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: 505)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

The board (the "**Board**") of directors (the "**Directors**") of Xingye Copper International Group Limited (the "**Company**") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2016:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2016 (unaudited)
(Expressed in RMB)

		Six months ended 30 June	
		2016	2015
	Notes	***RMB'000***	*RMB'000*
Revenue	4	**1,492,812**	1,476,040
Cost of sales		**(1,279,010)**	(1,347,319)
Gross profit		**213,802**	128,721
Other income		**14,119**	29,376
Distribution expenses		**(16,787)**	(13,136)
Administrative expenses		**(104,283)**	(90,349)
Other expenses		**(16,170)**	(1,561)
Profit from operations		**90,681**	53,051
Finance income		**1,718**	6,815
Finance costs		**(23,399)**	(20,311)
Net finance costs	5(a)	**(21,681)**	(13,496)
Profit before taxation		**69,000**	39,555
Income tax	6	**(11,558)**	(6,109)
Profit for the period	5	**57,442**	33,446
Attributable to:			
Equity shareholders of the Company		**55,339**	31,920
Non-controlling interests		**2,103**	1,526
Profit for the period		**57,442**	33,446
Earnings per share			
– Basic and diluted *(RMB cents)*	7	**6.82**	4.56

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHERSIVE INCOME

For the six months ended 30 June 2016 (unaudited)
(Expressed in RMB)

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Profit for the period	**57,442**	33,446
Other comprehensive income for the period (after tax and reclassification adjustments):		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of foreign operations	**166**	(22)
Total comprehensive income for the period	**57,608**	33,424
Attributable to:		
Equity shareholders of the Company	**55,505**	31,898
Non-controlling interests	**2,103**	1,526
Total comprehensive income for the period	**57,608**	33,424

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016 (unaudited)

(Expressed in RMB)

	Notes	**At 30 June 2016 RMB'000**	At 31 December 2015 *RMB'000*
Non-current assets			
Property, plant and equipment		**1,197,571**	1,160,914
Lease prepayments		**14,019**	14,199
Deposit for acquisition of property, plant and equipment		**11,617**	15,973
		1,223,207	1,191,086
Current assets			
Inventories	8	**523,688**	424,654
Trade and other receivables	9	**411,001**	364,729
Available-for-sale investment		**–**	9,000
Derivative financial instruments		**1,091**	830
Pledged deposits		**52,791**	33,298
Cash and cash equivalents		**203,413**	209,915
		1,191,984	1,042,426
Current liabilities			
Trade and other payables	10	**616,746**	545,863
Interest-bearing borrowings	11	**587,478**	487,662
Derivatives financial instruments		**254**	1,711
Income tax payables		**9,251**	718
		1,213,729	1,035,954
Net current (liabilities)/assets		**(21,745)**	6,472
Total assets less current liabilities		**1,201,462**	1,197,558

	Notes	At 30 June 2016 RMB'000	At 31 December 2015 *RMB'000*
Non-current liabilities			
Interest-bearing borrowings	11	**287,500**	336,710
Deferred income		**49,795**	50,721
Deferred tax liabilities		**5,391**	7,052
		342,686	394,483
Net assets		**858,776**	803,075
Capital and reserves			
Share capital		**73,687**	73,687
Reserves		**759,670**	705,085
Total equity attributable to equity shareholders of the Company		**833,357**	778,772
Non-controlling interests		**25,419**	24,303
Total equity		**858,776**	803,075

NOTES TO THE UNAUDITED INTERIM FINANCIAL RESULTS

1. REPORTING ENTITY AND BACKGROUND INFORMATION

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. Its registered address is Cricket Square Hutchins Drive P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 27 December 2007 (the "**Listing Date**").

The interim financial report as at and for the six months ended 30 June 2016 comprise the Company and its subsidiaries (together referred to as the "**Group**"). The principal activities of the Group are the manufacture and sales of high precision copper plates and strips, trading of raw materials, and provision of processing services.

2. BASIS OF PREPARATION

The preliminary announcement of Company's interim results has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. It was authorized for issue on 26 August 2016.

The Company's interim financial report has been prepared in accordance with International Accounting Standard ("**IAS"**) 34, *Interim financial reporting*, issued by the International Accounting Standards Board ("**IASB"**) and has been prepared in accordance with the same accounting policies adopted in the 2015 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2016 annual financial statements. Details of any changes in accounting policies are set out in note 3.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the group since the 2015 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards ("**IFRSs**").

In preparing the interim financial report, 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.

As at 30 June 2016, the Group had net current liabilities of approximately RMB21.7 million. The Group had unutilised banking facilities of RMB479.5 million as at 30 June 2016 that will not expire within 12 months from 30 June 2016. Taking into account 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 interim financial statements on the going concern basis.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Changes in accounting policies

The IASB has issued a number of amendments to IFRSs that are first effective for the current accounting period of the Group. Of these, the following amendments are relevant to the Group:

- *Annual Improvements to IFRSs 2012–2014 Cycle*

- Amendments to IAS 1, *Presentation of financial statements: Disclosure Initiative*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(b) Accounting policy for a new transaction

On 6 May 2016, the Company adopted a share award scheme (the "**Share Award Scheme**"), which does not constitute a share option scheme pursuant to Chapter 17 of the Listing Rules, to recognize and reward the contribution of certain eligible employees to the growth and development of the Group through an award of the Company's shares.

The Company has appointed a trustee for administration of the Share Award Scheme (the "**Trustee**"). The principal activity of the Trustee is administrating and holding the Company's shares for the Share Award Scheme for the benefit of the Company's eligible employees. Pursuant to the Share Award Scheme, the Company's shares will be purchased by the Trustee in the market out of cash contributed by the Company and held in the Trust for relevant employees until such shares are vested in the relevant beneficiary in accordance with the provisions of the Share Award Scheme at no cost. The total number of the Company's shares held by the Trustee under the Share Award Scheme will not exceed 20% of the total issued shares of the Company at any time.

As the Company has the power to govern the financial and operating policies of the Trust and can derive benefits from the contributions of the employees who have been awarded the shares of the Company (the "**Awarded Shares**") through their continued employment with the Group, the Group is required to consolidate the Trust.

As at 30 June 2016, the Company had contributed RMB2,530,000 to the Trust and the amount was recorded as "Investment in subsidiaries" in the Company's statement of financial position.

As at 30 June 2016, the Trustee had purchased 1,140,000 shares of the Company at a total cost (including related transaction costs) of RMB920,000. No shares had been awarded to eligible employees as of 30 June 2016 under the Share Award Scheme.

4. REVENUE AND SEGMENT REPORTING

(a) Revenue

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

Sales of high precision copper plates and strips represent the manufacture and sales of high precision copper plates and strips products.

Revenue from trading of raw materials represents the sales of raw materials relating to copper products.

Revenue from processing services represents the provision of processing services relating to high precision copper plates and strips products.

The amount of each significant category of revenue recognised during the interim period is as follows:

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Sales of high precision copper plates and strips	**1,397,445**	1,277,667
Trading of raw materials	**24,999**	126,460
Processing services	**70,368**	71,913
	1,492,812	1,476,040

(b) Segment reporting

IFRS 8, Operating Segments, requires identification and disclosure of operating segment information based on internal financial reports that are regularly reviewed by the Group's chief operating decision maker for the purpose of resources allocation and performance assessment. On this basis, the Group has determined that it only has one operating segment which is the processing and sales of copper related products.

As the assets and liabilities by segment is not a measure used by the Group's chief operating decision maker to allocate resources and assess performance, the segment assets and liabilities of the Group are not reported to the Group's chief operating decision maker regularly. As a result, reportable segment assets and liabilities have not been presented in the condensed consolidated interim financial statements.

Geographic information

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

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Revenue		
PRC	**1,323,670**	1,236,210
Others	**169,142**	239,830
	1,492,812	1,476,040

The Group's customer base is diversified and includes only one customer with whom transactions have exceeds 10% of the Group's revenue amounting to RMB202,533,000 for the six months ended 30 June 2016.

Based on the physical location of the assets (in the case of property, plant and equipment), the location of the operations to which the assets are allocated (in the case of intangible assets), and the location of operations (in the case of interests in joint venture), the Company's specified non-current assets (excluding financial assets and deferred tax assets) are all located in one geographical area, being mainland China.

5. PROFIT BEFORE TAXATION

Profits before taxation is arrived after charging/(crediting):

(a) Net finance costs

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Interest income on bank deposits	**1,457**	4,762
Unrealised gain from foreign exchange forward contracts	**261**	–
Net foreign exchange gain	**–**	2,053
Finance income	**1,718**	6,815
Interest expenses	**(22,322)**	(29,065)
Less: interest expense capitalised*	**6,347**	8,754
Net interest expense recognised in profit or loss	**(15,975)**	(20,311)
Net foreign exchange loss	**(7,424)**	–
Finance costs	**(23,399)**	(20,311)
Net finance costs	**(21,681)**	(13,496)

* The borrowing costs were capitalised at rates of 1.02%–5.93% per annum during the six months ended 30 June 2016 (six months ended 30 June 2015: 1.16%–6.88% per annum).

(b) Other items

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Cost of inventories*	**1,279,010**	1,347,319
Research and development expenditure (included in administrative expense)	**65,718**	58,140
Depreciation	**33,173**	34,301
Impairment on property, plant and equipment	**15,116**	–
Amortisation of lease prepayments	**180**	179
Government grants	**3,846**	8,444

* Cost of inventories includes depreciation of RMB19,450,000 (six months ended 30 June 2015: RMB23,018,000), which is also included in the total amount regarding the said expenses which disclosed separately below.

6. INCOME TAX

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Current tax		
Provision for PRC Corporate Income Tax	**13,742**	12,730
Over-provision in respect of prior year	**(523)**	(5,375)
	13,219	7,355
Deferred tax		
Origination and reversal of temporary differences	**1,661**	1,246
	11,558	6,109

The provision for PRC Corporate Income Tax is calculated by applying the estimated annual effective rates of taxation that are expected to be applicable to each entity operating in the PRC.

The Group's consolidated effective tax rate for the six months ended 30 June 2016 was 17% (six months ended 30 June 2015: 15%). The increase in the effective tax rate was mainly due to the increase in taxable profits of those subsidiaries with the higher applicable income tax rate of 25%.

7. EARNINGS PER SHARE

Basic earnings per share and diluted earnings per share

The calculation of basic and diluted earnings per share is based on the profit attributable to equity shareholders of the Company of RMB55,339,000 (six months ended 30 June 2015: RMB31,920,000) and the weighted average of 810,995,456 ordinary shares (six months ended 30 June 2015: 700,531,950) in issue during the interim period.

8. INVENTORIES

	At 30 June 2016 *RMB'000*	At 31 December 2015 *RMB'000*
Raw materials	**102,026**	71,910
Working in progress	**325,934**	273,076
Finished goods	**95,208**	79,214
Others	**520**	454
	523,688	424,654

Provisions of RMB2,279,000 (2015: RMB12,739,000) were made against those inventories with net realisable value lower than their carrying value as at 30 June 2016. Except for the above, none of the inventories as at 30 June 2016 was carried at net realisable value (2015: Nil).

9. TRADE AND OTHER RECEIVABLES

	At 30 June 2016	At 31 December 2015
	RMB'000	*RMB'000*
Trade and bill receivables	**264,816**	234,234
Deposits for metal future contracts	**8,592**	15,005
VAT recoverable	**81,434**	81,257
Prepayments	**15,764**	19,240
Others	**40,395**	14,993
	411,001	364,729

Credit terms granted to customers ranged from 7 to 90 days depending on the customer's relationship with the Group, its creditworthiness and past settlement records.

As at 30 June 2016, the Group discounted certain bank acceptance bills to banks for cash proceeds and endorsed certain bank acceptance bills to suppliers for settling trade payables of the same amount on a full recourse basis, with an amount of RMB10,259,000 (2015: RMB7,866,000). In the opinion of the Directors, the Group has not transferred the substantial risks and rewards relating to these bank acceptance bills, and accordingly, it continued to recognise the full carrying amounts of these bill receivables and the associated trade payables settled, and has recognised the cash received on the transfer as a cash advances under discounted bills.

As at 30 June 2016, the Group discounted certain bank acceptance bills to banks for cash proceeds and endorsed certain bank acceptance bills to suppliers for settling trade payables of the same amount on a full recourse basis. The Group has derecognised these bill receivables and the payables to suppliers in their entirety. These derecognised bank acceptance bills had a maturity date of less than six months from the balance sheet date. In the opinion of the Directors, the Group has transferred substantially all the risks and rewards of ownership of these bills and has discharged its obligation of the payables to its suppliers, and the Group has limited exposure in respect of the settlement obligation of these bill receivables under the relevant PRC rules and regulations should the issuing banks fail to settle the bills on maturity date. The Group considered the issuing banks of the bills are of good credit quality and the non-settlement of these bills by the issuing banks on maturity is not probable.

As at 30 June 2016, the Group's maximum exposure to loss and undiscounted cash outflow, which is same as the amount payable by the Group to banks or suppliers in respect of the discounted bills and endorsed bills, should the issuing banks fail to settle the bills on maturity date, amounted to RMB15,945,000 (2015: RMB38,860,000).

(a) Ageing analysis

As of the end of the reporting period, the ageing analysis of trade and bill receivables (which are included in trade and other receivables), based on the invoice date and net of allowance for doubtful debts, is as follows:

	At 30 June 2016 *RMB'000*	At 31 December 2015 *RMB'000*
Within 3 months	**250,456**	198,341
Over 3 months but less than 6 months	**14,314**	35,408
Over 6 months but less than 1 year	**4**	116
Over 1 year	**42**	369
	264,816	234,234

As at 30 June 2016, the Group's bill receivables with a carrying value of approximately RMB38,737,000 (2015: RMB46,035,000) has been pledged for issuance of bank acceptance bills.

(b) Trade and bill receivables that are not impaired

The ageing analysis of trade and bill receivables that are neither individually nor collectively considered to be impaired are as follows:

	At 30 June 2016 *RMB'000*	At 31 December 2015 *RMB'000*
Neither past due nor impaired	**261,512**	219,088
Less than 3 months past due	**3,258**	14,662
Over 3 months past due	**46**	484
	3,304	15,146
	264,816	234,234

Receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers for whom there is no recent history of default. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

10. TRADE AND OTHER PAYABLES

	At 30 June 2016	At 31 December 2015
	RMB'000	*RMB'000*
Trade and bill payables	**523,228**	430,279
Advances received from customers	**22,837**	35,506
Staff benefit payable	**6,863**	14,927
Payable for purchase of property, plant and equipment	**53,649**	56,073
Accrued charges and other payables	**10,169**	9,078
	616,746	545,863

As of the end of the reporting period, the ageing analysis of trade and bill payables (which are included in trade and other payables), based on the invoice date, is as follows:

	At 30 June 2016	At 31 December 2015
	RMB'000	*RMB'000*
Within 3 months	**385,094**	361,791
Over 3 months but within 6 months	**95,649**	64,575
Over 6 months but within 1 year	**40,876**	946
Over 1 year	**1,609**	2,967
	523,228	430,279

11. INTEREST-BEARING BORROWINGS

At 30 June 2016, the interest-bearing borrowings were repayable based on scheduled repayment dates set out in the loan agreements as follow:

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Current		
Short-term secured bank loans	**361,600**	332,500
Unsecured bank loans	**115,478**	78,584
Bank advances under discounted bills	**48,447**	42,850
Current portion of non-current secured bank loans	**61,953**	33,728
	587,478	487,662
Non-current		
Secured bank loans	**287,500**	336,710
	874,978	824,372

(i) The Group's long-term bank loans were repayable as follows:

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Within 1 year	**61,953**	33,728
Over 1 year but less than 2 years	**187,500**	236,710
Over 2 years but less than 5 years	**100,000**	100,000
	287,500	336,710
	349,453	370,438

(ii) The Group's interest-bearing borrowings with amount of RMB145,000,000 (2015: RMB100,000,000) are subject to the fulfilment of financial covenants relating to certain of the Group's balance sheet ratios, as are commonly found in lending arrangements with financial institutions. As at 30 June 2016 none of the covenants relating to drawn down facilities was breached.

(iii) The secured bank loan as of 30 June 2016 bore interest at rates ranging from 4.03% to 6.88% (2015: 1.02% to 8.4%) per annum and were pledged by the following assets:

	At 30 June 2016 *RMB'000*	At 31 December 2015 *RMB'000*
Carrying amounts of assets:		
Inventories	**255,670**	272,916
Property, plant and equipment	**962,953**	686,926
Lease prepayments	**14,019**	8,326
	1,232,642	968,168

(iv) The unsecured bank loans as of 30 June 2016 bore interest at rates ranging from 0.40% to 1.37% (2015: 1.02% to 1.17%) per annum.

12. DIVIDENDS

During the period ended 30 June 2016, 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.

13. NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

Acquisition of a subsidiary

On 21 June 2016, Xingye Investment Holdings Limited, a subsidiary of the Group, entered into an agreement (the "**Agreement**") with Mobilefun Limited (the "**Vendor**"), an independent third party, to acquire 100% equity interest (the "**Acquisition**") of Funnytime Limited (the "**Target Company**").

Pursuant to the Agreement, the total nominal consideration payable by the Group includes initial nominal consideration of HKD186,000,000.20, which is subject to subsequent adjustments to be calculated based on the adjusted net income (as defined by the Sales and Purchase Agreement) of the Target Company in 2016, 2017 and 2018. The consideration shall be satisfied (i) as to HKD116,000,000 in cash; and (ii) as to HKD70,000,000.20 by way of allotment of 77,777,778 consideration shares (subject to adjustments).

On 5 August 2016, the Group made the first installment of cash payment of HKD97,400,000 as consideration for the Acquisition.

As at the date when the interim financial report is authorized, the Group has not completed its fair value measurement related to the Acquisition. Therefore, fair value of consideration, identifiable assets and liabilities on the acquisition date is not available and the initial accounting of the Acquisition is incomplete.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Prospects

During the first half year of 2016, the situation of global economics, politics and geography became increasingly complex and contradictory, resulting in uncertainty of economic recovery. Chinese government put more strength into the supply side reform. However, China's economy will remain at a moderate growth for a period of time, supply side reform will continue to be strengthened, the economic transformation will be firmly implemented, and the development of manufacturing towards middle and high end products becomes the trend. During the Reporting Period, the prices of nonferrous metals (i.e. copper, zinc and nickel, etc.) remained stable and slightly rebounded after hitting a new low in January within the past seven years. However, considering the absence of substantial improvement in the demand on nonferrous metals and the continuous strong performance of US dollars, we do not expect an outstanding performance for copper price in the second half of the year.

In the first half of 2016, in view of such complicated macro-economic environment and the fact that the domestic copper plates and strips processing industry is going through a difficult period of adjustment and transformation. Adhering to the work direction for the year 2016 as "enhancing production, increasing income, reducing cost and steady development", the Group grasped the opportunities of industrial adjustment and achieved new breakthrough on the Group's sales and production volume with the joint efforts from the management and employees. The Group recorded a significant increase in profit as compared with the same period of last year. Detailed measurements are as follows:

Increasing production: during the Reporting Period, the new production line of the Group has been under the stage of trial production. With the operation of advanced equipments, the Group took the opportunities of transformation and upgrading of the copper processing industry. Through continuous research, development and innovation, the quality of products with high additional value such as lead frame copper strips has been significantly improved, and thus, the Group entered the procurement list of some international clients. Particularly, the scale-up manufacturing of copper strips used in the special industries led to the increase of production volume, sales and profit of the Group.

Income increment and cost reduction: The Group proactively innovated techniques for traditional products, shortened and optimized technical procedures. The large fold high-precision production had been achieved by small-scale of technical upgrades which resulted in reduction of both production and operation costs. The Group also positively promoted renovation of production method to achieve the purpose of improving efficiency with fewer employees.

Steady development: The Group implemented stable financial policies to control risks.

The Group adjusted development strategies during the Reporting Period, with the steady development of the copper plates and strips processing business, the Group will enter into the online game industry in the second half of the year. The Board of the Group approved the acquisition of Funnytime Limited during the Reporting Period.

The management of the Group believes that under the favorable development trend in the first half of the year, with the optimization of a series of fundamental tasks together with the efforts of all employees, the copper plates and strips business of the Group in the second half of the year will again achieve stable growth and performance. The management of the Group also believes that the newly acquired online game business will also be able to bring promising results to support the stable growth and performance of the Group.

FINANCIAL REVIEW

Revenue and gross profit

The Group's revenue for the six months ended 30 June 2016 amounted to RMB1,492.8 million, representing an increase of 1.1% compared to RMB1,476.0 million of the corresponding period in 2015. Sales generated from the sales of high precision copper plates and strips, provision of processing services and trading of raw materials amounted to RMB1,397.4 million, RMB70.4 million and RMB25.0 million respectively (for the six months ended 30 June 2015: RMB1,277.7 million, RMB71.9 million and RMB126.4 million respectively). For the six months ended 30 June 2016, 93.6%, 4.7% and 1.7% of total revenue was derived from the sales of high precision copper plates and strips, provision of processing services and trading of raw materials respectively (for the six months ended 30 June 2015: 86.6%, 4.9% and 8.5% respectively). The volume sales of high precision copper plates and strips, provision of processing services and trading of raw material were 40,792 tonnes, 13,633 tonnes and 2,569 tonnes respectively, making 71.6%, 23.9% and 4.5% of the total.

There is no significant increase of revenue of the Reporting Period as compared with that of the corresponding period of last year; however the sales volume of high precision copper plates and strips has been increased to 40,792 tonnes, representing an increase of 29.8%, compared to 31,417 tonnes of the corresponding period of 2015.

The overall gross margin of the Group for the period under review increased to 14.3% from 8.7% of the corresponding period in 2015, which was mainly due to the sales volume increase of products with higher gross margin.

Other income

During the six months ended 30 June 2016, the Group's other income amounted to RMB14.1 million in total, representing a decrease of 52.0% compared to RMB29.4 million of the corresponding period of last year, which was mainly attributable to a decrease of government grants of RMB4.6 million and a decrease of gain on metal future contracts of RMB8.5 million.

Distribution expenses

For the six months ended 30 June 2016, the ratio of distribution expenses to revenue rose to 1.12% as compared to 0.89% of the corresponding period of last year. The transportation expenses increased in line with the increase of sales volume for the six months ended 30 June 2016.

Administrative expenses

For the six months ended 30 June 2016, the Group's administrative expenses increased by 15.5% to RMB104.3 million from RMB90.3 million in the same period of last year, which was attributable to an increase in research and development expenses by RMB7.6 million to RMB65.7 million from RMB58.1 million of the corresponding period of last year.

Other expenses

For the six months ended 30 June 2016, the Group recorded RMB16.2 million in other expenses, while recording other expenses of RMB1.6 million for the corresponding period of last year. Such increase was mainly due to the impairment loss of property, plant and equipment RMB15.1 million.

Net finance costs

The Group's net finance costs for the six months ended 30 June 2016 amounted to RMB21.7 million, representing an increase of 60.7% compared to that of RMB13.5 million of the corresponding period of last year, which was mainly due to net foreign exchange loss of RMB7.4 million for the six months ended 30 June 2016.

Income tax

For the six months ended 30 June 2016, the Group's income tax expense was RMB11.6 million (corresponding period of last year: RMB6.1 million). Ningbo Xingye Shengtai Group Ltd. was certified as a "High Technology and Innovative Enterprise" in October 2014 and entitled to the preferential income tax rate of 15% instead of the statutory income tax rate of 25% since then. The Group's consolidated effective tax rate for the six months ended 30 June 2016 was 17% (six months ended 30 June 2015, 15%) The increase on the effective tax rate was mainly due to increase in taxable profits of those subsidiaries with higher applicable income tax rate of 25%.

Profit attributable to owners of the Company

The profit attributable to owners of the Company for the six months ended 30 June 2016 amounted to RMB55.3 million, representing an increase of RMB23.4 million compared to that of RMB31.9 million of the corresponding period of last year.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2016, the Group recorded net current liabilities of RMB21.7 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 67.1% as at 30 June 2016. As at the date of this announcement, 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 at 30 June 2016, 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 RMB479.5 million that will not expire within 12 months from 30 June 2016 (including long term loan facilities amounted to RMB165.6 million effective until 2017) and cash at banks of RMB256.2 million (comprised pledged deposits of RMB52.8 million and cash and cash equivalents of RMB203.4 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.

As at 30 June 2016, the Group had outstanding bank loans of approximately RMB875.0 million, of which RMB587.5 million shall be repaid within 1 year. As at 30 June 2016, 81.3% of the Group's debts was on secured basis.

The gearing ratio as at 30 June 2016 was 44.6% (31 December 2015: 44.1%), which is calculated as net debt divided by total capital. Net debt is calculated as total debt (including all interest-bearing borrowings as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as equity attributable to shareholders of the Company as shown in the consolidated statement of financial position plus net debt.

Charge on assets

As at 30 June 2016, the Group pledged assets with an aggregate carrying value of approximately RMB1,232.6 million (31 December 2015: RMB968.2 million) to secure bank loans and facilities of the Group.

Capital expenditure

For the six months ended 30 June 2016, the Group has invested approximately RMB77.8 million for purchase of property, plant and equipment. These capital expenditures were financed by bank borrowings.

Capital commitments

As at 30 June 2016, the Group had contracted but not provided for future capital expenditures amounting to RMB13.7 million.

Contingent liabilities

As at 30 June 2016, 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 made such purchases at market prices. In addition, sales of all products of the Group were 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 RMB7.5 million for the six months ended 30 June 2016, which was approximately RMB16.0 million in the corresponding period of last year.

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 the period under review, the Group had recorded a net foreign exchange loss of RMB7.4 million while recording a net gain of RMB2.1 million for the corresponding period in 2015.

Employees

As at 30 June 2016, the total number of the Group's employees was 1,173 (31 December 2015: 1,192). 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. The Group's business growth depends on its employees' skills and contributions. The Group believes in the important position of human resources in a highly competitive industry and has devoted resources for 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.

AUDIT COMMITTEE

The audit committee of the Board 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 for the period under review prepared in accordance with the International Financial Reporting Standards.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has complied with the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") throughout the period under review.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**"). 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 2016.

PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2016, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed shares of the Company except that the trustee of the Share Award Scheme, pursuant to the terms of the rules and deed of settlement of the Share Award Scheme, purchased on the Stock Exchange a total of 1,140,000 shares of the Company at an aggregate consideration of about RMB920,000.

INTERIM DIVIDEND

The Board does not declare the payment of an interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

PUBLICATION OF 2016 INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This results announcement is published on the Company's website (www.xingyecopper.com) and the website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk). The Company's 2016 interim report will be made available on the websites of the Company and Hong Kong Exchanges and Clearing Limited and will be despatched to the Company's shareholders in due course.

By order of the Board
Xingye Copper International Group Limited
HU Changyuan
Chairman

Hong Kong, 26 August 2016

As at the date of this announcement, the executive directors of the Company are Mr. HU Changyuan, Mr. HU Minglie, Mr. WANG Jianli, Mr. MA Wanjun and Mr. CHEN Jianhua, the non-executive director of the Company is Mr. DAI Jianchun and the independent non-executive directors of the Company are Mr. CHAI Chaoming, Dr. LOU Dong and Ms. LU Hong.