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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 2010

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 2010.

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2010 (Unaudited)

		Six months ended 30 June	
		2010	2009
	Note	RMB'000	RMB'000
Turnover	3	1,398,265	701,031
Cost of sales		(1,295,569)	(621,188)
Gross profit		102,696	79,843
Other income		53,218	43,582
Distribution expenses		(8,834)	(4,051)
Administrative expenses		(22,666)	(22,768)
Other expenses		(3,655)	(1,289)
Profit from operations		120,759	95,317
Finance income		3,281	3,676
Finance expenses		(17,633)	(12,843)
Net finance costs	4(i)	(14,352)	(9,167)
Share of (loss)/profit of a jointly controlled entity		(831)	657
Profit before income tax		105,576	86,807
Income tax	5	(21,305)	(13,333)
Profit for the period			
– attributable to equity shareholders of the Company		84,271	73,474
Earnings per share			
– Basic (RMB)	6(a)	0.131	0.118
– Diluted (RMB)	6(b)	0.127	0.118

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2010 (Unaudited)

	Six months ended 30 June	
	2010	2009
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the period	84,271	73,474
Other comprehensive income for the period		
Foreign currency translation differences for foreign operations	<u>(619)</u>	<u>(151)</u>
Total comprehensive income for the period		
– attributable to equity shareholders of the Company	<u>83,652</u>	<u>73,323</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As 30 June 2010 (Unaudited)

		At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
	<i>Note</i>		
Non-current assets			
Property, plant and equipment		493,151	498,754
Lease prepayments		17,709	17,901
Interest in a jointly controlled entity		18,468	19,299
		529,328	535,954
Current assets			
Inventories	7	449,368	344,179
Derivative financial instruments		567	—
Trade and other receivables	8	397,199	250,259
Pledged deposits	9	197,862	88,813
Trading securities		51,193	33,835
Cash and cash equivalents		128,427	121,430
		1,224,616	838,516
Current liabilities			
Interest-bearing borrowings	10	767,223	614,269
Derivative financial instruments		—	5,214
Trade and other payables	11	312,012	138,025
Income tax payables		7,768	5,463
		1,087,003	762,971
Net current assets		137,613	75,545
Total assets less current liabilities		666,941	611,499
Non-current liabilities			
Interest-bearing borrowings	10	4,000	4,000
Deferred income		973	—
Deferred tax liabilities		17,049	14,240
		22,022	18,240
Net assets		644,919	593,259
Capital and reserves			
Share capital	12	61,758	59,129
Reserves		583,161	534,130
Total equity attributable to equity shareholders of the Company		644,919	593,259
Total equity		644,919	593,259

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

1. GENERAL INFORMATION AND BASIS OF PREPARATION

Xingye Copper International Group Limited (the “Company”) was incorporated in the Cayman Islands as an exempted company with limited liability on 19 July 2007 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The interim financial report of the Company for the six months ended 30 June 2010 comprises the Company and its subsidiaries (together referred to as the “Group”).

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

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2009 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2010 annual financial statements. Details of these changes in accounting policies are set out in note 2.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2009 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”).

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

The financial information relating to the financial year ended 31 December 2009 that is included in the interim financial report as being previously reported information does not constitute the Group’s statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2009 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 29 March 2010.

2. CHANGES IN ACCOUNTING POLICIES

The IASB has issued two revised IFRSs, a number of amendments to IFRSs and one new Interpretation that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group’s financial statements:

- IFRS 3 (revised 2008), Business combinations
- Amendments to IAS 27, Consolidated and separate financial statements
- Improvements to IFRSs (2009)
- Amendments to IAS 39, Financial instruments: Recognition and measurement – eligible hedged items

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The amendments to IAS 39 and the improvements to IFRSs (2009) have had no material impact on the Group's financial statements as the amendments and interpretations were consistent with policies already adopted by the Group. The other developments resulted in changes in accounting policy but none of these changes in policy have a material impact on the current or comparative periods, for the following reasons:

- The impact of the majority of the revisions to IFRS 3 and IAS 27 have not yet had a material effect on the Group's financial statements as these changes will first be effective as and when the Group enters into a relevant transaction (for example, a business combination) and there is no requirement to restate the amounts recorded in respect of previous such transactions.
- The impact of the amendments to IFRS 3 (in respect of recognition of acquiree's deferred tax assets) has had no material impact as there is no requirement to restate amounts recorded in previous periods and no such deferred tax assets arose in the current period.

Further details of these changes in accounting policy are as follows:

- As a result of the adoption of IFRS 3 (revised 2008), any business combination acquired on or after 1 January 2010 will be recognised in accordance with the new requirements and detailed guidance contained in IFRS 3 (revised 2008). These include the following changes in accounting policies:
 - Transaction costs that the Group incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees, will be expensed as incurred, whereas previously they were accounted for as part of the cost of the business combination and therefore impacted the amount of goodwill recognised.
 - If the Group holds interests in the acquiree immediately prior to obtaining control, these interests will be treated as if disposed of and re-acquired at fair value on the date of obtaining control. Previously, the step-up approach would have been applied, whereby goodwill was computed as if accumulated at each stage of the acquisition.
 - Contingent consideration will be measured at fair value at the acquisition date. Any subsequent changes in the measurement of that contingent consideration will be recognised in profit or loss, unless they arise from obtaining additional information about facts and circumstances that existed at the acquisition date within 12 months from the date of acquisition (in which case they will be recognised as an adjustment to the cost of the business combination). Previously, contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably. All subsequent changes in the measurement of contingent consideration and from its settlement were previously recognised as an adjustment to the cost of the business combination and therefore impacted the amount of goodwill recognised.
 - If the acquiree has accumulated tax losses or other temporary deductible differences and these fail to meet the recognition criteria for deferred tax assets at the date of acquisition, then any subsequent recognition of these assets will be recognised in profit or loss, rather than as an adjustment to goodwill as was previously the policy.
 - In addition to the Group's existing policy of measuring the non-controlling interests (previously known as the "minority interests") in the acquiree at the non-controlling interest's proportionate share of the acquiree's net identifiable assets, in future the Group may elect, on a transaction by transaction basis, to measure the non-controlling interest at fair value.

In accordance with the transitional provisions in IFRS 3 (revised 2008), these new accounting policies will be applied prospectively to any business combinations in the current or future periods. The new policy in respect of recognition in the movement of deferred tax assets will also be applied prospectively to accumulated tax losses and other temporary deductible differences acquired in previous business combinations. No adjustments have been made to the carrying values of assets and liabilities that arose from business combinations whose acquisition dates preceded the application of this revised standard.

- As a result of the adoption of IAS 27 (amended 2008), the following changes in policies will be applied as from 1 January 2010:
 - If the Group loses control of a subsidiary, the transaction will be accounted for as a disposal of the entire interest in that subsidiary, with any remaining interest retained by the Group being recognised at fair value as if reacquired. In addition, as a result of the adoption of the amendment to IFRS 5, if at the balance sheet date the Group has the intention to dispose of a controlling interest in a subsidiary, the entire interest in that subsidiary will be classified as held for sale (assuming that the held for sale criteria in IFRS 5 are met) irrespective of the extent to which the Group will retain an interest. Previously such transactions were treated as partial disposals.

In accordance with the transitional provisions in IAS 27, these new accounting policies will be applied prospectively to transactions in current or future periods and therefore previous periods have not been restated.

- In order to be consistent with the above amendments to IFRS 3 and IAS 27, and as a result of amendments to IAS 28, Investments in associates, and IAS 31, Interests in joint ventures, the following policies will be applied as from 1 January 2010:
 - If the Group holds interests in the acquiree immediately prior to obtaining significant influence or joint control, these interests will be treated as if disposed of and re-acquired at fair value on the date of obtaining significant influence or joint control. Previously, the step-up approach would have been applied, whereby goodwill was computed as if accumulated at each stage of the acquisition.
 - If the Group loses significant influence or joint control, the transaction will be accounted for as a disposal of the entire interest in that investee, with any remaining interest being recognised at fair value as if reacquired. Previously such transactions were treated as partial disposals.

Consistent with the transitional provisions in IFRS 3 and IAS 27, these new accounting policies will be applied prospectively to transactions in current or future periods and therefore previous periods have not been restated.

3. SEGMENT REPORTING

The Group's turnover and operating results are entirely generated from the manufacturing and sales of high precision copper plates and strips products, trading of raw materials and the provision of processing services. The Group's most senior executive management have identified the following three reportable segments.

- Sales of copper products: this segment reports sales of high precision copper plates and strips products.
- Trading of raw materials: this segment reports trading of raw materials.
- Processing services: this segment reports provision of processing services to customers who provide raw materials to the Group for processing.

(a) Segment results

In accordance with IFRS 8, segment information disclosed in the interim financial report has been prepared in a manner consistent with the information used by the Group's most senior executive management for the purpose of assessing segment performance and allocating resources between segments. In this regard, the Group's senior executive management monitors the results attributable to each reportable segment of the following bases:

Segment turnover represents revenue derived from the sales of copper products, trading of raw materials and the provision of processing services to external customers.

The measure used for reporting segment profit is gross profit. To arrive at reporting segment profit, the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as distribution expenses, corporate administrative and other operating expenses.

The Group's senior executive management are of the view that the Group's principal assets and liabilities are jointly used and shared by these three segments, the allocation would be arbitrary and not understandable, and accordingly, no analysis on segment assets and liabilities is provided.

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

For the six months ended 30 June 2010:

	Sales of copper products RMB'000	Trading of raw materials RMB'000	Processing services RMB'000	Total RMB'000
Turnover from external customers	1,173,655	169,722	54,888	1,398,265
Inter-segment turnover	<u>1,584,758</u>	<u>309,398</u>	<u>8,078</u>	<u>1,902,234</u>
Reportable segment turnover	<u><u>2,758,413</u></u>	<u><u>479,120</u></u>	<u><u>62,966</u></u>	<u><u>3,300,499</u></u>
Reportable segment profit	<u><u>78,415</u></u>	<u><u>5,388</u></u>	<u><u>18,893</u></u>	<u><u>102,696</u></u>

For the six months ended 30 June 2009:

	Sales of copper products RMB'000	Trading of raw materials RMB'000	Processing services RMB'000	Total RMB'000
Turnover from external customers	581,141	85,676	34,214	701,031
Inter-segment turnover	<u>246,641</u>	<u>208,543</u>	<u>1,585</u>	<u>456,769</u>
Reportable segment turnover	<u><u>827,782</u></u>	<u><u>294,219</u></u>	<u><u>35,799</u></u>	<u><u>1,157,800</u></u>
Reportable segment profit	<u><u>64,258</u></u>	<u><u>3,348</u></u>	<u><u>12,237</u></u>	<u><u>79,843</u></u>

(b) Reconciliation of reportable segments turnover and profit:

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
Turnover		
Reportable segment turnover	3,300,499	1,157,800
Elimination of inter-segment turnover	<u>1,902,234</u>	<u>456,769</u>
Consolidated turnover	<u><u>1,398,265</u></u>	<u><u>701,031</u></u>
Profit		
Reportable segment profit	102,696	79,843
Distribution expenses	(8,834)	(4,051)
Administrative expenses	(22,666)	(22,768)
Other operating income and expenses	49,563	42,293
Net finance costs	(14,352)	(9,167)
Share of (loss)/profit of a jointly controlled entity	<u>(831)</u>	<u>657</u>
Consolidated profit before income tax	<u><u>105,576</u></u>	<u><u>86,807</u></u>

(c) **Geographic information**

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

	Six months ended 30 June	
	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>
Turnover		
PRC	1,156,135	604,605
Others	242,130	96,426
	<u>1,398,265</u>	<u>701,031</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	
	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>
Interest expense	15,994	12,225
Net foreign exchange loss	100	—
Bank charges	1,539	618
Finance expenses	<u>17,633</u>	<u>12,843</u>
Net foreign exchange gain	—	(31)
Interest income on bank deposits	(1,703)	(673)
Interest income on investment in trading securities	(1,044)	(341)
Net change in fair value of trading securities	(534)	(2,631)
Finance income	<u>(3,281)</u>	<u>(3,676)</u>
	<u>14,352</u>	<u>9,167</u>

(ii) **Other items**

	Six months ended 30 June	
	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>
Cost of inventories	1,295,569	621,188
Depreciation	19,689	17,501
Amortisation of lease prepayments	192	192
Write down/(reversal of write down) of inventories to net realisable value	7,649	(5,682)
Net realised and unrealised gains on derivative financial instruments	(16,656)	(20,317)
Research and development costs	—	1,939
	<u>—</u>	<u>1,939</u>

5. INCOME TAX

Income tax expense in the consolidated statement of comprehensive income represents:

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
Current tax expense		
Provision for PRC income tax	18,496	6,945
Deferred tax		
Reversal and origination of temporary differences	<u>2,809</u>	<u>6,388</u>
	<u>21,305</u>	<u>13,333</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 2010.
- (c) The provision for PRC income tax is based on the respective corporate income tax rates applicable to the subsidiaries located in the PRC as determined in accordance with the relevant income tax rules and regulations of the PRC.
- (d) On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the People's Republic of China ("the New Tax Law"). Pursuant to the New Tax Law, 5% withholding tax is levied on the foreign investor in respect of dividend distributions arising from the profits of a foreign investment enterprise in the PRC earned after 1 January 2008. Deferred tax liabilities have been recognised for undistributed retained earnings of the Group's PRC subsidiaries to the extent that the earnings would be distributed in the foreseeable future.

6. 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 2010 is based on the profit attributable to the equity shareholders of the Company of RMB84,271,000 (six months ended 30 June 2009: RMB73,474,000) and the weighted average number of 645,123,119 (six months ended 30 June 2009: 622,860,833) ordinary shares in issue during the period.

(b) Diluted earnings per share

The calculation of diluted earnings per share for the six months ended 30 June 2010 is based on profit attributable to equity shareholders of the Company of RMB84,271,000 (six months ended 30 June 2009: RMB73,474,000) and the weighted average number of 664,513,880 (six months ended 30 June 2009: 624,514,670) ordinary shares (diluted).

7. INVENTORIES

	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
Raw materials	104,289	115,099
Work in progress	209,363	157,692
Finished goods	128,897	63,873
Others	6,819	7,515
	<u>449,368</u>	<u>344,179</u>

As at 30 June 2010, inventories pledged for short term bank loans amounted to RMB162,057,000 (31 December 2009: Nil) (see note 10(i)). In addition, inventories with carrying amount of RMB9,491,000 (31 December 2009: Nil) have been placed under the physical custody of Great Wall Futures Corporation Limited, a registered future broker in the PRC, as margin for future contracts entered into by a subsidiary.

8. TRADE AND OTHER RECEIVABLES

	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
Trade and bill receivables	289,338	181,807
Non-trade receivables	53,763	38,668
Prepayments	46,704	28,492
Amount due from a related party	7,394	1,292
	<u>397,199</u>	<u>250,259</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 2010 RMB'000	At 31 December 2009 RMB'000
Within 3 months	268,047	149,409
Over 3 months but less than 6 months	21,291	32,398
	<u>289,338</u>	<u>181,807</u>

9. PLEDGED DEPOSITS

Pledged deposits can be analysed as follows:

	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
Guarantee deposits for issuance of commercial bills and banking facilities	<u>197,862</u>	<u>88,813</u>

10. INTEREST-BEARING BORROWINGS

	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
Current		
Secured bank loans	290,121	176,524
Unsecured bank loans	120,749	141,921
Unsecured loan from a related party	13,000	—
Current portion of non-current secured bank loans	38,000	60,000
Bank advances under discounted bills	305,353	235,824
	767,223	614,269
Non-current		
Secured loans – others	4,000	4,000
	771,223	618,269

- (i) The secured bank and other loans as of 30 June 2010 bore interest at rates ranging from 3.65% to 5.58% (31 December 2009: 4.86% to 6.37%) per annum and were secured by the following assets:

	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
Carrying amounts of assets:		
Inventories	162,057	—
Property, plant and equipment	238,383	247,988
Lease prepayments	11,552	11,681
Pledged deposit	49,054	—

- (ii) Unsecured bank loans as of 30 June 2010 bore interest at rates ranging from 3.65% to 5.84% (31 December 2009: 4.37% to 5.35%) per annum.
- (iii) Unsecured loan from a related party bore interest at a rate of 5.31% per annum, which was determined with reference to prevailing market rate. The loan was unsecured and repayable on demand.
- (iv) The Group's non-current other loans were repayable as follows:

	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
Over 2 years	4,000	4,000
	4,000	4,000

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

11. TRADE AND OTHER PAYABLES

	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
Trade and bill payables	253,052	78,647
Non-trade payables and accrued expenses	56,862	56,531
Amount due to related parties	2,098	2,847
	<u>312,012</u>	<u>138,025</u>

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

	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
Within 3 months	211,671	53,735
Over 3 months but less than 6 months	39,527	21,486
Over 6 months but less than 1 year	1,340	1,180
Over 1 year but less than 2 years	416	2,148
Over 2 years	98	98
	<u>253,052</u>	<u>78,647</u>

12. CAPITAL, RESERVE AND DIVIDENDS

(a) Share capital

	The Group and the Company		
	Number of ordinary shares '000	Nominal value Amount HK\$'000	Equivalent RMB'000
Authorised:			
Ordinary shares of HKD0.10 each	5,000,000	500,000	468,100
Issued and fully paid:			
At 1 January 2010	632,275	63,227	59,129
Warrant exercised	22,907	2,291	2,015
Share options exercised	6,980	698	614
At 30 June 2010	<u>662,162</u>	<u>66,216</u>	<u>61,758</u>

During the six months ended 30 June 2010, 6,300,000 share options under the Pre-IPO Share Option Scheme adopted by the Company pursuant to the shareholders' written resolution passed on 1 December 2007 (six months ended 30 June 2009: 4,330,000) were exercised for the same amount of shares at an exercise price of HKD1.19 per share and 680,000 share options under the share option scheme adopted by the Company pursuant to the shareholders' written resolution passed on 1 December 2007 (six months ended 30 June 2009: Nil) were exercised for the same amount of shares at an exercise price of HKD0.82 per share respectively. All issued shares are fully paid. HKD4,449,000 (equivalent to RMB3,900,000) has been transferred from the capital reserve to the share premium account in accordance with the Group's accounting policies.

During the six months ended 30 June 2010, 22,907,000 warrants issued by the Company on 3 November 2009 (six months ended 30 June 2009: Nil) were exercised for the same amount of shares at an exercise price of HKD0.93 per share. All issued shares are fully paid.

(b) Dividends

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

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
Interim dividend declared after the interim period of HKD5 cents per share (six months ended 30 June 2009: Nil)	<u>28,883</u>	<u>—</u>

The interim dividend has not been recognised as a liability at the reporting date.

(ii) Dividends payable to equity shareholders attributable to the previous financial year, approved and paid during the interim period

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of HKD10 cents per share (six months ended 30 June 2009: Nil)	<u>58,029</u>	<u>—</u>

Pursuant to a resolution passed at the board of directors' meeting on 29 March 2010, dividends of HKD66,213,420 (equivalent to RMB58,029,000) were declared and paid on 21 May 2010.

MANAGEMENT DISCUSSION AND ANALYSIS

Prospects

The world has not completely got rid of all the adverse impacts during the post-financial crisis period, hence governments around the world have maintained appropriate measures to stimulate the economy. The economy of China is also at the stage of steady recovery and its government will continue to adopt reasonably loose monetary policies, while the direction of macro-economic policies will remain unchanged in the second half of the year. In view of the unresolved aftermaths of the financial crisis, we will be confronted with uncertainties affecting the economic development.

During the first half of the year 2010, the price of nonferrous metal has gone up and the global price of copper reached USD8,000 in April, marking the record high over the past 20 months. In view of the strong fundamental demand for copper, the price of copper will remain high in the second half of the year.

The Group will continue its prudent operational approach to constantly adjust its development strategies in accordance with domestic and overseas economic conditions. The Group will also improve its internal system and optimize its management structure to raise its core competitiveness. In order to raise its fundamental strength, the Group will take elastic materials as its key product and the research and development of terminal materials and copper for automobile as its key development, reduce its product costs and widen the scope and intensify its efforts in the circular economy (consumption of metal). Persisting in the principle of "volume reduction, reuse and reclamation", the Group will utilise its internal potentials to maximize the technical level of its products and its market share. The Group will enhance the development of its end-user market network by exploring new and existing

customers, raising the turnover of inventories by increasing its capital flow and establishing its sales network at local, national and even global levels. To maximize the interests of its shareholders, the Group will enhance the management of its capital operation, seek for new investment gateways and open up new sources of economic growth. With the unremitting efforts of our management and staff, the Group is confident in achieving better results in the second half of the year.

Financial Review

Revenues

The Group's revenue was derived from sales of high precision copper plates and strips, processing services and trading of raw materials which accounted for 84.0%, 3.9% and 12.1% of the total revenue for the period under review, respectively. The Group's revenue for the period under review increased by 99.5% to RMB1,398.3 million from RMB701.0 million over the corresponding period of last year was mainly due to increase in the sales volume and increase in market price of copper. The volume of sales and processing services for high precision copper plates and strips increased by 36.2% and 63.4% to 22,319 tonnes from 16,384 tonnes and 10,354 tonnes from 6,335 tonnes as compared to the corresponding period of last year, respectively.

Gross profit

The gross profit for the six months ended 30 June 2010 was RMB102.7 million, representing an increase of 28.6% as compared to the RMB79.8 million recorded in the corresponding period of last year.

The average gross profit per tonne of sales of high precision copper plates and strips and processing services for the period under review were RMB3,500 and RMB1,800 respectively (corresponding period of last year: RMB3,900 and RMB1,900 respectively). The change in average gross profit per tonne was mainly due to a change in products mix and the different standard of products required by customers.

For the period under review, the Group recorded a gain of RMB5.4 million in trading of raw materials (corresponding period of last year: RMB3.3 million).

Other income

The Group's other income increased by 22.1% to RMB53.2 million in the six months ended 30 June 2010 from RMB43.6 million in the corresponding period of last year. Such increase was mainly due to (i) increase in value-added tax refund of RMB5.5 million benefiting from renewable resource recycling and utilization of related value-added tax policy with effect from 1 January 2009; and (ii) various awards and subsidies from the government as encouragement for the Group's development in the industry.

Distribution expenses

Consistent with the corresponding period of last year, the Group's distribution expenses represented 0.6% of the Group's revenue.

Administrative expenses

There was no material fluctuation in the Group's administrative expenses as compared to the corresponding period of last year.

Net finance costs

The Group's net finance costs increased by 56.6% to RMB14.4 million in the six months ended 30 June 2010 from RMB9.2 million for the corresponding period of last year. The increase in the financial costs was primarily due to an increase in interest expense and bank charges as a result of an increase in bank borrowings and sales transactions.

Income tax

The corporation income tax expenses increased by 59.8% to RMB21.3 million in the six months ended 30 June 2010 from RMB13.3 million for the corresponding period of last year and the effective tax rate increased to 20.2% in the six months ended 30 June 2010 from 15.4% in the corresponding period of last year. Such increase was due to an increase in the profit generated by Ningbo Xingtong Metal Materials Co., Ltd. and Yingtian Xingye Electronic Metal Materials Co., Ltd., which was subject to full tax charge; whereas the Group's profit for the corresponding period of last year was mainly generated by Ningbo Xingye Shengtai Electronic Metal Materials Co., Ltd. which enjoyed a 50% tax reduction.

Profit attributable to equity shareholders of the Company

As a result of the factors discussed above, the Group's profit attributable to equity shareholders of the Company for the period under review increased by 14.7% to RMB84.3 million from RMB73.5 million for the corresponding period of last year.

Liquidity and Financial Resources

As at 30 June 2010, the Group's liquidity position remained strong with available undrawn bank facilities together with bank deposits of RMB530.0 million and RMB326.3 million (comprised of bank deposits of RMB197.9 million and cash and cash equivalents of RMB128.4 million) respectively.

The Group recorded a net cash generated from the operating activities of RMB23.6 million in the period under review whilst the net cash used in operating activities in the corresponding period of last year was RMB61.6 million. This was mainly due to an increase in trade and other payables. The Group's net cash used in investing activities decreased to RMB28.1 million in the period under review from RMB43.5 million for the corresponding period of last year. This was mainly due to the decrease in acquisition of fixed assets of RMB3.3 million and net investment in trading securities of RMB11.2 million.

The Group's net cash generated from financing activities decreased to approximately RMB11.6 million in the period under review from approximately RMB143.3 million for the corresponding period of last year. This was mainly due to the increase in pledged deposits and dividend paid, which was partially offset by an increase in the net proceeds from the issuance of shares due to the exercise of share options and Warrants in the relevant period and interest-bearing borrowings.

As at 30 June 2010, the Group had outstanding bank loans and other borrowings of approximately RMB771.2 million, of which approximately RMB767.2 million shall be repaid within 1 year and approximately RMB4.0 million shall be repaid over 2 years. As at 30 June 2010, 43.1% of the Group's debts was on secured basis.

The gearing ratio as at 30 June 2010 was 44% (31 December 2009: 45%), which is calculated by dividing the total borrowings over the total assets.

Charge on assets

As at 30 June 2010, the Group pledged assets with an aggregate carrying value of RMB461.0 million (31 December 2009: RMB259.7 million) to secure bank loan facilities of the Group.

Capital expenditure

For the six months ended 30 June 2010, the Group invested RMB13.0 million for the purchase of property, plant and equipment. These capital expenditures were fully financed by internal resources and net proceeds from the issuance of shares from the initial public offering of the shares of the Company in December 2007.

Capital commitments

As at 30 June 2010, the future capital expenditure, for which the Group had authorised but not contracted for and contracted but not provided for, amounted to approximately RMB42.4 million and RMB22.1 million, respectively.

Use of net proceeds from the issue of new shares

The net proceeds from the issue of new shares from the initial public offering of the shares of the Company in December 2007 amounted to approximately RMB221.4 million. Part of the net proceeds was applied as follows:

	Planned amount <i>RMB'million</i>	Amount utilised up to 30 June 2010 <i>RMB'million</i>	Balance as at 30 June 2010 <i>RMB'million</i>
Expand production capacity	119.4	81.1	38.3
Develop large-scale production of new products	29.6	25.8	3.8
Research and development	12.6	7.9	4.7
General working capital purposes	<u>59.8</u>	<u>59.8</u>	<u>—</u>
	<u><u>221.4</u></u>	<u><u>174.6</u></u>	<u><u>46.8</u></u>

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

Market Risk

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

Price risk

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 of the Group. 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 gain on futures contracts of RMB16.7 million (corresponding period in last year: RMB20.3 million).

The Group is also exposed to price changes arising from investment in bonds and funds classified as investments at fair value through profit or loss. The management manages these exposure by maintaining a portfolio of investments with different risks. Investments portfolio has been chosen based on their growth potential and is monitored regularly for performance against expectations.

Interest rate risk

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 relates primarily to fluctuations in interest rates on bank borrowings. The Group undertakes debt obligations to support general corporate purposes, including capital expenditure 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"). Increases in the PBOC interest rate will increase the Group's financing costs. Fluctuations in interest rates will affect the cost of undertaking new debts. The Group has not entered any interest rate swap arrangement to hedge against exposure to interest rate risk.

Foreign exchange risk

The Group's export sales and certain portion of 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 exposure to foreign exchange rate risks. For period under review, the Group recorded a net foreign exchange loss of RMB0.1 million (corresponding period in last year: net gain of RMB31,000).

Employees

As at 30 June 2010, the Group had 1,063 employees. Remuneration policies are reviewed regularly to ensure that the Group is offering competitive employment packages to our employees. Benefits for the employees include 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 its employees. The Group recognizes the importance of human resources in a competitive industry and has devoted resources to training its employees. The Group has established an annual training program for our new 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 of the Company.

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 2010.

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 2010.

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 2010.

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 announcement, 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 cents per Share in cash for the six months ended 30 June 2010 to shareholders whose names appear on the register of members of the Company on 10 September 2010. The interim dividend will be paid on or about 17 September 2010.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed on Friday, 10 September 2010, 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 9 September 2010.

PUBLICATION OF 2010 INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This results announcement is published on the Company's website (www.xingyecopper.com) and the Stock Exchange's website (www.hkexnews.com.hk). The Company's 2010 interim report will be made available on the websites of the Company and Stock Exchange 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

The PRC, 20 August 2010

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. HE Changming, Mr. CUI Ming, Mr. XIE Shuisheng, Mr. CHAI Chaoming and Ms. LI Li.