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 2011

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 2011.

CONSOLIDATED INCOME STATEMENT
For the six months ended 30 June 2011 – unaudited

		Six months ended 30 June	
		2011	2010
	Note	***RMB'000***	*RMB'000*
Turnover	*3*	**1,630,749**	1,398,265
Cost of sales		**(1,471,896)**	(1,295,569)
Gross profit		**158,853**	102,696
Other income		**25,383**	53,218
Distribution expenses		**(10,825)**	(8,834)
Administrative expenses		**(23,589)**	(22,666)
Other expenses		**(3,853)**	(3,655)
Profit from operations		**145,969**	120,759
Finance income		**4,455**	3,281
Finance expenses		**(31,058)**	(17,633)
Net finance costs	*4(i)*	**(26,603)**	(14,352)
Share of loss of a jointly controlled entity		**(3,845)**	(831)
Profit before income tax		**115,521**	105,576
Income tax	*5*	**(27,670)**	(21,305)
Profit for the period		**87,851**	84,271
Attributable to:			
Equity shareholders of the Company		**87,637**	84,271
Non-controlling interests		**214**	–
Profit for the period		**87,851**	84,271
Earnings per share			
Basic *(RMB)*	*6(a)*	**0.129**	0.131
Diluted *(RMB)*	*6(b)*	**0.127**	0.127

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011 – unaudited

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
Profit for the period	**87,851**	84,271
Other comprehensive income for the period (after tax and reclassification adjustment):		
Exchange differences on translation of financial statements of overseas subsidiaries	**(618)**	(619)
Total comprehensive income for the period	**87,233**	83,652
Attributable to:		
Equity shareholders of the Company	**87,019**	83,652
Non-controlling interests	**214**	–
Total comprehensive income for the period	**87,233**	83,652

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2011 – unaudited

	Note	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Non-current assets			
Property, plant and equipment		**521,480**	511,380
Lease prepayments		**18,637**	18,210
Interest in associates		**35,000**	55,000
Interest in a jointly controlled entity		**16,691**	17,246
		591,808	601,836
Current assets			
Inventories	*7*	**613,263**	587,756
Trade and other receivables	*8*	**591,839**	562,036
Pledged deposits	*9*	**140,021**	154,378
Trading securities		**15,896**	–
Cash and cash equivalents		**96,813**	80,248
		1,457,832	1,384,418
Current liabilities			
Interest-bearing borrowings	*10*	**909,510**	997,413
Derivative financial instruments		**10,329**	34,460
Trade and other payables	*11*	**382,700**	280,255
Income tax payables		**14,290**	11,094
		1,316,829	1,323,222
Net current assets		**141,003**	61,196
Total assets less current liabilities		**732,811**	663,032
Non-current liabilities			
Interest-bearing borrowings	*10*	**3,272**	4,000
Deferred income		**919**	946
Deferred tax liabilities		**17,007**	18,416
		21,198	23,362
Net assets		**711,613**	639,670
Capital and reserves			
Share capital	*12(a)*	**63,874**	62,511
Reserves		**644,488**	574,772
Total equity attributable to equity shareholders of the Company		**708,362**	637,283
Non-controlling interests		**3,251**	2,387
Total equity		**711,613**	639,670

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 2011 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 2010 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2011 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 2010 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 2010 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 2010 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 18 March 2011.

2 CHANGES IN ACCOUNTING POLICIES

The IASB has issued 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:

- IAS 24 (revised 2009), Related party disclosures
- Improvements to IFRSs (2010)

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. These developments have had no material impact on the contents of this interim financial report.

3. SEGMENT REPORTING

The Group's revenue and operating results are principally generated from the manufacturing and sales of high precision copper plates and strips products, trading of raw materials and the provision of processing services. In accordance with IFRS 8, segment information disclosed in the interim financial report has been prepared in a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purpose of resource allocation and performance assessment. The Group's most senior executive management have identified the following four reportable segments.

- Sales of copper products: this segment reports sales of high precision copper plates and strips products.
- Trading of raw materials: this segment reports trading of raw materials.
- Processing services: this segment reports provision of processing services to customers who provide raw materials to the Group for processing.
- Others: this segment reports principally listed and unlisted equity and debt investments made by the Group.

(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 on the following bases:

Segment revenue represents revenue derived from the sales of copper products, trading of raw materials, and the provision of processing services to external customers, as well as income derived from listed and unlisted equity and debt investments.

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 the following segments: (1) sales of copper products; (2) trading of raw materials; and (3) processing services. Accordingly, the allocation of assets and liabilities of these segments would be arbitrary and not meaningful. The assets and liabilities relevant to the remaining segment are insignificant for the purpose of segment reporting. Therefore, no analysis on the assets and liabilities of this segment 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 2011:

	Sales of copper products *RMB'000*	**Trading of raw materials** *RMB'000*	**Processing services** *RMB'000*	**Others** *RMB'000*	**Total** *RMB'000*
Segment revenue:					
Revenue from external customers	**1,266,784**	**304,892**	**59,073**	**–**	**1,630,749**
Inter-segment revenue	**1,046,367**	**949,450**	**4,915**	**–**	**2,000,732**
Other income	**–**	**–**	**–**	**1,534**	**1,534**
Reportable segment revenue	**2,313,151**	**1,254,342**	**63,988**	**1,534**	**3,633,015**
Reportable segment profit	**129,471**	**9,087**	**20,295**	**1,451**	**160,304**

For the six months ended 30 June 2010:

	Sales of copper products *RMB'000*	Trading of raw materials *RMB'000*	Processing services *RMB'000*	Others *RMB'000*	Total *RMB'000*
Segment revenue:					
Revenue from external customers	1,173,655	169,722	54,888	–	1,398,265
Inter-segment revenue	1,584,758	309,398	8,078	–	1,902,234
Other income	–	–	–	–	–
Reportable segment revenue	2,758,413	479,120	62,966	–	3,300,499
Reportable segment profit	78,415	5,388	18,893	1,578	104,274

(b) Reconciliation of reportable segments revenue and profit:

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
Revenue		
Total revenue for reportable segments	**3,633,015**	3,300,499
Elimination of inter-segment revenue	**(2,000,732)**	(1,902,234)
Other income	**(1,534)**	–
Consolidated revenue	**1,630,749**	1,398,265

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
Profit		
Reportable segment profit	**160,304**	104,274
Distribution expenses	**(10,825)**	(8,834)
Administrative expenses	**(23,589)**	(22,666)
Other operating income and expenses	**19,996**	49,563
Net finance costs	**(26,520)**	(15,930)
Share of loss of a jointly controlled entity	**(3,845)**	(831)
Consolidated profit before income tax	**115,521**	105,576

(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	
	2011	2010
	RMB'000	*RMB'000*
PRC	**1,285,778**	1,156,135
Others	**344,971**	242,130
	1,630,749	1,398,265

4. PROFIT BEFORE INCOME TAX

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

(i) Net finance costs

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
Interest expense	**27,503**	15,994
Net foreign exchange loss	**–**	100
Bank charges	**3,397**	1,539
Net change in fair value of trading securities	**158**	–
Finance expenses	**31,058**	17,633
Net foreign exchange gain	**(2,587)**	–
Interest income on bank deposits	**(1,793)**	(1,703)
Interest income on investment in trading securities	**(75)**	(1,044)
Net change in fair value of trading securities	**–**	(534)
Finance income	**(4,455)**	(3,281)
	26,603	14,352

(ii) Other items

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
Cost of inventories	**1,471,896**	1,295,569
Depreciation	**21,900**	19,689
Amortisation of lease prepayments	**199**	192
Write down of inventories to net realisable value	**–**	7,649
Net realised and unrealised losses/(gains) on trading securities	**158**	(534)
Net realised and unrealised gains on derivative financial instruments	**(8,060)**	(16,656)

5. INCOME TAX

Income tax expense in the consolidated income statement represents:

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
Current tax expense		
Provision for PRC income tax	**29,079**	18,496
Deferred tax		
Reversal and origination of temporary differences	**(1,409)**	2,809
	27,670	21,305

(a) Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and British Virgin Islands.

(b) No provision for Hong Kong Profits Tax has been made as the Group did not have assessable profits subject to Hong Kong Profits Tax for the six months ended 30 June 2011.

(c) The provision for PRC Corporate Income Tax is based on the respective Corporate Income Tax rates applicable to the subsidiaries located in the PRC as determined in accordance with the relevant income tax rules and regulations of the PRC.

(d) Pursuant to the Corporate Income Tax Law of the People's Republic of China, 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 2011 is based on the profit attributable to the equity shareholders of the Company of RMB87,637,000 (six months ended 30 June 2010: RMB84,271,000) and the weighted average number of 676,742,120 (six months ended 30 June 2010: 645,123,119) 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 2011 is based on profit attributable to equity shareholders of the Company of RMB87,637,000 (six months ended 30 June 2010: RMB84,271,000) and the weighted average number of 687,766,822 (six months ended 30 June 2010: 664,513,880) ordinary shares (diluted).

7. INVENTORIES

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Raw materials	**170,056**	215,583
Work in progress	**275,688**	292,225
Finished goods	**154,256**	74,797
Others	**13,263**	5,151
	613,263	587,756

As at 30 June 2011, inventories pledged for short-term bank loans amounted to RMB187,000,000 (31 December 2010: RMB187,000,000) (see note 10(i)).

8. TRADE AND OTHER RECEIVABLES

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Trade and bill receivables	**401,829**	277,090
Non-trade receivables	**89,710**	162,134
Prepayments	**88,773**	113,281
Amount due from a related party	**11,527**	9,531
	591,839	562,036

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 2011 RMB'000	At 31 December 2010 RMB'000
Within 3 months	**305,541**	228,324
Over 3 months but less than 6 months	**95,277**	48,528
Over 6 months but less than 1 year	**1,011**	238
	401,829	277,090

9. PLEDGED DEPOSITS

Pledged deposits can be analysed as follows:

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Guarantee deposits for issuance of commercial bills and banking facilities	**140,021**	154,378

10. INTEREST-BEARING BORROWINGS

	At 30 June 2011 *RMB'000*	At 31 December 2010 *RMB'000*
Current		
Secured bank loans	**259,900**	280,000
Unsecured bank loans	**215,864**	219,699
Bank advances under discounted bills	**433,746**	497,714
	909,510	997,413
Non-current		
Secured loans – others	**3,272**	4,000
	912,782	1,001,413

(i) The secured bank and other loans as of 30 June 2011 bore interest at rates ranging from 4.59% to 6.36% (31 December 2010: 3.97% to 5.56%) per annum and were secured by the following assets:

	At 30 June 2011 *RMB'000*	At 31 December 2010 *RMB'000*
Carrying amounts of assets:		
Inventories	**187,000**	187,000
Property, plant and equipment	**216,136**	228,790
Lease prepayments	**9,271**	11,425

(ii) Unsecured bank loans as of 30 June 2011 bore interest at rates ranging from 2.28% to 5.84% (31 December 2010: 1.99% to 6.12%) per annum.

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

	At 30 June 2011 *RMB'000*	At 31 December 2010 *RMB'000*
Over 2 years	**3,272**	4,000
	3,272	4,000

(iv) 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 2011 *RMB'000*	At 31 December 2010 *RMB'000*
Trade and bill payables	**312,710**	188,376
Non-trade payables and accrued expenses	**69,990**	91,879
	382,700	280,255

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

	At 30 June 2011 *RMB'000*	At 31 December 2010 *RMB'000*
Within 3 months	**108,901**	169,438
Over 3 months but less than 6 months	**201,652**	16,351
Over 6 months but less than 1 year	**940**	1,769
Over 1 year but less than 2 years	**1,095**	526
Over 2 years	**122**	292
	312,710	188,376

12. CAPITAL, RESERVE AND DIVIDENDS

(a) Share capital

	The Group and the Company		
		Nominal value	
	Number of ordinary shares ***'000***	**Amount** ***HKD'000***	**RMB equivalent** ***RMB'000***
Authorised:			
Ordinary shares of HKD0.10 each	5,000,000	500,000	468,100
Issued and fully paid:			
At 1 January 2011	670,927	67,092	62,511
Warrants exercised	15,066	1,507	1,262
Share options exercised	1,200	120	101
At 30 June 2011	687,193	68,719	63,874

During the six months ended 30 June 2011, 1,200,000 share options under the Pre-IPO Option (six months ended 30 June 2010: 6,300,000) were exercised for the same amount of shares at an exercise price of HKD1.19 per share. All issued shares are fully paid. HKD833,000 (equivalent to RMB700,000) has been transferred from the share-based compensation reserve to the share premium account in accordance with the Group's accounting policies.

During the six months ended 30 June 2011, 15,066,300 Warrants (six months ended 30 June 2010: 22,907,000) 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	
	2011	2010
	RMB'000	*RMB'000*
Interim dividend declared after the interim period of HK7 cents per share (six months ended 30 June 2010: HK5 cents per share)	**39,659**	28,883

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	
	2011	2010
	RMB'000	*RMB'000*
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of HK5 cents per share (six months ended 30 June 2010: HK10 cents per share)	**28,875**	58,029

Pursuant to a resolution passed at the board of directors' meeting on 18 March 2011, dividends of HKD34,354,405 (equivalent to RMB28,875,000) were declared and paid on 12 May 2011 and 20 May 2011, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

Prospects

In the first half of 2011, global economy continued its recovery seen in 2010 albeit the increase in uncertainties in its process, such as the debt crisis in Europe, worldwide inflation and political turmoil in certain regions, yet the overall economy was still growing. Amidst a complex international environment as well as new issues and situation arising in the operation of domestic economy, in particular the tightening monetary environment and the appreciation of Renminbi, the growth of China's economy has slowed down. Nonetheless, the government has still kept the overall situation under control, hence paving the way to the positive "soft landing" for the economy.

The management of the Company believes that the second half of the year would be the turning point for inflation in China. With the adjustment on tightening monetary policies, the operating environment for the Company would probably encounter effective improvement, while the nonferrous metal industry would also achieve better development along with the rebounding of economy and the commencement of a new round of electricity and power grid investment. In the first half of 2011, the national production volume for ten nonferrous metals has increased by 9.8% over the same period last year, among which, the production volume of copper has grown by 13.9%. Smelting and rolling processing industry for nonferrous metals recorded a growth of 35.3% in terms of profit. Meanwhile, given the prolonged high price level of copper within and outside China, copper processing enterprises have faced substantial pressure with those with inferior level of equipment and management gradually phased out of the market, thereby providing market share for those which could survive under difficulties. Under such situation, the management of the Company keeps on adjusting its development strategies to strive for the rapid enhancement of its own competitive edges, promotion of management structure, improvement of systems and flows, optimization of corporate structure as well as exploration of new investment opportunities. Upholding the strategy of establishing strong and conducting enterprise, material transaction, stable investment and advanced research and development, the Company will rise to a new level and become a respectful and modern group during the next round of elimination of poor players.

Currently, given the operation and implementation of the Company's marketing segment, the manufacturing segment has also been established. Through upgrading Ningbo Xingye Shengtai Electronic Metal Materials Co., Ltd. to Ningbo Xingye Shengtai Group Co., Ltd. (寧波興業盛泰集團有限公司), such platform is utilized for the development and optimization of manufacturing segment. At the same time, the Company will take an active role in establishing the investment segment and the research and development segment to escalate its overall strength.

FINANCIAL REVIEW

Revenues

Sales of high precision copper plates and strips, processing services and trading of raw materials accounted for 77.7%, 3.6% and 18.7% of the total revenue for the period under review, respectively. The Group's revenue for the six months ended 30 June 2011 increased by 16.6% to RMB1,630.7 million from RMB1,398.3 million for the corresponding period of last year, which was mainly due to the increase in market price of copper and increase in trading of raw materials. The revenue generated from trading of copper increased by 79.6% to RMB304.9 million from RMB169.7 million over the corresponding period of last year.

As result of intense market competition, the total volume of sales for high precision copper plates and strips, processing services and trading of raw materials decreased by 3.2% to 37,584 tonnes from 38,832 tonnes as compared to the corresponding period of last year.

Gross profit and gross profit margin

The gross profit of the Group for the six months ended 30 June 2011 amounted to RMB158.9 million, representing an increase of 54.7% as compared to RMB102.7 million for the same period of last year, which was mainly attributable to the realization of low cost inventories purchased in the 4th quarter of 2010. The Group enlarged its purchase of raw materials for reserve and the production of semi-finished products in the 4th quarter of 2010 for the purpose of taking the advantage of the previous policy on scrap metal materials recycling which was more preferential than the one implemented in 2011 and to minimize the impact on the delivery of order in February 2011 resulting from a 25-day repair and maintenance for walking beam furnace during the Spring Festival this year.

During the period under review, the Group recorded a profit of RMB9.1 million in trading of raw materials, representing an increase of 68.6% as compared to RMB5.4 million recorded in the corresponding period of last year, which was mainly due to increase in trading of copper.

Other income

For the six months ended 30 June 2011, the Group's other income amounted to RMB25.4 million which dropped by 52.3% from RMB53.2 million for the corresponding period of last year. Such decline was mainly due to (i) decrease in value-added tax refund for using scrap copper to RMB11.9 million in the six months ended 30 June 2011 from RMB24.8 million in the corresponding period of last year as a result of a decrease in effective refund rate from 71% to 34%; (ii) decrease in gain from hedging activities involving copper futures contracts by RMB8.7 million to RMB8.0 million in the period under review from RMB16.7 million in the same period of last year.

Distribution expenses

For the six months ended 30 June 2011, the ratio of distribution expenses to the revenue was 0.66% (corresponding period of last year: 0.63%), the slightly increase in the aforesaid ratio was due to the increase transportation cost and credit insurance.

Administrative expenses

The Group's administrative expenses increased by 4.1% to RMB23.6 million for the period under review from RMB22.7 million in the same period of last year, which was attributable to the increase in staff cost resulting from the increase in number of staff and office expenditures.

Net finance costs

The Group's net finance costs increased by 85.4% to RMB26.6 million in the six months ended 30 June 2011 from RMB14.4 million for the corresponding period of last year, which was primarily attributed to the increase in interest rate, bank borrowings and bills discounted to banks.

Income tax

For the six months ended 30 June 2011, the Group's corporate income tax expense was RMB27.7 million, representing an increase of 29.9% from RMB21.3 million for the corresponding period last year. The effective tax rate increase to 24.0% in the six months ended 30 June 2011 from 20.2% for the corresponding period of last year. The increase in effective tax rate was mainly attributable to the corporate income rate of Ningbo Xingye Shengtai Group Co., Ltd resumed to 25% in 2011.

Profit attributable to equity shareholder of the Company

As a result of the factors discussed above, the Group's profit attributable to shareholders of the Company for the six months ended 30 June 2011 amounted to RMB87.9 million, representing an increase of 4.2% from RMB84.3 million in corresponding period of last year.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's net cash generated from operating activities increased to RMB131.3 million in the period under review from RMB23.6 million for the corresponding period of last year. This was mainly due to decrease in inventories and trade and other receivable, which was partially offset by increase in trade and other payable.

The net cash used in investing activities of the Group slightly decreased to RMB25.2 million in the period under review from RMB28.1 million for the corresponding period of last year.

The Group recorded a net cash used in financing activities of RMB89.6 million in the period under review whilst the net cash generated from financing activities in the corresponding period of last year was RMB11.6 million. This was mainly due to the increase in repayment of bank interest-bearing borrowings.

As at 30 June 2011, the Group had outstanding bank loans and other borrowing of approximately RMB912.8 million, of which approximately RMB909.5 million shall be repaid within 1 year, approximately RMB3.3 million shall be repaid over 2 years. As at 30 June 2011, 28.8% of the Group's debts was on secured basis.

The gearing ratio in the period of under review was 44.5% (31 December 2010: 50.4%), which is calculated by dividing the total borrowings over the total assets.

Charge on assets

As at 30 June 2011, the Group pledged assets with an aggregate carrying value of approximately RMB412.4 million (31 December 2010: RMB427.2 million) to secure bank loan facilities of the Group.

Capital expenditure

As at ended 30 June 2011, the Group has invested approximately RMB31.4 million for 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 Group in December 2007.

Capital commitments

As at 30 June 2011, the Group has been authorized but not contracted for, and has been contracted but not provided for future capital expenditures amounted to approximately 52.4 million and RMB33.0 million.

Use of net proceeds from the issue of new shares

	Planned amount *RMB'million*	**Amount utilized up to 30 June 2011** *RMB'million*	**Balance as at 30 June 2011** *RMB'million*
Expand production capacity	119.4	119.4	–
Develop large-scale production of new products	29.6	29.2	0.4
Research and development	12.6	12.2	0.4
General working capital purposes	59.8	59.8	–
	221.4	220.6	0.8

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

The Group uses its Shanghai Futures Exchange and London Metal Exchange copper futures contracts to hedge against fluctuations in copper price. The Group recorded a gain on futures contracts of approximately RMB8.0 million for the six months ended 30 June 2011, which corresponding period in last year was approximately RMB16.7 million.

The Group is also exposed to price changes arising from investment in bonds and funds classified as investments at fair value through profit or loss. The management maintains a portfolio of investments with different risks. Management of Investments portfolio is based on the growth potential, and will regularly monitor their performance is consistent with expectations.

Interest rate risk

In addition to short-term deposits, the Group has no significant interest-bearing assets. Therefore, the Group's income and operating cash flows are, to a large extent, independent of changes in market interest rates. The Group's exposure to market risk for changes in interest rates relates primarily to fluctuations in interest rates on bank borrowings. The Group's exposure to debt is used for general corporate purposes, including capital expenditures and working capital needs. The Group's bank borrowings bear interest rates that are subject to adjustment by lenders in accordance with changes of the relevant regulations of the People's Bank of China ("PBOC"). The Group's financing costs will increase when the PBOC to raise interest rates. Fluctuations in interest rates will affect the cost of undertaking new debts. The Group had not entered any interest rate swap to hedge against exposure to interest rate risk.

Foreign exchange risk

The Group's export sales and certain part of the purchase of raw materials were denominated in foreign currencies, primarily U.S. dollars. Therefore, fluctuations in the exchange rate may have an impact on the Group's operating results. The Group has not entered into any foreign exchange contract to hedge against foreign exchange rate risk. For period under review, the Group had recorded a net foreign exchange gain of RMB2.6 million; corresponding period in 2010 was a loss of RMB100, 000.

Employees

As at 30 June 2011, the total number of the Group's employs was 1,128. Remuneration policies are reviewed periodically to ensure that the Group is offering competitive employment packages to our employees. The employees' benefits include salaries, pensions, medical insurance scheme and other applicable social insurance. Promotion and salary increments are assessed in accordance with performance-based. The Group's business growth depends on its employees' skills and contributions. The Group believes important position of human resources in a highly competitive industry and has devoted resources to training its employees. The Group has established an annual training program for our new employees so that the new employees can master the basic skills required to perform their duties, and existing employees can enhance or upgrade their skills.

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 2011.

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 2011.

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 2011.

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 HKD7 cents per Share in cash for the six months ended 30 June 2011 to shareholders whose names appear on the register of members of the Company on 7 September 2011. The interim dividend will be paid on or about 16 September 2011.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed on Wednesday, 7 September 2011, 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 Tuesday, 6 September 2011.

PUBLICATION OF 2011 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 2011 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, 19 August 2011

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 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.