ended 31 December 2012 but remained outstanding as at 31 December 2013 were cancelled.

On 1 April 2014 and 26 May 2014, a total of 11,896,000 and 2,100,000 share options were granted to certain directors and employees of the Company with an exercise price of HK\$0.65 and HK\$0.53 per share pursuant to the Share Option Scheme.

The closing price of the Company’s shares immediately before 1 April 2014 and 26 May 2014, the date of grant, was HK\$0.60 and HK\$0.53.

The fair value of service received in return for share options granted under the Share Option Scheme was measured by reference to the fair value of share options. The estimate of the fair value of the share options granted was measured at the date of grant based on the Black-Scholes-Merton Option Pricing Model. The variables and assumptions used in computing the fair value of the share options were based on the directors’ best estimate. Changes in variables and assumptions may result in changes in the fair value of the options.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

17. EQUITY-SETTLED SHARE-BASED PAYMENTS (CONTINUED)

Share Option Scheme (continued)

The following table summarise the movements in the share options of the Company:

	No. of share options
Outstanding at 1 January 2014	39,660,000
Lapsed during the period	(99,000)
Cancelled during the period	(39,660,000)
Granted during the period	13,996,000
Outstanding at 30 June 2014	13,897,000

18. RELATED PARTY DISCLOSURES

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

During the six months ended 30 June 2014, the Group has transactions with related parties as follows:

(i) Related party transactions

Name of related party	Relationship with the Group	Nature of transactions		2014	2013
				<i>RMB'000</i>	<i>RMB'000</i>
Hu Mingda and Hu Minglie	(Note a)	Interest income	(Note b)	-	297
Yingtian Ulba Shine Metal Materials Co., Ltd.	Jointly-controlled entity	Sales of goods	(Note c)	2,975	5,787
		Purchase of goods	(Note c)	1,755	1,385
		Leasing income	(Note c)	302	231

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

18. RELATED PARTY DISCLOSURES (CONTINUED)

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

(i) Related party transactions (continued)

Notes:

- a. Hu Mingda and Hu Minglie are the close family members of the chairman of the board of directors. On 10 April 2012, the Group, Hu Mingda and Hu Minglie entered into a partnership agreement, pursuant to which the partners agreed to form Shanghai Yuanzhan Houde Investment Partnership ("Houde") which will then invest in an unlisted PRC fund. The transaction has been classified as a connected transaction under Chapter 14A of the Listing Rules.
- b. In accordance with the partnership agreement, an interest of 10% per annum will be charged on partners who failed to pay up their contribution at the agreed date. The interest income was accrued since July 2012 up to April 2013 when Hu Mingda and Hu Minglie paid their contributions in full.
- c. The transactions were carried on mutually agreed terms.

(b) Compensation of key management personnel

The remuneration of directors and other members of key management who have authority and responsibility, directly or indirectly, for planning, directing and controlling the activities of the Group during the reporting periods were as follows:

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Short-term benefits	1,778	1,803
Post-employment benefits	12	11
Share-based payments	291	451
	2,081	2,265

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

The Group's derivative financial instruments Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

The Group's derivative financial instruments of RMB5,854,000 (31 December 2013: RMB2,872,000) as at 30 June 2014 arose from non-deliverable copper futures contracts were valued using Level 1 fair value measurement based on the quoted bid prices in an active market.

20. CAPITAL COMMITMENTS

Capital commitments outstanding at the end of the reporting period were as follows:

	At 30 June 2014 RMB'000 (Unaudited)	At 31 December 2013 RMB'000 (Audited)
Authorised but not contracted for in respect of acquisition of property, plant and equipment	–	30,285
Contracted for in respect of acquisition of:		
– Property, plant and equipment	173,566	230,708
– Available-for-sale investment	15,000	15,000
	188,566	275,993

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

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 2014 RMB'000 (Unaudited)	At 31 December 2013 RMB'000 (Audited)
Less than 1 year	360	1,264
Over 1 year but less than 5 years	108	512
	468	1,776

22. COMPARATIVE FIGURES

During the current period, the Directors conducted a review of the classification of expenses in relation to its research and development activities and considered that such expenses should be classified under administrative expenses instead of cost of sales. Accordingly, research and development expenses of RMB27,292,000 for the period ended 30 June 2013 had been reclassified from cost of sales to administrative expenses to conform with the current year's presentation.

Management Discussion and Analysis

PROSPECTS

The major economies including the United States, Europe and Japan have recorded growth beyond expectation in the first half of 2014, signaling a sustainable recovery of the global economy. In contrast, there are strong indications that the PRC economic growth may probably slow down further. The downward pressure is substantial. Though it is expected that non-ferrous metal industry has a positive and stable outlook, overcapacity in smelting sector is an annoying issue which still has to be resolved. On the other hand, the industry is weak in high-end product development. Existing conditions in the business such as high production costs, lack of competitiveness, rigidity in operation and inability to withstand impact suggest a serious structural problem. As copper price is hovering in low level, copper processing industry is in a very difficult situation. We have taken certain measures to tackle the challenges of business environment and industry competition, including but not limited to:

1. At the beginning of the year, we asserted the implementation of “streamlining structure, broadening income stream and cost saving” approach in response to fierce competition in the industry. We focus on internal organizational restructuring. Subsidiaries which are dormant or have few businesses are closed down or disposed. Those serve resembling objectives or engage in similar business are grouped for common supervision and assessment. As such, we have established 4 independent supervision and assessment units. Meanwhile, management teams of certain subsidiaries are restructured to attain management optimization.
2. The Group not only builds dormitories to accommodate migrant workers, but also finds out solution for their children’s school enrollment. They have finally got admission to local schools after our persistent negotiation with the local government. The local government has promised all employees’ children of the Group can attend the designated schools. This arrangement eliminates our employees’ worry to a great extent. They can concentrate and dedicate to their job more and work efficiency is greatly enhanced as a result. Our semi-annual working target has been met in terms of output quantity and quality.
3. Ningbo Xingye Shengtai Group Limited, the Group’s core subsidiary made these achievements: i) it was recognized as a “Ningbo rapid developed enterprise” on 23 July 2014, and is expected to receive technological innovation grants and other incentives; and ii) it entered into an agreement in May 2014 which grants it a unique privileged position in Hangzhou Bay New Zone, Ningbo, enabling it to enjoy further support in areas such as technological innovation and preferential taxation from the local government.
4. Ningbo Xingye Shengtai Group Limited is proactively acquiring the status as a national high-tech enterprise. If the application is successful, it will be entitled to reduction in enterprise income tax payments.

The Group’s management considers that we will continue the positive development from the first half of the year. At the time that new line projects are about to complete, the old line projects’ transformation works out initially and the market promotion of the new copper alloy product commences after its prolonged research and development, we prospect that we will celebrate our triumph in the end of the year by capturing favorable effects of government policies such as “micro-stimulation” and “targeted RRR cuts” which can stabilize the overall economy.

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue and gross profit

The Group's revenue for the six months ended 30 June 2014 amounted to RMB1,667.4 million, representing an increase of 2.7% compared to RMB1,624.2 million of the corresponding period in 2013. Sales generated from the sale of high precision copper plates and strips, provision of processing services and trading of raw materials amounted to RMB1,291.2 million, RMB67.7 million and RMB308.5 million respectively (For the six months ended 30 June 2013: RMB1,192.7 million, RMB60.2 million and RMB371.3 million respectively). For the six months ended 30 June 2014, 77.5%, 4.0% and 18.5% of total revenue were derived from the sale of high precision copper plates and strips, provision of processing services and trading of raw materials respectively, compared to that of last year representing a similar revenue ratio. The volume of sales were 29,221 tonnes, 13,743 tonnes and 6,989 tonnes, making 58.5%, 27.5% and 14.0% of the total.

The increase in the revenue was mainly attributable to the sales volume in the first half of the year which had increased by 11.7% to 49,953 tonnes from 44,708 tonnes of the corresponding period last year, despite being partially offset by a decrease in copper prices.

The overall gross profit of the Group for the period under review increased to 7.8% from 4.6% of the corresponding period of 2013, which was mainly due to a decrease in production cost per ton as result of an increase in production volume.

Other income

During the six months ended 30 June 2014, the Group's other income amounted to RMB11.1 million in total, representing a decrease of 56.7% compared to RMB25.5 million of the corresponding period last year, which was mainly attributable to a decrease in government grants by RMB14.1 million.

Other gains and losses, net

For the six months ended 30 June 2014, the Group recorded a net other losses amounting to RMB19.4 million while recording a net other gains of RMB26.3 million for the corresponding period of last year. Such decline was mainly due to i) the written-off of equipments of approximately RMB14.3 million which were scrapped because they were no longer in use; ii) an impairment loss of approximately RMB19.3 million in respect of an idle equipment; (iii) a decrease in gain from hedging activities involving copper futures contracts by RMB8.6 million to RMB13.4 million in the period under review from RMB22.0 million in the same period of last year; and iv) the recording of a net foreign exchange loss of RMB2.8 million while recording a net gain of approximately RMB1.4 million in the same period of last year.

Distribution expenses

For the six months ended 30 June 2014, the ratio of distribution expenses to the revenue was 0.68% as same as corresponding period of last year.

Administrative expenses

For the six months ended 30 June 2014, the Group's administrative expenses increased by 25.9% to RMB79.7 million from RMB63.3 million in the same period of last year, which was attributable to an increase in research and development expenses by RMB15.4 million to RMB42.8 million from RMB27.4 million of the corresponding period last year.

Management Discussion and Analysis

Finance costs

Excluding the financial costs capitalized for construction in progress amounting to RMB3.8 million (corresponding period of last year: RMB2.6 million), the Group's finance costs for the six months ended 30 June 2014 amounted to RMB24.3 million, representing an increase of 5.2% compared to that of RMB23.1 million of the corresponding period last year, which was mainly due to an increase in bank borrowings.

Income tax

For the six months ended 30 June 2014, the Group's income tax expense was RMB2.5 million (corresponding period of last year: RMB8.0 million). The effective tax rate decreased to 22.6% in the six months ended 30 June 2014 from 25.7% for the corresponding period of last year.

Profit attributable to owners of the Company

Given the above reasons, the profit attributable to owners of the Company for the six months ended 30 June 2014 amounted to RMB7.8 million, representing a decrease of 66.4% compared to that of RMB23.2 million of the corresponding period last year.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2014, the Group recorded net current liabilities of RMB183.2 million, which was primarily due to capital expenditure made in current period under review being largely financed by short-term bank borrowings. Capital expenditures are used to purchase manufacturing equipment, land and buildings according to the development plan of the Group.

As a percentage of total interest-bearing borrowings, the short-term interest-bearing borrowings represented 90.0% as of 30 June 2014. As at the date of this report, the Group had not experienced any difficulty in raising funds by securing and rolling over the short-term loans borrowed from various banks in the PRC, which were renewed on an annual basis in accordance with local market practice.

Despite the net current liability as of 30 June 2014, owing to the Group's ability to generate cash from operating activities, good credit standing and relationships with principal lending banks and available undrawn banking facilities of RMB411.4 million that will not be expired within 12 months from 30 June 2014 (including long term loan facilities amounted to RMB130 million and RMB50 million effective until 2017 and 2020, respectively) and cash at banks of RMB449.7 million (comprised pledged deposits of RMB292.5 million and cash and cash equivalents of RMB157.2 million) respectively. Based on the previous experience and the Group's relationships with its principal lending banks, the Board believes that the Group can roll over the existing short-term bank borrowings upon maturity in the coming year. The Board is confident that the Group has adequate financial resources to sustain its working capital requirement and meet its foreseeable debt repayment requirements.

Management Discussion and Analysis

As at 30 June 2014, the Group had outstanding bank loans of approximately RMB1,203.4 million, of which RMB1,083.2 million shall be repaid within 1 year. As at 30 June 2014, 49.6% of the Group's debts was on secured basis.

The gearing ratio in the period of under review was 49.1% (31 December 2013: 40.3%), which is calculated by dividing the total borrowings over the total assets.

Charge on assets

As at 30 June 2014, the Group pledged assets with an aggregate carrying value of approximately RMB863.6 million (31 December 2013: RMB817.4 million) to secure bank loans and facilities of the Group.

Capital expenditure

For the six months ended 30 June 2014, the Group has invested approximately RMB241.0 million for purchase of property, plant and equipment. These capital expenditures were financed by bank borrowings.

Capital commitments

As at 30 June 2014, the Group had contracted but not provided for future capital expenditures amounting to RMB188.6 million.

Contingent liabilities

As at 30 June 2014, the Group did not have any significant contingent liabilities.

MARKET RISK

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

Price risk

The Group is exposed to 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 RMB13.4 million for the six months ended 30 June 2014, which corresponding period in last year was approximately RMB22.0 million.

Management Discussion and Analysis

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 raises 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 RMB2.8 million while recording a net gain of RMB1.4 million for the corresponding period in 2013.

Employees

As at 30 June 2014, the total number of the Group's employees was 1,253 (30 June 2013: 1,163). 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 2014, 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 (Note 2)
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%
Chai Chaoming	Beneficial owner	134,000	0.02%
Li Li	Beneficial owner	320,000	0.05%

Notes:

1. 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.
2. The percentages are calculated based on the total issued number of shares of 699,501,950 as at 30 June 2014.

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 (Note 3)
Hu Changyuan	Beneficial owner	500,000 (Note 1)	1 April 2014 to 31 March 2015	0.65	0.07%
Chen Jianhua	Beneficial owner	2,000,000 (Note 1)	1 April 2014 to 31 March 2015	0.65	0.29%
Wang Jianli	Beneficial owner	4,500,000 (Note 1)	1 April 2014 to 31 March 2015	0.65	0.64%
Ma Wanjun	Beneficial owner	3,500,000 (Note 1)	1 April 2014 to 31 March 2015	0.65	0.50%
Mao Xuechang	Beneficial owner	500,000 (Note 2)	26 May 2014 to 31 March 2015	0.53	0.07%
Cui Ming	Beneficial owner	99,000 (Note 1)	1 April 2014 to 31 March 2015	0.65	0.01%
Chai Chaoming	Beneficial owner	99,000 (Note 1)	1 April 2014 to 31 March 2015	0.65	0.01%
Li Li	Beneficial owner	99,000 (Note 1)	1 April 2014 to 31 March 2015	0.65	0.01%

Other Information

Notes:

1. These are the underlying shares of the options granted to the relevant Directors by the Company on 1 April 2014 under Share Option Scheme and such share options remained outstanding as at 30 June 2014. The exercise price is the average closing price of HK\$0.65 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.
2. These are the underlying shares of the options granted to the relevant Director by the Company on 26 May 2014 under Share Option Scheme and such share options remained outstanding as at 30 June 2014. The exercise price is the average closing price of HK\$0.53 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.
3. The percentages are calculated based on the total issued number of shares of 699,501,950 as at 30 June 2014.

Save as disclosed above, as at 30 June 2014, 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 and kept in the register 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 2013.

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 2014	Approximate percentage of issued share capital of the Company (Note 1)
				Outstanding as at 1 January 2014	Cancelled during the period	Granted during the period	Lapsed during the period		
Directors									
Hu Changyuan	1-4-2014	1-4-2014 to 31-3-2015	0.65	-	-	500,000	-	500,000	0.07%
				-	-	500,000	-	500,000	0.07%
Chen Jianhua	19-3-2012	19-3-2013 to 30-6-2016	1.34	800,000	(800,000)	-	-	-	-
	19-3-2012	19-3-2014 to 30-6-2016	1.34	800,000	(800,000)	-	-	-	-
	19-3-2012	19-3-2015 to 30-6-2016	1.34	800,000	(800,000)	-	-	-	-
	1-4-2014	1-4-2014 to 31-3-2015	0.65	-	-	2,000,000	-	2,000,000	0.29%
				2,400,000	(2,400,000)	2,000,000	-	2,000,000	0.29%
Wang Jianli	19-3-2012	19-3-2013 to 30-6-2016	1.34	800,000	(800,000)	-	-	-	-
	19-3-2012	19-3-2014 to 30-6-2016	1.34	800,000	(800,000)	-	-	-	-
	19-3-2012	19-3-2015 to 30-6-2016	1.34	800,000	(800,000)	-	-	-	-
	1-4-2014	1-4-2014 to 31-3-2015	0.65	-	-	4,500,000	-	4,500,000	0.64%
				2,400,000	(2,400,000)	4,500,000	-	4,500,000	0.64%
Ma Wanjun	19-3-2012	19-3-2013 to 30-6-2016	1.34	800,000	(800,000)	-	-	-	-
	19-3-2012	19-3-2014 to 30-6-2016	1.34	800,000	(800,000)	-	-	-	-
	19-3-2012	19-3-2015 to 30-6-2016	1.34	800,000	(800,000)	-	-	-	-
	1-4-2014	1-4-2014 to 31-3-2015	0.65	-	-	3,500,000	-	3,500,000	0.50%
				2,400,000	(2,400,000)	3,500,000	-	3,500,000	0.50%
Mao Xuechang	26-5-2014	26-5-2014 to 31-3-2015	0.53	-	-	500,000	-	500,000	0.07%
				-	-	500,000	-	500,000	0.07%

Other Information

Name or type of grantee	Date of grant	Exercisable period	Exercise price HK\$	Number of share options				Outstanding as at 30 June 2014	Approximate percentage of issued share capital of the Company (Note 1)
				Outstanding as at 1 January 2014	Cancelled during the period	Granted during the period	Lapsed during the period		
Cui Ming	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)	-	-	-	-
	1-4-2014	1-4-2014 to 31-3-2015	0.65	-	-	99,000	-	99,000	0.01%
				600,000	(600,000)	99,000	-	99,000	0.01%
Xie Shuisheng (Note 3)	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)	-	-	-	-
	1-4-2014	1-4-2014 to 31-3-2015	0.65	-	-	99,000	(99,000)	-	-
				600,000	(600,000)	99,000	(99,000)	-	-
Chai Chaoming	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)	-	-	-	-
	1-4-2014	1-4-2014 to 31-3-2015	0.65	-	-	99,000	-	99,000	0.01%
				600,000	(600,000)	99,000	-	99,000	0.01%
Li Li	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)	-	-	-	-
	1-4-2014	1-4-2014 to 31-3-2015	0.65	-	-	99,000	-	99,000	0.01%
				600,000	(600,000)	99,000	-	99,000	0.01%

Other Information

Name or type of grantee	Date of grant	Exercisable period	Exercise price HK\$	Number of share options				Outstanding as at 30 June 2014	Approximate percentage of issued share capital of the Company (Note 1)
				Outstanding as at 1 January 2014	Cancelled during the period	Granted during the period	Lapsed during the period		
Employees	19-3-2012	19-3-2013 to 30-6-2016	1.34	10,020,000	(10,020,000)	-	-	-	-
	19-3-2012	19-3-2014 to 30-6-2016	1.34	10,020,000	(10,020,000)	-	-	-	-
	19-3-2012	19-3-2015 to 30-6-2016	1.34	10,020,000	(10,020,000)	-	-	-	-
	1-4-2014	1-4-2014 to 31-3-2015	0.65	-	-	1,000,000	-	1,000,000	0.14%
	26-5-2014	26-5-2014 to 31-3-2015	0.53	-	-	1,600,000	-	1,600,000	0.23%
				30,060,000	(30,060,000)	2,600,000	-	2,600,000	0.37%
				39,660,000	(39,660,000)	13,996,000	(99,000)	13,897,000	1.97%

Notes:

1. The percentages are calculated based on the total issued shares of 699,501,950 as at 30 June 2014.
2. The vesting period of the share options is from the date of grant until the commencement of the exercisable period.
3. Mr. Xie Shuisheng has resigned on 24 April 2014.

Other Information

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2014, 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 <i>(Note 4)</i>
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 <i>(Note 1)</i>	Interest of a controlled corporation	265,200,000(L)	37.91%
Barclays Wealth Trustees (Singapore) Limited <i>(Note 1)</i>	Trustee (other than a bare trustee)	265,200,000(L)	37.91%
Barclays PLC <i>(Note 2)</i>	Interest of a controlled Corporation	32,000(S)	0.005%
		32,000(L)	0.005%
Yu Yuesu <i>(Note 3)</i>	Trustee (other than a bare trustee)	265,200,000(L)	37.91%
		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

4. The percentages are calculated based on total number of issued shares of 699,501,950 as at 30 June 2014.

Save as disclosed herein, as at 30 June 2014, 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 THE CORPORATE GOVERNANCE CODE

The Company has complied with the Corporate Governance Code as set out in Appendix 14 of the Listing Rules on the Stock Exchange throughout the period under review.

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 2014.

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 2014.

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 2014 (six months ended 30 June 2013: Nil).

By order of the Board

Hu Changyuan

Chairman

Hong Kong, 22 August 2014