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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 2012

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 2012:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2012

		Six months ended 30 June	
		2012	2011
		RMB'000	RMB'000
		(Unaudited)	(Unaudited and restated)
	Notes		
Turnover	3	1,613,021	1,630,749
Cost of sales		(1,541,047)	(1,471,896)
Gross profit		71,974	158,853
Other income		30,727	29,838
Distribution expenses		(9,374)	(10,825)
Administrative expenses		(32,454)	(26,986)
Other expenses		(6,317)	(4,011)
Share of profit of an associate		2,713	—
Share of loss of a jointly controlled entity		(574)	(3,845)
Finance costs	4	(25,061)	(27,503)
Profit before tax		31,634	115,521
Income tax expense	5	(11,049)	(27,670)
Profit for the period	6	20,585	87,851
Profit for the period attributable to:			
Equity shareholders of the Company		20,226	87,637
Non-controlling interests		359	214
		20,585	87,851
Earnings per share			
– Basic (RMB cents)	8	2.89	12.95
– Diluted (RMB cents)	8	2.89	12.74

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

	Six months ended 30 June	
	2012	2011
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Profit for the period	20,585	87,851
Other comprehensive income		
Exchange differences arising on translation of foreign operations	<u>(405)</u>	<u>(618)</u>
Total comprehensive income for the period	<u>20,180</u>	<u>87,233</u>
Total comprehensive income for the period attributable to:		
Equity shareholders of the Company	19,821	87,019
Non-controlling interests	<u>359</u>	<u>214</u>
	<u>20,180</u>	<u>87,233</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2012

		At 30 June 2012 RMB'000 (Unaudited)	At 31 December 2011 RMB'000 (Audited)
	Notes		
Non-current assets			
Property, plant and equipment		581,275	549,684
Lease prepayments		36,139	18,443
Interests in associates		20,000	35,000
Interest in a jointly controlled entity		11,928	12,502
Available-for-sale investments		22,870	–
Deposit for the acquisition of property, plant and equipment		8,631	–
		<u>680,843</u>	<u>615,629</u>
Current assets			
Inventories		490,666	534,827
Trade and other receivables	9	538,255	594,865
Trading securities		–	12,772
Derivatives financial instruments		19,770	3,951
Pledged deposits		186,253	32,351
Cash and cash equivalents		135,772	240,345
		<u>1,370,716</u>	<u>1,419,111</u>
Current liabilities			
Interest-bearing borrowings	10	956,142	843,711
Trade and other payables	11	377,993	480,002
Income tax payables		2,608	6,792
		<u>1,336,743</u>	<u>1,330,505</u>
Net current assets		<u>33,973</u>	<u>88,606</u>
Total assets less current liabilities		<u>714,816</u>	<u>704,235</u>
Non-current liabilities			
Deferred income		10,550	3,603
Deferred tax liabilities		25,997	18,177
		<u>36,547</u>	<u>21,780</u>
Net assets		<u>678,269</u>	<u>682,455</u>
Capital and reserves			
Share capital	12	64,881	64,881
Reserves		601,429	614,134
Equity attributable to:			
Equity shareholders of the Company		666,310	679,015
Non-controlling interests		11,959	3,440
Total equity		<u>678,269</u>	<u>682,455</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

1. 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 2012 comprises the Company and its subsidiaries (together referred to as the “Group”).

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

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

The condensed consolidated interim financial information are presented in Renminbi (“RMB”) which is also the functional currency of the Company.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2012 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2011.

In the current interim period, the Group has applied, for the first time, the following new or revised standards and interpretations (“new or revised IFRSs”) issued by the IASB.

IFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
IFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets
IAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets

The application of the above amendments to IFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

The Group has not early applied the following new or revised standards that have been issued but are not yet effective.

IFRSs (Amendments)	Annual Improvements 2009-2011 Cycle ²
IFRS 1 (Amendments)	First-time Adoption of IFRSs – Government Loan ²
IFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities ²
	Mandatory Effective Date of IFRS 9 and Transition Disclosure ⁴
IFRS 9	Financial Instruments ⁴
IFRS 10	Consolidated Financial Statements ²
IFRS 11	Joint Arrangements ²
IFRS 12	Disclosure of Interests in Other Entities ²
IFRS 13	Fair Value Measurement ²
IFRS 10, IFRS 11 and IFRS 12 (Amendments)	Transition Guidance
IAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income ¹
IAS 19 (as revised in 2011)	Employee Benefits ²
IAS 27 (as revised in 2011)	Separate Financial Statements ²
IAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures ²
IAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities ³
IFRIC – Int 20	Stripping Costs in the Production Phase of a Surface Mine ²

¹ Effective for annual periods beginning on or after 1 July 2012.

² Effective for annual periods beginning on or after 1 January 2013.

³ Effective for annual periods beginning on or after 1 January 2014.

⁴ Effective for annual periods beginning on or after 1 January 2015.

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application, but is not in a position to state whether these new and revised IFRSs will have significant impact on the Group's results of operations and financial positions.

3. TURNOVER AND SEGMENT REPORTING

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

The sales value of goods sold is stated after allowances for goods returned and deduction of any trade discounts, and excludes value added tax or other sales taxes. 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 has 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.
- Investment: this segment principally reports listed and unlisted investments made by the Group.

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:

Six months ended 30 June 2012 (unaudited):

	Sales of copper products <i>RMB'000</i>	Trading of raw materials <i>RMB'000</i>	Processing services <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
SEGMENT TURNOVER					
External sales	1,192,545	362,388	58,088	–	1,613,021
Inter-segment sales	842,742	1,136,031	13,201	–	1,991,974
	<u>2,035,287</u>	<u>1,498,419</u>	<u>71,289</u>	<u>–</u>	<u>3,604,995</u>
Segment profit	<u>57,060</u>	<u>1,048</u>	<u>13,866</u>	<u>1,845</u>	73,819
Distribution expenses					(9,374)
Administrative expenses					(32,454)
Other operating income and expenses					22,565
Finance costs					(25,061)
Share of profit of an associate					2,713
Share of loss of a jointly controlled entity					(574)
Consolidated profit before tax					<u>31,634</u>

Segment results (Continued)

Six months ended 30 June 2011 (unaudited and restated):

	Sales of copper products <i>RMB'000</i>	Trading of raw materials <i>RMB'000</i>	Processing services <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
SEGMENT TURNOVER					
External sales	1,266,784	304,892	59,073	–	1,630,749
Inter-segment sales	1,046,367	949,450	4,915	–	2,000,732
	<u>2,313,151</u>	<u>1,254,342</u>	<u>63,988</u>	<u>–</u>	<u>3,631,481</u>
Segment profit	<u>129,471</u>	<u>9,087</u>	<u>20,295</u>	<u>1,451</u>	160,304
Distribution expenses					(10,825)
Administrative expenses					(26,986)
Other operating income and expenses					24,376
Finance costs					(27,503)
Share of loss of a jointly controlled entity					<u>(3,845)</u>
Consolidated profit before tax					<u>115,521</u>

4. FINANCE COSTS

	Six months ended 30 June	
	2012	2011
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Interest on bank borrowings wholly repayable within five years	25,981	27,503
Less: Interest capitalised	<u>(920)</u>	<u>–</u>
	<u>25,061</u>	<u>27,503</u>

5. INCOME TAX EXPENSE

Income tax expense in the condensed consolidated income statement represents:

	Six months ended 30 June	
	2012	2011
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Current tax expense		
Provision for PRC income tax	3,229	29,079
Deferred tax	<u>7,820</u>	<u>(1,409)</u>
	<u>11,049</u>	<u>27,670</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 did not have assessable profits subject to Hong Kong Profits Tax for the six months ended 30 June 2012 and 2011.
- (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. PROFIT FOR THE PERIOD

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

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of inventories sold	1,541,047	1,471,896
Depreciation of property, plant and equipment	23,131	21,900
Amortisation of lease prepayments	272	199
(Gain)/loss on disposal of property, plant and equipment	(216)	634
Gain on disposal of lease prepayments	(4,483)	–
Impairment loss in respect of property, plant and equipment	2,700	–
Net realised and unrealised (gains)/losses on trading securities	(1,845)	158
Net realised and unrealised gains on derivative financial instruments	(6,047)	(8,060)
Net exchange losses/(gains)	2,084	(2,587)

7. DIVIDENDS

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

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interim dividend declared after the interim period: nil (six months ended 30 June 2011: HK7 cents per share)	–	39,659

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	
	2012	2011
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Final dividend in respect of the previous financial year, approved and paid during the interim period, of HK6 cents per share (six months ended 30 June 2010: HK5 cents per share)	34,109	28,875

Pursuant to a resolution passed at the board of directors' meeting on 16 March 2012, dividends of HK\$41,952,000 (equivalent to RMB34,109,000) were declared and paid on 28 May 2012.

8. 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 2012 is based on the profit attributable to the equity shareholders of the Company of RMB20,226,000 (six months ended 30 June 2011: RMB87,637,000) and the weighted average number of 699,501,950 (six months ended 30 June 2011: 676,742,120) ordinary shares in issue during the period.

(b) Diluted earnings per share

The computation of diluted earnings per share for the six months ended 30 June 2012 does not assume the exercise of the Group's outstanding share options as the exercise price of those options is higher than the average market price of the Company's shares.

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 and the weighted average number of 687,766,822 ordinary shares.

	Six months ended 30 June	
	2012	2011
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	699,501,950	676,742,120
Effect of dilutive potential ordinary shares:		
Share options	–	1,586,613
Warrants	–	9,438,089
	699,501,950	687,766,822

9. TRADE AND OTHER RECEIVABLES

	At 30 June 2012 <i>RMB'000</i> (Unaudited)	At 31 December 2011 <i>RMB'000</i> (Audited)
Trade and bills receivables	339,416	370,373
Other receivables	136,906	81,335
Prepayments	51,583	130,845
Trade receivable from a jointly-controlled entity	10,350	12,312
	<u>538,255</u>	<u>594,865</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 2012 <i>RMB'000</i> (Unaudited)	At 31 December 2011 <i>RMB'000</i> (Audited)
Within 3 months	302,052	314,070
Over 3 months but less than 6 months	31,461	56,012
Over 6 months but less than 1 year	5,718	291
Over 1 year	185	—
	<u>339,416</u>	<u>370,373</u>

10. INTEREST-BEARING BORROWINGS

	At 30 June 2012 <i>RMB'000</i> (Unaudited)	At 31 December 2011 <i>RMB'000</i> (Audited)
Repayable within 1 year:		
Secured bank loans	491,195	362,600
Unsecured bank loans	245,437	337,611
Discounted bills	219,510	143,500
	<u>956,142</u>	<u>843,711</u>

- (i) The secured bank loans as at 30 June 2012 bore interest at rates ranging from 1.87% to 7.89% (31 December 2011: 3.35% to 7.87%) per annum. The bank loans and certain banking facilities were secured by the following assets:

	At 30 June 2012 <i>RMB'000</i> (Unaudited)	At 31 December 2011 <i>RMB'000</i> (Audited)
Carrying amount of assets pledged:		
Inventories	286,620	282,000
Property, plant and equipment	138,258	187,381
Lease prepayments	15,655	10,339
Pledged deposits	<u>186,253</u>	<u>32,351</u>

- (ii) Unsecured bank loans as at 30 June 2012 bore interest at rates ranging from 3.55% to 7.87% (31 December 2011: 3.35% to 7.87%) per annum.
- (iii) The Group's discounted bills were with recourse and the related proceeds of the same amount are included in the Group's "bills receivable" and "discounted bills" as at the reporting date.

11. TRADE AND OTHER PAYABLES

	At 30 June 2012 <i>RMB'000</i> (Unaudited)	At 31 December 2011 <i>RMB'000</i> (Audited)
Trade and bills payables	306,021	418,748
Other payables and accrued expenses	71,930	60,959
Trade payable to a jointly controlled entity	<u>42</u>	<u>295</u>
	<u>377,993</u>	<u>480,002</u>

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

	At 30 June 2012 <i>RMB'000</i> (Unaudited)	At 31 December 2011 <i>RMB'000</i> (Audited)
Within 3 months	286,315	364,289
Over 3 months but less than 6 months	9,018	51,317
Over 6 months but less than 1 year	8,866	1,377
Over 1 year	<u>1,822</u>	<u>1,765</u>
	<u>306,021</u>	<u>418,748</u>

12. SHARE CAPITAL

	Number of ordinary shares '000	Nominal value Amount HK\$'000	Equivalent RMB'000
Authorised:			
Ordinary shares of HK\$0.10 each	5,000,000	500,000	468,100
Issued and fully paid:			
At 1 January 2012 and 30 June 2012	<u>699,502</u>	<u>69,950</u>	<u>64,881</u>

13. CAPITAL COMMITMENTS

Capital commitments outstanding at the period end not provided for in the interim financial report were as follows:

	At 30 June 2012 RMB'000 (Unaudited)	At 31 December 2011 RMB'000 (Audited)
Authorised but not contracted for in respect of acquisition of property, plant and equipment	–	40,406
Contracted for in respect of acquisition of:		
– Property, plant and equipment	50,978	49,250
– Available-for-sale investment	<u>30,000</u>	<u>–</u>
	<u>80,978</u>	<u>89,656</u>

14. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current period's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

Prospects

In the first half of 2012, the European debt crisis further spread out and deteriorated while the U.S. economy was plagued by sluggish recovery. In addition, emerging economies faced pressures from structural adjustment and the economy also underwent an unexpected slowdown. All of these made it difficult to recover the global economy, with the impact of which, Chinese economy was not performing well. Although the output of nonferrous metals increased steadily, it was still a tough time for the nonferrous metal processing industry because of many factors, such as the increasing price of raw materials and the decline of processing service fees. The copper processing industry became the worst-hit area – with huge debt burden, certain small and medium sized enterprises went bankrupt one after the other; in respect of large companies, they also faced or is vulnerable to deficits, therefore it is not easy for them to balance their accounts, not to mention making profit. The net profit for the first half of this year decreased significantly compared to the same period last year, due to the fact that new products of the Group have not made any profit contribution, as well as the price of copper products and processing service fees declined because of the continuous global economy downturn.

Nevertheless, the Group overall maintained the original market share. In addition, to respond to changes in the market, the management of the Group with the strategy of “reinforce industry, expanding trading, stable investment and advanced research and development” as guideline, adjusted its policies actively, including:

- I. To increase investment in research and development as well as optimise product mix. Slim profit margin was the weakness of our original products. In order to overcome this shortage, the investment in research and development of new products increased dramatically in the first half of the year, which was approximately the gross investment of last year. New products were positioned in the “high-grade” level. As these new products are still in the development stage, they did not have any profit contribution yet. However, it is expected that these new products will make contribution to the profit of the Group in the future.

To support the production of new products, the Group spent huge sums to introduce international advanced production lines in two phases. The first phase is now under construction and the second phase will commence soon. By now, the Group has successfully developed the beryllium copper strip for vehicles and obtained national patent. Besides, it also has many other patents pending approval.

- II. To foster our technological innovation and improve the quality of our products. To solve the problem of low quality assurance as a result of low production yield, the management of the Group focused and agreed on a switch in the direction of our technological innovation strategy. The new direction was characterised by extra investment in our existing production lines to reduce investment risks and expedite production efficiency and we switched to the approach of reconstruction of amenity facilities of our existing production lines and construction in the last procedures of new projects. Our technological innovation proposal was implemented and initial improvement has been seen.

- III. To streamline our corporate structure and eliminate idle production capacity. To cater with the need of market development, after due consideration of the pros and cons, the management of the Group has decided to consolidate or even remove duplicated or redundant corporates to realise the simplest and most optimised structure. Meanwhile, the Group promptly responded to the call of the PRC government to reduce energy consumption and is in the process of eliminating or reconstructing equipment with high energy consumption, intensive pollution or high pollutant discharge. In addition, with an aim to reduce the idle rate to zero level, the Group disposed of or recycled idle assets to maximise our profit.
- IV. To provide intensive training to base-level management and invest in team building. On the back of slow sales, the management of the Group swiftly switch to focus on base-level management, capacity improvement and team building. To ensure more efficient output after our technological innovation, we intend to start from the basic and signed training and team building contracts with local training institutions for a term of several years, combined with the existing TTM and 5S management, we aim at enriching the management skills, tools and applications of our base-level management to strengthen our management on base-level staff and team.

At the same time, we also spent a lot effort in our team building process. During the first half of the year, we hired new graduates mainly from the comprehensive mechanical and electrical domain, with some other non-ferrous metal processing graduates for this year. We target to train them as major operator, team or group leader or even factory head. Furthermore, we will continue to recruit new hires from this year's graduates in the second half of the year and after a period of adjustment of two to three years, we expect our base-level staff, especially operators of our new production lines, to be composed mainly of university graduates so as to improve from a bottom-up perspective the quality of our staff, including core quality technological staff.

- V. To expand our investment path and expedite our project reporting process. To establish the Group as a comprehensive and modernised corporate group, the Group is in active pursuit of different investment themes. We are currently participating in various investment projects, which are underway and are expected to generate profits. Meanwhile, in order to improve our corporate image, we seek to comply with the reporting requirements on projects of the PRC and attempt to improve its inherent conditions. As at the date of this report, we have applied for certain awards including “National High-New Technology Enterprise”, which is expected to be granted soon.
- VI. To reinforce external cooperation and establish an efficient platform. As a solution to the issues surrounding our production technologies, the Group is actively looking for breakthroughs. To this end, we have established long-term partnership with institutions such as the General Research Institute For Nonferrous Metals (北京有色總院) and invited experts to conduct investigation and research regularly, as well as to conduct in-depth analysis and research on the bottle-neck we experienced. Significant breakthroughs have been achieved.

Looking forward to the second half of the year, under the influence of the PRC's policy to fine tune and "stabilise growth momentum" and a steady real estate market, the PRC's economy is expected to stabilise and return to an uptrend. On the back of this, improvement will be seen in business environment and the nonferrous metal industry is expected to experience a new wave of development opportunities. The management of the Group believes that, as a result of the effort and transformation abovementioned, the Group will perform even better in an adverse environment and hold its ground in the market, and survive all streams ahead to build a brighter future.

FINANCIAL REVIEW

Revenue and gross profit

Revenue of the Group for the six months ended 30 June 2012 amounted to RMB1,613.0 million, representing a decrease of 1.1% compared to RMB1,630.7 million of the corresponding period in 2011. Sales generated from the sale of high precision copper plates and strips, provision of processing services and trading of raw materials amounted to RMB1,192.5 million, RMB58.1 million and RMB362.4 million respectively (For the six months ended 30 June 2011: RMB1,266.8 million, RMB59.0 million and RMB304.9 million respectively). Although the total sales volume of high precision copper plates and strips products and the provision of processing services for the first half of 2012 amounted to 32,753 tonnes, which approximated to 31,602 tonnes as recorded in the corresponding period last year, the revenue generated from the sale of high precision copper plates and strips and the provision of processing services have both decreased compared to the corresponding period last year, which was due to the decrease in the selling price of copper products and the downward adjustment on processing service fees resulted from the continuous downturn of the global economy. The increase in the revenue of raw materials trading was mainly attributable to the sales volume in the first half of the year had increased by 53.2% to 8,963 tonnes from 5,851 tonnes of the corresponding period last year.

Gross profit of the Group for the six months ended 30 June 2012 amounted to RMB72.0 million, representing a decrease of 54.7% compared to RMB158.9 million of the corresponding last year, which was mainly due to the decrease in the selling price of copper products and the downward adjustment on processing service fees.

Other income

Other income of the Group mainly includes government subsidy and investment gains on bonds and futures. During the six months ended 30 June 2012, the Group's other income amounted to RMB30.7 million in total, representing an increase of 3.0% compared to RMB29.8 million of the corresponding period last year. Such increase was mainly attributable to the gain on disposal of a piece of land of RMB4.5 million, and no exchange gain was recorded in the period under review (corresponding period of last year: gain of RMB2.6 million).

Distribution expenses

During the six months ended 30 June 2012, our distribution expenses amounted to RMB9.4 million, which was slightly lower than that of RMB10.8 million of the corresponding period of last year. The drop was mainly attributable to the decrease in finance guarantee charges.

Administrative expenses

During the period under review, the Group's administrative expenses increased by 20.3% to RMB32.5 million from RMB27.0 million of the corresponding period last year. Such increase was mainly attributable to the increase in exchange loss and other tax expenses, which amounted to RMB2.1 million (corresponding period of last year: gain of RMB2.6 million) and RMB1.5 million respectively, as well as the recognition of share-based payment expenses for share options granted on 19 March 2012 of RMB1.6 million.

Other operating expenses

During the six months ended 30 June 2012, other operating expenses of the Group were RMB6.3 million, representing an increase of RMB2.3 million compared with RMB4.0 million of the corresponding period last year. Such increase was mainly attributable to the impairment loss of RMB2.7 million provided for an idle equipment.

Finance cost

Finance cost of the Group for the six months ended 30 June 2012 decreased by 8.9% to RMB25.1 million compared to that of RMB27.5 million of the corresponding period last year. Such decrease was mainly attributable to the loan raised during the period under review had reduced as compared to the corresponding period last year.

Share of profit of an associate

During the six months ended 30 June 2012, the Group had received a gain of RMB2.7 million from deregistration of its associate Ningbo Ruiju.

Share of loss of a jointly controlled entity

For the six months ended 30 June 2012, the Group's share of loss of a jointly controlled entity, Yingtan Ulba Shine Metal Materials Co., Ltd. ("Yingtan Ulba"), amounted to RMB0.6 million, which had decreased by RMB3.3 million compared to that of the corresponding period last year, which was mainly because that Yingtan Ulba's management had successfully explored new businesses and new customers.

Income tax

The Group's corporate income tax expenses for the six months ended 30 June 2012 decreased by RMB16.6 million to RMB11.0 million, representing a decrease of 60.1% compared to the corresponding period in 2011, while our effective tax rate had also increased to 34.9% from 24% of the corresponding period last year which was mainly attributable to some of our loss-making subsidiaries for the current period.

Profit attributable to equity shareholders of the Company

Given the above reasons, the Group's profit attributable to equity shareholders for the six months ended 30 June 2012 amounted to RMB20.2 million, representing a decrease of 76.9% compared to that of RMB87.6 million of the corresponding period last year.

LIQUIDITY AND FINANCIAL RESOURCES

As at the end of the reporting period, the Group's balance of cash and cash equivalents amounted to RMB135.8 million, representing a decrease of RMB104.6 million from end of last year.

During the reporting period, the Group's net cash from operating activities amounted to RMB55.6 million, mainly comprising profit for the year of RMB20.6 million and adjustments for non-cash flow items such as depreciation of property, plant and equipment and unrealised fair value change on derivative financial instruments.

During the reporting period, the Group's net cash used in investing activities was RMB107.4 million, which mainly comprises of payment for acquisition of property, plant and equipment, a piece of land and available-for-sale investments.

During the reporting period, the Group recorded a net cash used in financing activities of RMB52.9 million, which mainly comprising dividend payment of RMB34.1 million increase in pledged deposits net of bank borrowings raised.

As at 30 June 2012, the Group had outstanding bank loans of approximately RMB956.1 million, which shall be repaid within 1 year. As at 30 June 2012, 51.4% of the Group's debts was on secured basis.

The gearing ratio in the period of under review was 46.6% (31 December 2011: 41.5%), which is calculated by dividing the total borrowings over the total assets.

Charge on assets

As at 30 June 2012, the Group pledged assets with an aggregate carrying value of approximately RMB626.8 million (31 December 2011: RMB512.1 million) to secure bank loans and facilities of the Group.

Capital expenditure

For the six months ended 30 June 2012, the Group has invested approximately RMB58.7 million for purchase of property, plant and equipment. These capital expenditures were financed by internal resources and bank loans.

Capital commitments

As at 30 June 2012, the Group has been contracted but not provided for future capital expenditures amounted to RMB81.0 million.

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 RMB6.0 million for the six months ended 30 June 2012, which corresponding period in last year was approximately RMB8.0 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 loss of RMB2.1 million while recording a gain of RMB2.6 million for the corresponding period in 2011.

Employees

As at 30 June 2012, the total number of the Group's employs was 1,292 (30 June 2011: 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 the accounting principles and practices adopted by the Group and discussed the financial reporting matters including the review of the interim report prepared in accordance with the International Financial Reporting Standards. The audit committee has discussed with the external auditor of the Company the results of their agreed-upon procedures.

COMPLIANCE WITH 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 2012.

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 2012.

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 2012.

SUFFICIENCY OF PUBLIC FLOAT

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

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2012 (six months ended 30 June 2011: HK7 cents).

PUBLICATION OF 2012 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 2012 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, 31 August 2012

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