



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 2008

The board of directors (the “Board”) 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 2008.

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2008 (Unaudited)

		Six months ended 30 June	
		2008	2007
	Note	RMB'000	RMB'000
Turnover	3	1,081,696	868,196
Cost of sales		(962,390)	(757,104)
Gross profit		119,306	111,092
Other income		8,403	1,077
Distribution expenses		(7,064)	(3,504)
Administrative expenses		(25,613)	(11,488)
Other expenses		(4,173)	(1,627)
Result from operating activities		90,859	95,550
Finance income		9,567	1,258
Finance expenses		(19,779)	(15,334)
Net finance costs	4(i)	(10,212)	(14,076)
Share of loss of a jointly controlled entity		(502)	—
Profit before income tax		80,145	81,474
Income tax	5	(17,941)	(5,149)
Profit for the period – attributable to the equity shareholders of the Company		62,204	76,325
Dividends payable to equity shareholders of the Company attributable to the period			
– Dividend declared during the period	6	39,218	30,680
– Interim dividend proposed after the balance sheet date	6	27,318	—
Earnings per share			
– Basic earnings per share (RMB)	7(a)	0.100	0.17
– Diluted earnings per share (RMB)	7(b)	0.099	N/A

CONSOLIDATED BALANCE SHEET

As at 30 June 2008 (Unaudited)

		At 30 June 2008 RMB'000	At 31 December 2007 RMB'000
	<i>Note</i>		
Non-current assets			
Property, plant and equipment	8	487,636	477,897
Lease prepayments		14,730	14,885
Interest in a jointly controlled entity	9	21,632	—
		<u>523,998</u>	<u>492,782</u>
Current assets			
Inventories	10	321,817	279,282
Trade and other receivables	11	354,588	299,402
Deposits with banks	12	179,012	19,710
Cash and cash equivalents		74,558	227,927
		<u>929,975</u>	<u>826,321</u>
Current liabilities			
Interest-bearing borrowings	13	541,702	526,411
Derivative financial instruments		573	946
Trade and other payables	15	200,510	139,268
Income tax payables		9,586	2,484
		<u>752,371</u>	<u>669,109</u>
Net current assets		<u>177,604</u>	<u>157,212</u>
Total assets less current liabilities		<u>701,602</u>	<u>649,994</u>
Non-current liabilities			
Interest-bearing borrowings	13	104,000	104,000
Deferred tax liabilities		9,968	8,013
		<u>113,968</u>	<u>112,013</u>
Net assets		<u>587,634</u>	<u>537,981</u>
Capital and reserves			
Share capital	16	58,268	56,172
Reserves	16	529,366	481,809
Total equity attributable to equity holders of the Company		<u>587,634</u>	<u>537,981</u>
Total equity		<u>587,634</u>	<u>537,981</u>

NOTES TO THE FINANCIAL STATEMENTS

1. REORGANISATION

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. Pursuant to a reorganisation (the “Reorganisation”) of the Company and its subsidiaries (collectively referred to as the “Group”) to rationalise the group structure in preparation for the listing of the Company’s shares on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), the Company became the holding company of the subsidiaries now comprising the Group in September 2007. Details of the Reorganisation are set out in the Prospectus of the Company dated 12 December 2007. The Company’s shares were listed on the Stock Exchange on 27 December 2007.

The Group is regarded as a continuing entity resulting from the Reorganisation of entities under common control. The interim financial report has been prepared on the basis that the Company was the holding company of the Group for both periods presented, rather than from the date when the Company became the holding company of the Group pursuant to the Reorganisation. Accordingly, the consolidated results of the Group for the six months ended 30 June 2007 include the results of the Company and its subsidiaries with effect from 1 January 2007 or, if later, since their respective dates of incorporation or the date that common control was established as if the current group structure had been in existence throughout the two periods presented. The consolidated balance sheets as at 30 June 2007 and 30 June 2008 have been prepared on the basis that the current group structure was in place with effective from 1 January 2007. All material intra-group transactions and balances have been eliminated on consolidation.

2. BASIS OF PREPARATION

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

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2007 annual financial statements.

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

The 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 2007 annual financial statements. The interim financial report does not include all of the information required for full annual financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”), and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2007.

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, “Review of interim financial information performed by the independent auditor of the entity” issued by the Hong Kong Institute of Certified Public Accountants.

The financial information relating to the financial year ended 31 December 2007 included in the interim financial report does not constitute the Group’s statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2007 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 17 April 2008. The 2007 annual financial statements have been prepared in accordance with IFRSs.

3. SEGMENT REPORTING

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure.

In presenting the information on the basis of business segments, segment turnover is based on sales of goods and processing services. The Group's assets and liabilities are jointly used by the two segments, the allocation would be arbitrary and not understandable, and accordingly, no analysis on segment assets, liabilities and capital expenditure is provided.

	Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
Turnover		
Sales of goods	1,023,110	811,113
Processing services	58,586	57,083
	<u>1,081,696</u>	<u>868,196</u>
Segment result		
Sales of goods	101,658	94,502
Processing services	17,648	16,590
	<u>119,306</u>	<u>111,092</u>
Unallocated operating expenses net-off income	<u>(28,447)</u>	<u>(15,542)</u>
Result from operating activities	90,859	95,550
Share of loss of a jointly controlled entity	(502)	—
Net finance costs	(10,212)	(14,076)
Income tax expense	(17,941)	(5,149)
Profit for the period	<u>62,204</u>	<u>76,325</u>

In presenting the information on the basis of geographic segments, segment turnover is based on the geographical location of customers. The Group's assets and liabilities are almost all located in the PRC, and accordingly, no analysis on segment assets, liabilities and capital expenditure is provided.

	Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
Turnover		
The PRC	798,253	727,567
Overseas	283,443	140,629
	<u>1,081,696</u>	<u>868,196</u>

4. PROFIT BEFORE INCOME TAX

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

(i) Net finance costs

	Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
Interest expense	18,688	15,596
Bank charges	1,091	448
Net foreign exchange gain	(6,556)	(710)
Interest income	(3,011)	(1,258)
	<u>10,212</u>	<u>14,076</u>

(ii) Other items

	Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
Cost of inventories	962,390	757,104
Depreciation	15,350	15,916
Amortisation of lease prepayments	155	148
	<u>977,895</u>	<u>773,168</u>

5. INCOME TAX

Income tax expense in the consolidated income statement represents:

	Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
Current tax expense		
Provision for PRC income tax	15,986	4,753
Deferred tax		
Origination of temporary differences	1,955	396
	<u>17,941</u>	<u>5,149</u>

- (a) Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and British Virgin Islands.
- (b) No provision for Hong Kong Profits Tax has been made as the Group does not have assessable profits subject to Hong Kong Profits Tax for the six months ended 30 June 2008.
- (c) The provision for PRC income tax is based on the respective corporate income tax rates applicable to the Group's subsidiaries located in the PRC as determined in accordance with the relevant income tax rules and regulations of the PRC.

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 ("New Tax Law"). According to the New Tax Law, the applicable tax rates of the Group's subsidiaries in the PRC are unified at 25% with effect from 1 January 2008. Pursuant to the transitional arrangement under the New Tax Law, the Group's certain subsidiaries in the PRC will continue to enjoy tax holiday of tax-exemption for two years followed by 50% reduction on the applicable income tax rate for three years that were previously granted prior to the enactment of the New Tax Law, and thereafter they are subject to the unified rate of 25%.

- (d) Pursuant to the New Tax Law, 5% withholding tax is levied on the foreign investor in respect of dividend distributions arising from a foreign investment enterprise's profit earned after 1 January 2008. As at 30 June 2008, temporary differences relating to the undistributed profits of PRC subsidiaries amounted to RMB66,006,000 approximately (31 December 2007: nil). Deferred tax liabilities of RMB3,300,000 (31 December 2007: nil) have not been recognized in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined by the directors that it is not probable that profits will be distributed in the foreseeable future.

6. DIVIDENDS

Dividends payable to equity holders of the Company attributable to the period:

	Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
Dividend declared and paid during the period	39,218	30,680
Interim dividend proposed after balance sheet date of HK5.0 cents (equivalent to RMB4.4 cents) per share	27,318	—
	<u>66,536</u>	<u>30,680</u>

Dividends presented for the six months ended 30 June 2007 represent dividends declared by the subsidiaries to the then equity holders of the Company before the Reorganisation.

The interim dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date. The calculation of interim dividend per share is based on 622,500,000 ordinary shares in issue as at the date of dividend declaration.

7. BASIC AND DILUTED EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2008 is based on the profit attributable to the equity shareholders of the Company of RMB62,204,000 (six months ended 30 June 2007: RMB76,325,000) and the weighted average number of 621,263,736 (at 30 June 2007: 450,000,000) ordinary shares in issue during the period.

The weighted average number of shares in issue during the six months ended 30 June 2007 represents the 450,000,000 shares in issue before the listing of the Company's shares on the Stock Exchange, as if such shares had been outstanding during the above entire period.

(b) Diluted earnings per share

The calculation of diluted earnings per share for the six months ended 30 June 2008 is based on profit attributable to equity shareholders of the Company of RMB62,204,000 and the weighted average number of 629,696,894 ordinary shares (diluted). Diluted earnings per share for the six months ended 30 June 2007 is not presented as there were no dilutive potential ordinary shares in existence during that period.

8. PROPERTY, PLANT AND EQUIPMENT

	At 30 June 2008 <i>RMB'000</i>	At 31 December 2007 <i>RMB'000</i>
Cost:		
Balance at 1 January	610,617	582,173
Acquisitions for the period/year	25,089	28,444
Balance at 30 June/31 December	<u>635,706</u>	<u>610,617</u>
Depreciation:		
Balance at 1 January	(132,720)	(103,465)
Depreciation charge for the period/year	(15,350)	(29,255)
Balance at 30 June/31 December	<u>(148,070)</u>	<u>(132,720)</u>
Net book value:		
At 30 June/31 December	<u>487,636</u>	<u>477,897</u>

9. INTERESTS IN A JOINTLY CONTROLLED ENTITY

	At 30 June 2008 <i>RMB'000</i>	At 31 December 2007 <i>RMB'000</i>
Share of net assets	<u>21,632</u>	<u>—</u>

The Group's interests in a jointly controlled entity, namely Yingtian Ulba Shine Metal Materials Co., Ltd. ("Yingtian Ulba"), are accounted for under the equity method.

10. INVENTORIES

	At 30 June 2008 <i>RMB'000</i>	At 31 December 2007 <i>RMB'000</i>
Raw materials	75,227	83,517
Work in progress	196,330	153,352
Finished goods	47,995	39,937
Others	2,265	2,476
	<u>321,817</u>	<u>279,282</u>

11. TRADE AND OTHER RECEIVABLES

	At 30 June 2008 <i>RMB'000</i>	At 31 December 2007 <i>RMB'000</i>
Trade and bill receivables	296,716	218,477
Non-trade receivables	14,979	17,375
Prepayments	42,893	63,550
	<u>354,588</u>	<u>299,402</u>

Credit terms granted to customers ranged from 0 to 90 days depending on the customers' relationship with the Group, its creditworthiness and settlement record.

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

	At 30 June 2008 <i>RMB'000</i>	At 31 December 2007 <i>RMB'000</i>
Within 3 months	289,138	217,077
Over 3 months but less than 6 months	7,578	809
Over 6 months but less than 1 year	–	381
Over 1 year but less than 2 years	–	199
Over 2 years	–	11
	<u>296,716</u>	<u>218,477</u>

12. DEPOSITS WITH BANKS

Deposits with banks can be analysed as follows:

	At 30 June 2008 <i>RMB'000</i>	At 31 December 2007 <i>RMB'000</i>
Guarantee deposits for issuance of commercial bills and banking facilities	101,012	19,710
Deposits with banks over three months of maturity	78,000	–
	<u>179,012</u>	<u>19,710</u>

13. INTEREST-BEARING BORROWINGS

	At 30 June 2008 RMB'000	At 31 December 2007 RMB'000
Current		
Secured bank loans	267,000	203,200
Unsecured bank loans	49,077	192,211
Other borrowings from a related party	21,800	—
Bank advances under discounted bills	203,825	131,000
	<u>541,702</u>	<u>526,411</u>

Non-current

Secured bank and other loans	104,000	104,000
	<u>104,000</u>	<u>104,000</u>
	<u>645,702</u>	<u>630,411</u>

- (i) The secured bank and other loans as of 30 June 2008 carried interest rate ranging from 5.91% to 8.22% (31 December 2007: 6.21% to 8.22%) per annum and were secured by the following assets:

	At 30 June 2008 RMB'000	At 31 December 2007 RMB'000
Carrying amounts of assets:		
Inventories	256,600	256,600
Property, plant and equipment	162,983	125,144
Lease prepayments	6,949	7,024
Pledged deposit	86,000	—

- (ii) Unsecured bank loans as of 30 June 2008 carried interest rate ranging from 6.02% to 8.69% (31 December 2007: 5.69% to 7.88%) per annum.

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

	At 30 June 2008 RMB'000	At 31 December 2007 RMB'000
Over 1 year but less than 2 years	100,000	100,000
Over 2 years	4,000	4,000
	<u>104,000</u>	<u>104,000</u>

- (iv) The Group's discounted bills with recourse have been accounted for as collateralised bank advances. The discounted bill receivable and the related proceeds of the same amount are included in the Group's "Bills receivable" and "Bank advances under discounted bills" as at the balance sheet date.

14. EQUITY-SETTLED SHARE BASED PAYMENTS

(a) Pre-IPO Share Option Scheme

Pursuant to the shareholders' written resolution passed on 1 December 2007, the Company adopted a Pre-IPO Share Option Scheme ("the Pre-IPO Option") whereby four directors, eight senior management and 21 employees of the Company were given the rights to subscribe for shares of the Company. The subscription price pre share pursuant to the Pre-IPO Option is a 30% discount to the global offering price.

The total number of shares which may be issued upon the exercise of all options granted under the Pre-IPO Option is 18,000,000 shares which were fully granted on 1 December 2007. No further options would be granted under the Pre-IPO Option on or after the date of listing of the Company on the Stock Exchange ("Listing Date").

Each option granted under the Pre-IPO Option has a vesting period of one year commencing from the Listing Date and the options are exercisable for a period of three years. The Group has no legal or constructive obligation to repurchase or settle the option in cash.

(b) Share Option Scheme

The Company has also adopted a share option scheme ("the Share Option Scheme") pursuant to the shareholders' written resolution passed on 1 December 2007.

The maximum number of shares that may be granted under the Share Option Scheme and other share option schemes shall not exceed 30% of the number of issued shares of the Company from time to time. No option may be granted to any person such that the total number of shares of the Company issued and to be issued upon exercise of all options granted and to be granted to each participant in any 12-month period up to the date of the latest grant exceeds 1% of the number of shares of the Company in issue.

An option under the Share Option Scheme may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as determined by the Board of Directors of the Company, which must not be more than 10 years from the date of the grant.

No share option has been granted under the Share Option Scheme during the period.

15. TRADE AND OTHER PAYABLES

	At 30 June 2008 RMB'000	At 31 December 2007 RMB'000
Trade and bill payables	147,671	63,858
Non-trade payables and accrued expenses	52,839	75,410
	<u>200,510</u>	<u>139,268</u>

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

	At 30 June 2008 RMB'000	At 31 December 2007 RMB'000
Within 3 months	146,445	57,592
Over 3 months but less than 6 months	533	5,805
Over 6 months but less than 1 year	309	2
Over 1 year but less than 2 years	145	147
Over 2 years	239	312
	<u>147,671</u>	<u>63,858</u>

16. CAPITAL AND RESERVES

(a) Share capital

On 10 January 2008, the underwriters of the International Placing (“the Placement”) exercised the over-allotment option for the issuance of 22,500,000 ordinary shares of HKD0.10 each at HKD1.70 per share. The proceeds of HKD2,250,000 (equivalent to RMB2,095,650) representing the par value, were credited to the Company’s share capital. The remaining proceeds of HKD36,000,000 (equivalent to RMB33,530,400), before the share issue expenses, were credited to the share premium account.

(b) Reserves

(i) *Share premium*

An additional 22,500,000 ordinary shares of HKD0.10 each in the Company were issued at HKD1.70 per share on 10 January 2008 pursuant to the over-allotment option related to the Placement. The excess of the proceeds totaling HKD36,000,000 (equivalent to RMB33,530,400) over the nominal value of the total number of ordinary shares issued, less certain listing costs of HKD4,828,600 (equivalent to RMB4,305,400) incurred in connection with the issue of share capital, amounting to HKD31,171,400 (equivalent to RMB29,225,000), was credited to the share premium of the Company.

(ii) *Share-based compensation reserve*

Share-based compensation reserve represents value of employee services in respect of share options granted under the Pre-IPO share option scheme as set out in note 14.

MANAGEMENT DISCUSSION AND ANALYSIS

Prospect

Looking forward, under the background of “disequilibrium” between global demand and supply, copper price will remain at a high level as supported by historical low copper stock, swift change and rapid growth of China’s economy and relevant industries, and reconstruction after snow and earthquake disaster took place in China in the first half of 2008. The increasing domestic copper demand will offset the slow-down demand in the United States. Copper price will linger at a high level unless global economy development is continue hindered by a severe decline of US economy as a result of sub-prime mortgage crisis. In addition, with more frequent and larger scaled merger and acquisition as well as restructuring taking place among global resource enterprises, it is more noticeable that global mineral resources tend to be dominated by few mining giants, which will exert a positive effect on metal prices in a long run. Therefore, it is expected that copper price will still be staying at high level for most of the time in remaining period of 2008 and in 2009.

The management of the Company considers, while the subprime mortgage problem in the US has extended to the main economies of the world and there was no sign of a thorough solution to the problem, the global economy will still lie in rigorous status in the second half of 2008. Thus, the speed of economic growth is expected to undergo a further drop. At the same time, under the further impact of the macro economy control of the PRC government, there is a sign of slowdown in the domestic economy. However, our management will continue to closely monitor the changes of the global economy and will maintain a conservative approach to strictly enforce our internal control such as budget control and will further strengthen the management procedure. In additional, the Group continues to maintain leading roles in its principal markets and to continue to enhance profitability. Going forward, the Group will seek to expand its offerings of high value added, high profit margin products in order to further improve operating performance.

FINANCIAL REVIEW

Revenues

The Group’s revenue was mainly from sales of high precision copper plates and strips and processing services which accounted for 93.3% and 5.4% of the total revenue for the period under review, respectively, with the remaining revenue mainly generated from sales of scrap materials etc.

The Group’s revenue for the period under review increased by 24.6% over the corresponding period of last year, as a result of both the increase in the Group’s sales volume and average selling price.

Gross profit and gross profit margin

The gross profit for the six months ended 30 June 2008 is RMB119.3 million, representing an increase of 7.4% as compared with the RMB111.1 million recorded in the corresponding period of the last year. Overall gross profit margin for the period decreased from 12.8% to 11.0% as compared to corresponding period of last year. Despite the robust market demand of the Group’s products, the Group suffered from the negative impact of raw materials costs, especially copper, during the period under review.

Despite the effect of increase in raw materials costs the average gross profit per tonne for the period under review is RMB4,400 (corresponding period of last year: RMB4,700).

Other operating income

The Group's other operating income increased by 680.2% to RMB8.4 million in the six months ended 30 June 2008 from RMB1.1 million in the corresponding period of last year. Such increase was mainly due to the increase in government grants and subsidies of RMB7.7 million for encouragement of the Group's development in the industry. During the period under review, government grants of RMB6.6 million (corresponding period of last year: Nil) were recorded by the Group's subsidiaries located in Yingtan for encouragement of enterprises making investment in that area. These subsidiaries commenced operation in second half of 2007.

Distribution expenses

The Group's distribution expenses increased by 101.6% to RMB7.1 million in the six months ended 30 June 2008 from RMB3.5 million in the corresponding period of last year. This was mainly due to the increase in transportation expenses as a result of the both increase in sales volume and the price of international crude oil.

Administrative expenses

The Group's administrative expenses increased by 123.0% to RMB25.6 million in the six months ended 30 June 2008 from RMB11.5 million in the corresponding period of last year. The increase in administrative expenses was mainly due to inclusion expenses of head office and subsidiaries which commenced operation in second half of 2007 and the fair value of options granted under Pre-IPO Share Option Scheme of RMB3.9 million.

Net finance costs

The Group's net finance costs decreased by 27.5% to RMB10.2 million in the six months ended 30 June 2008 from RMB14.1 million in the corresponding period of last year. This decrease was primarily due to an increase in interest expense of RMB3.1 million as a result of an increase in the loan interest rate and Group's borrowings and discounted bills, which were offset by an increase in net foreign exchange gain of RMB5.8 million and interest income of RMB1.8 million. The increase in net foreign exchange gain of RMB5.8 million was mainly arisen from exchange of loans of subsidiaries dominated in Hong Kong dollar into Renminbi. The increase in bank interest income of RMB1.8 million was due to an increase in bank deposits.

Taxation

The corporation income tax expenses increased by 284.4% to RMB17.9 million in the six months ended 30 June 2008 from RMB5.1 million in the corresponding period of last year and the effective tax rate increased to 22.4% in the six months ended 30 June 2008 from 6.3% in the corresponding period of last year. This was attributable to change in applicable corporation income tax rate of Ningbo Xingye Electronic Copper Strip Co., Ltd. from 50% reduction in 2007 to full taxable in 2008 and Ningbo Shengtai Electronic Metal Materials Co., Ltd. from full exemption in 2007 to 50% reduction in 2008.

Profit attributable to equity holders of the Company

As a result of the factors discussed above, the Group's profit attributable to equity holders of the Company for the period under review decreased by 18.5% to RMB62.2 million from RMB76.3 million for the corresponding period in last year.

Excluding the fair value of options granted under Pre-IPO Share Option Scheme of RMB3.9 million, the Group's profit attributable to equity holders of the Company for the period decreased by 13.4% over the corresponding period of last year.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2008, the Group's liquidity position remains strong with available undrawn bank facilities together with bank deposits of RMB239.4 million and RMB253.6 million (comprised deposits with banks of RMB179.0 million and cash and cash equivalents of RMB74.6 million) respectively. The ample financial resources available to the Group together with the net proceeds of approximately RMB221.4 million from the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited will provide adequate funding for the Group's operational requirements and also put the Group in a favourable position for further expansion.

Cash flows

The Group's net cash generated from operating activities decreased to approximately RMB48.7 million from approximately RMB60.9 million for the corresponding period in 2007 mainly due to the increase in income tax expenses. The Group's net cash used in investing activities increased to approximately RMB123.3 million from approximately RMB13.7 million for the corresponding period in 2007 mainly due to the increase in acquisition of fixed assets, investment in a joint venture and bank deposit with maturity over three months. During the period under review, the Group recorded a change in pledged deposits of approximately RMB81.3 million which led to the net cash outflow from financing activities of approximately RMB78.7 million. As at 30 June 2008, the Group had cash and cash equivalents of approximately RMB74.6 million.

Borrowings

As at 30 June 2008, the Group had outstanding bank loans and other borrowings of approximately RMB645.7 million, of which approximately RMB541.7 million shall be repaid within 1 year, approximately RMB100.0 million shall be repaid after 1 year but within 2 years and approximately RMB4.0 million shall be repaid over 2 years. As at 30 June 2008, 57.5% of the Group's debts were on secured basis.

The Board is confident that the Group has adequate financial resources to sustain its working capital requirement, future expansion and meet its foreseeable debt repayment requirements.

The gearing ratio as at 30 June 2008 was 44.4% (31 December 2007: 47.8%), which is calculated by dividing the total borrowings by the total assets. The decrease in gearing ratio was attributable to the increase in inventories and trade and other receivable.

Charge on assets

As at 30 June 2008, the Group pledged assets with aggregate carrying value of RMB512.5 million (31 December 2007: RMB388.8 million) to secure bank loans facilities of the Group.

Capital expenditure

For the six months ended 30 June 2008, the Group invested RMB31.2 million for the purchase of property, plant and equipment. These capital expenditures were fully financed by internal resources.

Capital commitments

As at 30 June 2008, the future capital expenditure for which the Group had authorised but not contracted for and contracted but not provided for amounted to approximately RMB171.3 million and RMB14.7 million, respectively.

Use of net proceeds from the issue of new shares

The net proceeds from the issue of new shares amounted to approximately RMB221.4 million. Part of the net proceeds has been applied as follows:

	Planned amount <i>RMB'million</i>	Amount utilised up to 30 June 2008 <i>RMB'million</i>	Balance as at 30 June 2008 <i>RMB'million</i>
– expand production capacity	174.5	25.2	149.3
– develop large-scale production of new products	29.6	9.5	20.1
– research and development	12.6	4.1	8.5
– general working capital purposes	4.7	4.7	–
	<u>221.4</u>	<u>43.5</u>	<u>177.9</u>

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

MARKET RISK

The Group exposed to various types of market risks, including fluctuation in copper prices and other commodities' price and changes in interest rates and foreign exchange rates.

Commodity price risks

The Group is exposed to fluctuations in the prices of raw materials. Cathode copper, alloy trimmings, zinc, tin, nickel and other metals are the principal raw materials used in the production of the Group's products. The Group makes such purchases at market prices. In addition, sales of all the Group's products are made at market prices, which may fluctuate and are beyond control. Therefore, fluctuations in the prices of raw materials may have an adverse effect on the results of the Group's operations.

The Group uses its futures contracts traded on the Shanghai Futures Exchange to hedge against fluctuations in copper price. For the period under review, the Group recorded a loss on futures contracts of RMB2.2 million (corresponding period in last year: loss of RMB74,000).

Interest rate risks

The Group does not have significant interest-bearing assets other than short-term deposits. As such, income and operating cash flows are, to a large extent, independent of changes in market interest rates. The Group's exposure to market risk for changes in interest rates related primarily to fluctuations in interest rates on bank borrowings. The Group undertakes debt obligations to support 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 to the relevant regulations of the People's Bank of China ("PBOC"). Increases in the PBOC interest rate will increase the Group's financing costs. Fluctuations in interest rates will affect the cost of new debts. The Group does not enter into any interest rate swaps to hedge against exposure to interest rate risks.

Foreign exchange rate fluctuation risk

The Group's export sales and certain portion of purchase of raw materials 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 does not enter into foreign exchange contract to hedge against exposure to foreign exchange rate risks. For period under review, the Group recorded a net foreign exchange gain of RMB6.6 million (corresponding period in last year: net gain of RMB0.7 million).

Employees

As at 30 June 2008, the Group had 993 employees. Remuneration policies are reviewed regularly to ensure that the Group is offering competitive employment packages to our employees. Compensation of the employees includes salaries, pension, medical insurance scheme and other applicable social insurance. Promotion and salary increments are assessed based on performance related basis. The Group's growth is dependent upon the skills and dedication of employees. The Group recognizes the importance of human resources in competitive industry and has devoted resources to training employees. The Group has established an annual training program for our employees so that new employees can master the basic skills required to perform their functions and existing employees can upgrade or improve their production skills.

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.

Audit Committee

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

Compliance with Code on Corporate Governance Practices

The Company has complied with the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules during the six months ended 30 June 2008.

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 of the Company, the Directors confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2008.

Purchase, Sale or Redemption of Listed Securities of the Company

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2008.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this interim report, the Company has maintained the prescribed public float under the Listing Rules.

Interim Dividend

The Board has resolved to declare an interim dividend of HK5.0 cents (equivalent to RMB4.4 cents) per share in cash for the six months ended 30 June 2008 to shareholders whose names appear on the Register of Members of the Company on 19 September 2008. The interim dividend will be paid on or about 26 September 2008.

Closure of register of Members

The register of members of the Company will be closed from 18 to 19 September 2008, both days inclusive, during which period no transfer of Shares will be registered. In order to qualify for the interim dividend, all share certificates with completed transfer forms either overleaf or separately, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 17 September 2008.

By order of the Board
Hu Changyuan
Chairman

Hong Kong, 11 September 2008

As at the date of this announcement, the executive directors of the Company are Mr. HU Changyuan, Mr. CHEN Jianhua, Mr. WANG Jianli and Mr. MA Wanjun, the non-executive director of the Company is Ms. YU Yuesu and the independent non-executive directors of the Company are Mr. CUI Ming, Mr. XIE Shuisheng and Ms. LI Li.