



Xinjiang Xinxin Mining Industry Co., Ltd.*

新疆新鑫礦業股份有限公司

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

Stock Code : 3833

Interim Report

20
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We See The Future

* For identification purpose only

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Corporate Information

Executive Directors

Yuan Ze (袁澤) (*Chairman*)
Shi Wenfeng (史文峰)
Zhang Guohua (張國華)
Liu Jun (劉俊)

Non-executive Directors

Zhou Chuanyou (周傳有)
Niu Xuetao (牛學濤)

Independent Non-executive Directors

Chen Jianguo (陳建國)
Sun Baosheng (孫寶生)
Ng Yuk Keung (吳育強)

Supervisors

Jiang Mingshun (姜明順)
Chen Jiahong (陳家洪)
Sun Baohui (孫寶輝)
Hu Zhijiang (胡志江)
Chen Yuping (陳玉萍)

Company Secretaries

Lam Cheuk Fai (林灼輝) *FCCA, FCPA*
Zhang Junjie (張俊杰)

Qualified Accountant

Lam Cheuk Fai (林灼輝) *FCCA, FCPA*

Audit Committee

Chen Jianguo (陳建國)
Zhou Chuanyou (周傳有)
Ng Yuk Keung (吳育強)

Authorised Representatives

Zhang Guohua (張國華)
Lam Cheuk Fai (林灼輝) *FCCA, FCPA*
Ng Yuk Keung (吳育強) (*Alternate*)

Registration Place of the Company in Hong Kong

9/F Gloucester Tower, The Landmark
15 Queen's Road Central
Central, Hong Kong

Statutory Address and Principal Place of Business in the PRC

7/F Youse Building
No. 4 You Hao North Road
Urumqi
Xinjiang

Compliance Adviser

BOCI Asia Limited

Legal Advisers to the Company

Huen Wong & Co.
in association with Fried, Frank, Harris,
Shriver & Jacobson LLP (Hong Kong law)
Beijing Grandfield Law Firm (PRC law)

Auditors

International auditors

PricewaterhouseCoopers

PRC auditors

PricewaterhouseCoopers Zhong Tian CPAs
Limited Company

H Share Registrar in Hong Kong

Computershare Hong Kong Investor
Services Limited
Shops 1712-1716, 17/F
Hopewell Centre
183 Queen's Road East
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Stock Code

3833



Company Results

The board of directors (the “Board”) of Xinjiang Xinxin Mining Industry Co., Ltd.* (the “Company”) hereby announces the unaudited consolidated operating results of the Company and its subsidiaries (the “Company and its Subsidiaries” or the “Group”) prepared in conformity with the Hong Kong Financial Reporting Standards (“HKFRS”) for the six months ended 30 June 2008 (the “Period”), together with the audited consolidated operating results of the first half of 2007 (the “Same Period Last Year”) for comparison. Such operating results have been reviewed and confirmed by the Company’s audit committee (the “Audit Committee”). Consolidated revenue of the Group for the Period decreased by 11.2% to RMB649.6 million, mainly due to a pullback in the nickel commodity price in the international market. The realised consolidated net profit attributable to the equity holders of the Company decreased by 46.7% to RMB259.1 million.

Basic earnings per share attributable to the equity holders of the Company for the Period amounted to RMB0.1172, representing a decrease of RMB0.2026 per share as compared to the Same Period Last Year. The decrease in basic earnings per share was due to the enlarged share capital base as a result of the initial public offering of the Company in October 2007, in addition to the decrease in net profit.

The Board does not recommend any payment of interim dividend for 2008.

Please refer to the unaudited condensed consolidated interim financial information for details of the consolidated operating results.

* For identification purpose only

Management Discussion and Analysis

Market Review and Outlook

During the first six months of 2008, nickel prices were lackluster, with the average nickel spot prices on the London Metal Exchange (the “LME”) ranged from US\$22,651 per tonne to US\$28,043 per tonne, making the average nickel price for the Period at US\$27,527 per tonne, representing a decrease of 34.9% from US\$42,277 per tonne for the Same Period Last Year. In the domestic market, the Changjiang Spot Rates of Shanghai Nonferrous Metal (上海有色金屬網之長江現貨價) (the “SMM”) at its website (www.smm.com.cn) also recorded a similar decrease of 41.0% in the average nickel prices for the Period to RMB228,413 per tonne from RMB387,370 per tonne for the Same Period Last Year.

On the other hand, copper prices remained strong during the first six months of 2008, with LME average copper prices ranged from US\$7,084 per tonne to US\$8,584 per tonne, making the average copper price for the Period at US\$8,045 per tonne, representing an increase of 18.7% from US\$6,775 for the Same Period Last Year. In the domestic market, the SMM indicated an increase of 4.1% in the average copper prices for the Period to RMB63,987 per tonne from RMB61,477 per tonne for the Same Period Last Year.

Commodities of nickel and copper are notoriously cyclic industries the prices of which often fluctuate over time. Future nickel and copper prices may continue to be volatile and are expected to be influenced by robust demand from domestic market of the People’s Republic of China (“PRC”), economic condition in the United States and other industrialised countries, the timing of the development of new supplies of nickel and copper, production levels of mines and nickel and copper smelters and the level of direct participation by investors. The Group considers the current underlying supply and demand conditions in the domestic nickel and copper markets to be positive for the Group and continue to pursue opportunities to expand its production capacity. The increased demand for durable goods in the PRC, along with less rapid increases in the supply of nickel and copper, is expected to support generally higher prices of nickel and copper over the longer term. Thus, the Group remains confident in the Group’s prospect to achieve the 2008 operating targets of producing 7,000 tonnes of nickel cathode, 4,200 tonnes of copper cathode and 50 tonnes of cobalt products, despite there may be some pullback or consolidation in the nickel and copper prices in 2008.

Note: Commodity prices mentioned above are inclusive of value-added tax

Business Review

The Group reported consolidated revenue of RMB649.6 million for the Period, a decline of 11.2% over the Same Period Last Year of RMB731.7 million. The consolidated net profit attributable to the equity holders of the Company was RMB259.1 million, representing a decrease of 46.7% as compared to the Same Period Last Year.

For the six-month period ending 30 June 2008, the Group’s production volume grew at a rate higher than the growth in the Group’s mining and smelting capacity. The Group therefore adequately increased the volume of outside purchase of raw materials containing nickel during the Period in order to better utilize the existing refining operation facilities. However, the cost of outside purchase of raw materials containing nickel during the Period was significantly higher than the cost of nickel supply internally.

Management Discussion and Analysis

On 12 June 2008, the Company invested RMB12.2 million in cash as registered capital, representing 51% equity interest in a newly-incorporated company in Xinjiang, the PRC, namely Xinjiang Mengxi Mining Company Limited* 新疆蒙西礦業有限公司 (“Mengxi Mining”), whose principal activities are exploration of mineral resources, investment in development projects, processing and selling of mineral products. The other investment partner is Xinjiang Baodi Mining Company Limited* 新疆寶地礦業有限責任公司, an independent third party, who holds the remaining 49% equity interest in Mengxi Mining.

Save as mentioned above, there have been no material changes in respect of the Group's performance since the publication of the latest annual report.

* The English name is a translation of the original Chinese name and is provided for reference only.

Financial Review and Analysis

Turnover and gross profit

The following table illustrates the details of sales by products for the Period and the Same Period Last Year:

Product name	For the period ended 30 June 2008			For the period ended 30 June 2007		
	Sales volume tonnes	Amounts RMB'000	% to Turnover	Sales volume tonnes	Amounts RMB'000	% to Turnover
Nickel cathode	2,593.8	502,654	77.4%	1,770.3	567,119	77.5%
Copper cathode	2,242.0	120,187	18.5%	1,517.0	78,384	10.7%
Copper concentrate	791.3	10,658	1.6%	4,805.0	67,889	9.3%
Other product		16,098	2.5%		18,352	2.5%
Total turnover		649,597	100.0%		731,744	100.0%
Cost of sales		(371,049)	57.1%		(204,228)	27.9%
Gross profit		278,548	42.9%		527,516	72.1%

Turnover of nickel cathode for the Period decreased by 11.4% to RMB502.7 million from the Same Period Last Year, as a result of the significant decline in commodity price of nickel in the domestic market as well as the international market. Average selling price of nickel cathode for the Period dropped by 39.5% to RMB193,791 per tonne. The decrease in turnover of nickel cathode was partly offset by the increase of 46.5% in the sales volume of nickel cathode to 2,593.8 tonnes in the Period.

To the contrary, commodity price of copper during the Period recorded a moderate increase in both the domestic and international markets by 4.1% and 18.7%, respectively, from the Same Period Last Year. Turnover from copper cathode for the Period rose 53.3% to RMB120.2 million. The increase in turnover of copper cathode was primarily due to an increase of 47.8% in its sales volume to 2,242.0 tonnes and an increase of 3.8% in average selling price to RMB53,607 per tonne in the Period.



Management Discussion and Analysis

Turnover of copper concentrate for the Period decreased by 84.3% to RMB10.7 million, mainly due to the decrease of 83.5% in its sales volume to 791.3 tonnes. The decrease in sales volume of copper concentrate was due to the decrease in its production volume caused by the expansion of the concentrator to improve the production technology.

In the Period, turnover from other products was RMB16.1 million, a decrease of 12.5% from RMB18.4 million in the Same Period Last Year, mainly due to the decreases in sales volume of cobalt products and super-fine nickel products.

Gross profit of the Group in the Period decreased by 47.2% to RMB278.5 million from RMB527.5 million in the Same Period Last Year, and the gross profit margin for the Period and the Same Period Last Year were 42.9% and 72.1%, respectively. The decrease in gross profit margin for the Period was mainly due to the decrease in the market price of nickel cathode and the increase in the volume and cost of outside purchase of raw materials containing nickel.

Selling and marketing expenses

Selling and marketing expenses decreased by 36% to RMB3.2 million, mainly due to a decrease in transportation cost resulting from the decrease in sales volume of copper concentrate during the Period.

Administrative expenses

Administrative expenses increased by 32% to RMB54.1 million, mainly due to the increase in mineral resources compensation fee as a result of the changes in its computation and payment basis.

Other income

Other income increased significantly by 10 times to RMB51.8 million, mainly due to the increase in interest income as a result of the significant increase in average cash and bank balances.

Other gains/(losses) – net

Other gains/(losses) – net decreased to net losses of RMB12.5 million from a net gain of RMB4.0 million, mainly due to donations and contributions of RMB16.5 million which were made to the local finance department, and charitable and non-profit organizations in respect of the development of mineral area, the social benefit affairs and the Sichuan Earthquake Relief Appeal in the Period.

Financial position

The Group's balance sheet remains strong and free from bank debts or borrowings. During the first half of 2008, shareholders' equity increased by 1.8% to RMB5,183.0 million as of 30 June 2008. Total assets increased by 0.6% to RMB5,342.6 million largely due to increases in property, plant and equipment.

Management Discussion and Analysis

For the period under review, the Group's net cash inflow generated from operating activities was RMB104.8 million, decreased by RMB291.6 million from RMB396.4 million in the Same Period Last Year, primarily due to a decrease of operating profit. Net cash of RMB104.8 million used in investing activities mainly consisted of additions to property, plant and equipment during the Period. Net cash of RMB169.0 million used in financing activities mainly represented the dividend paid in June 2008.

Liquidity and Financial Resources

As at 30 June 2008, the Group had total cash and cash equivalents amounting to RMB3,926.0 million, and those for the year ended 31 December 2007 were RMB4,096.1 million.

	As at 30 June 2008	As at 31 December 2007
Current Ratio (Times)	32.3	22.6
Gearing Ratio	NA**	NA**

** As at 30 June 2008 and 31 December 2007, the Group did not have any loans or borrowings.

Acquisition and Disposals

On 12 June 2008, the Company invested RMB12.2 million in cash as registered capital, representing 51% equity interest in Mengxi Mining, a newly-incorporated company in Xinjiang, the PRC.

Save as disclosed above, during the Period, there were no other material acquisition and disposals in relation to the Company and its Subsidiary and associated companies.

Commodity Price Risk

The prices of the Group's products are impacted by international and domestic market prices and changes in global supply and demand for such products. Price volatility of non-ferrous metals is also affected by the global and PRC economics cycles as well as the fluctuations of the global currency markets. Both the international and domestic market prices of non-ferrous metals as well as the volatility of supply and demand are beyond the control of the Group. Therefore, the volatility of commodity price may materially affect the turnover and the profit of the Group. The Group did not engage in nor entered into any trading contracts and pricing arrangements to hedge the risk of volatility of non-ferrous metals price.



Management Discussion and Analysis

Risk of Fluctuations in Exchange Rate

The transactions of the Group are all denominated in Renminbi. Fluctuations in exchange rates may affect the international and domestic non-ferrous metal commodity prices, which may impact the Group's results of operation. Renminbi is not a freely convertible currency, and the conversion of Renminbi to a basket of currencies may involve fluctuations. In light of further actions and measures adopted for free transactions of Renminbi by the PRC government, fluctuations in exchange rates may adversely affect the value, translated or converted into Hong Kong dollars, of the Group's net assets, earnings and any dividends the Company declares.

Interest Rate Risk

Although the Group has no exposure to risks resulting from fluctuations in interest rates on the Group's debt-free balance sheet, to the extent that the Group may need to raise debt financing in the future, any upward fluctuations in interest rates will increase the cost of new debt financing.

Purchase, Sale or Redemptions of the Company's Listed Securities

Neither the Company nor its Subsidiary purchased, sold or redeemed any securities of the Company during the Period.

Charge on Assets

As at 30 June 2008, there were no charges or pledges of assets in the Group.

Material Litigation or Arbitration

The Group was not involved in any material litigation or arbitration during the Period.

Contingent Liabilities

Save as disclosed in the note 20 to the condensed consolidated interim financial information (unaudited), the Group had no other significant contingent liabilities as at 30 June 2008.

Directors' and Supervisors' Interest in Contract

As at 30 June 2008, none of the directors or supervisors of the Company had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, its subsidiary or any of its fellow subsidiaries was a party during the Period.

Interests of Directors and Supervisors in Shares

Share Appreciation Rights Incentive Scheme

At the annual general meeting held on 29 May 2008, the Company adopted and approved a share appreciation rights incentive scheme (the "Share Appreciation Rights Incentive Scheme" or "SARIS") to acknowledge the contributions of senior management and key personnel. The SARIS is an arrangement providing for incentive for the management of the Company such that it attaches importance to the performance of the shares of the Company and its long-term development without the characteristics of shares. It is intended to align the senior management's interests to those of the Company and its shareholders. It is intended that the operation of the SARIS will not involve any issue of new H Shares of the Company, and the exercise of any share appreciation rights will not create a dilution effect on the Company's shareholding structure.

The SARIS entitles persons who are granted such rights to receive cash payments when the Company's share price rises above the exercise price granted in the share appreciation rights in a certain pre-determined period, subject to certain terms and conditions of the SARIS.

The share appreciation rights are not transferable, nor are there any voting rights attached to the share appreciation rights. The SARIS is not a scheme involving the grant of options over new securities of the Company, and therefore will not fall within the ambit of, and will not be subject to, Chapter 17 of the Listing Rules.

Below listed are the recipients of the SARIS and their allocated number of SARIS number as at 30 June 2008:

Senior management

Name	Position	Number of SARIS	Percentage of total issued shares
Yuan Ze	Chairman of the Board and executive director	3,000,000	0.136
Shi Wenfeng	General manager and executive director	2,000,000	0.090
Zhang Guohua	Executive deputy general manager and executive director	2,000,000	0.090
Liu Jun	Deputy general manager and executive director	1,000,000	0.045
Niu Xuetao	Non-executive director	500,000	0.023
He Hongfeng	Financial controller	1,000,000	0.045
Zhang Junjie	Company secretary	1,000,000	0.045
Wu Tao	Chief engineer	1,000,000	0.045
Total – senior management		11,500,000	0.520

Directors' Interest

Key personnel

Name	Position	Number of SARIS	Percentage of total issued shares
Yu Su Pujiang	Deputy factory manager-Fukang Refinery	260,000	0.012
Huo Lixin	Deputy factory manager-Fukang Refinery	260,000	0.012
Sheng Zugui	Deputy factory manager-Fukang Refinery	260,000	0.012
Song Lianmin	Deputy factory manager-Fukang Refinery	260,000	0.012
Liu Chaohui	Deputy factory manager-Kalatongke Mine	260,000	0.012
Zhang Xuedong	Deputy factory manager-Kalatongke Mine	260,000	0.012
Sun Baohui	Deputy factory manager-Kalatongke Mine and supervisor	260,000	0.012
Ku Eran	Deputy factory manager-Kalatongke Mine	260,000	0.012
Qi Xinhui	Deputy factory manager-Kalatongke Mine	260,000	0.012
Li Bing	Deputy factory manager-Kalatongke Mine	260,000	0.012
Xia Bing	Sales branch manager	260,000	0.012
Li Jianhua	Finance manager	260,000	0.012
Total – key personnel		3,120,000	0.141
Total – senior management and key personnel		14,620,000	0.662

Save as disclosed above and in the section headed “Share Capital and Dividend – Shareholding of Substantial Shareholders”, as at 30 June 2008, none of the directors or supervisors of the Company or their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”)), which would be required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to Part XV of the SFO or which would be required, pursuant to Section 352 of the SFO, to be entered into the register referred to therein or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

Directors' and Supervisors' Rights to Acquire Shares or Debentures

Save as disclosed above, at no time during the Period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any directors and supervisors of the Company or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company, its subsidiary or any of its fellow subsidiaries a party to any arrangement to enable the directors or supervisors of the Company to acquire such rights in any other body corporate.

Share Capital and Dividends

Share Capital

The Company's share capital as at 30 June 2008 is as follows:

	Number of shares issued	% of capital	Nominal value RMB'000
Registered, issued and fully paid			
Domestic shares of RMB0.25 each	1,451,000,000	65.66%	362,750
H shares of RMB0.25 each	759,000,000	34.34%	189,750
	2,210,000,000	100.00%	552,500

Shareholding of Substantial Shareholders

So far as was known to any director or supervisor of the Company, as at 30 June 2008, the persons or companies (other than a director or supervisor of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly deemed to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company were as follows:

Name	Number of shares held	Class of share	Approximate percentage of shareholding on relevant class of shares (%)	Approximate percentage of the total share capital (%)
Xinjiang Non-ferrous Metal Industry (Group) Ltd.* (新疆有色金屬工業(集團)有限責任公司)	885,204,000 (L)	Domestic share	61.01	40.06
Shanghai Yilian Kuangneng Co. Ltd* (上海怡聯礦能實業有限公司) (Note)	282,896,000 (L)	Domestic share	19.50	12.80
Zhongjin Investment (Group) Ltd* (中金投資(集團)有限公司) (Note)	198,028,000 (L)	Domestic share	13.65	8.96
The National Council for Social Security Fund of the PRC (中國全國社會保障基金理事會)	69,000,000 (L)	H share	9.09	3.12

(L) = Long positions

Note: All the shareholdings/equity interests of Shanghai Yilian Kuangneng Co. Ltd* (上海怡聯礦能實業有限公司) ("Shanghai Yilian") and 98.83% of the shareholdings of Zhongjin Investment (Group) Ltd* (中金投資(集團)有限公司) ("Zhongjin Investment") are beneficially owned by Mr. Zhou Chuanyou (周傳有). The interest attributable to Mr. Zhou represents his indirect deemed interest in the Company's issued capital via his equity interests in Shanghai Yilian and Zhongjin Investment.

* The English name is a translation of the Chinese name and provided for reference only.



Share Capital and Dividends

Save as disclosed above, as at 30 June 2008, the directors of the Company were not aware of any other person (other than a director or supervisor of the Company) who had interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

Dividends

Pursuant to the Board meeting held on 19 November 2007, the directors of the Company proposed payment of a special dividend of RMB480,914,360 to the promoters of the Company in respect of the retained profit as at 31 December 2006 and the profit for the first half of 2007 after appropriation to the statutory reserve. The special dividend was fully paid to the promoters of the Company in December 2007. The 2007 final dividend of RMB176.8 million was paid in June 2008.

The Board does not recommend any payment of interim dividend for 2008.

Employees and Welfare

As at 30 June 2008, the Group had 2,436 full-time employees. Breakdowns by function and location are as follows:

Division	Employees	% to Total
Management and administration	123	5.0%
Engineering technician	351	14.4%
Production staff	1,531	62.8%
Repair and maintenance	284	11.7%
Inspection	136	5.6%
Sales	11	0.5%
Total	2,436	100.0%

The remuneration package of the Group's employees includes salary, bonuses and allowances. The Group has participated in the social insurance contribution plans organised by local governments in the PRC. In accordance with the relevant national and local labour and social welfare laws and regulations, the Group is required to pay on behalf of its employees a monthly social insurance premium covering pension insurance, medical insurance, employment insurance and housing provident funds. According to the current applicable local regulations, the respective percentages of the pension insurance, medical insurance, employment insurance and housing provident funds which the Group must contribute are 20%, 6%-7.5%, 2% and 10%, respectively, of its employees' total monthly basic salary. The Group also contributes 0.5%-2% of its employees' total monthly basic salary for occupational injury insurance and 0.6%-1% of the total monthly basic salary for maternity cover.



Use of Proceeds

During the Period, the Company applied the proceeds from the initial public offering totaling RMB147.6 million as follows:

- RMB0.6 million was used in relation to the further exploration of areas in which the Company currently holds mining rights;
- RMB91.7 million was used in relation to the further expansion of the mining and ore processing of the Kalatongke Mine;
- RMB1.8 million to be used in relation to the expansion of the smelting operation in the Kalatongke Mine;
- RMB27.8 million was used in relation to the expansion of the refining capacity of the Fukang Refinery in respect of 13,000 tonnes of nickel cathode per year;
- RMB13.5 million was used in relation to the expansion of the refining capacity of the Fukang Refinery in respect of 12,000 tonnes of copper cathode per year; and
- RMB12.2 million was used in relation to an investment in Mengxi Mining.



Corporate Governance

Corporate Governance and Compliance with the Code on Corporate Governance Practices

The Company is committed to improving its corporate governance, and enhancing the transparency to its shareholders. Throughout the Period, to the knowledge of the Board, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules.

Board of Directors

The Board consists of nine directors, including four executive directors, two non-executive directors and three independent non-executive directors. During the Period, the Board convened one meeting (with an attendance rate of 8/9) in which all four executive directors attended such Board meeting.

Supervisory Committee

The Company has a supervisory committee comprising five Supervisors to exercise supervision over the Board and its members and the senior management; and preventing them from abusing their power and authorities and jeopardizing the legal interests of the shareholders, the Company and its employees. The supervisory committee convened one meeting during the Period (with an attendance rate of 4/5).

Model Code for Directors' Dealing in Securities

Upon specific enquiries made to all the directors of the Company and in accordance with information provided, the Board confirmed that all directors of the Company have complied with the provisions under the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 of the Listing Rules during the Period.

Audit Committee

Written terms of reference of the audit committee of the Board (the "Audit Committee") based on "A Guide for Effective Audit Committees" issued by the Hong Kong Institute of Certified Public Accountants have been adopted by the Board. The Audit Committee provides an important link between the Board and the Group's auditors in matters falling within the scope of the audit of the Group. The Audit Committee reviews the effectiveness of the external audit and of internal controls, evaluate risks and will provide comments and advice to the Board. The Audit Committee comprises one non-executive director, namely, Mr. Zhou Chuanyou and two independent non-executive directors, namely, Mr. Chen Jianguo and Mr. Ng Yuk Keung. The Audit Committee is chaired by Mr. Chen Jianguo. The Audit Committee has reviewed the unaudited financial results of the Group for the Period and considered that they are in compliance with the relevant accounting standards, and that the Company has made appropriate disclosure thereof.

By Order of the Board
Xinjiang Xinxin Mining Industry Co., Ltd.
Yuan Ze
Chairman

Xinjiang, the PRC, 20 August 2008

Condensed Consolidated Interim Balance Sheet

(All amounts in RMB thousands unless otherwise stated)

		As at	
	Note	30 June 2008 (Unaudited)	31 December 2007 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	4	689,969	556,702
Mining rights	4	287,946	292,896
Land use rights	4	77,090	77,913
Other intangible assets		506	97
Total non-current assets		1,055,511	927,608
Current assets			
Inventories		269,980	274,389
Accounts and bills receivable	5	2,621	2,672
Other receivables, prepayments and other current assets	6	88,456	10,454
Cash and bank balances		3,926,036	4,096,103
Total current assets		4,287,093	4,383,618
Total assets		5,342,604	5,311,226

Condensed Consolidated Interim Balance Sheet

(All amounts in RMB thousands unless otherwise stated)

		As at	
	Note	30 June 2008 (Unaudited)	31 December 2007 (Audited)
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	7	552,500	552,500
Capital reserve		4,055,489	4,055,489
Other reserves		153,076	153,076
Retained earnings		412,167	329,895
Minority interests		9,798	—
Total equity		5,183,030	5,090,960
LIABILITIES			
Non-current liabilities			
Long-term payables	8	1,692	1,967
Provision for close down, restoration and environmental costs		4,524	4,354
Deferred income		20,494	20,386
Total non-current liabilities		26,710	26,707
Current liabilities			
Current portion of long-term payables	8	1,308	1,824
Trade payables	9	49,623	74,934
Other payables and accruals	10	81,933	116,801
Total current liabilities		132,864	193,559
Total liabilities		159,574	220,266
Total equity and liabilities		5,342,604	5,311,226
Net current assets		4,154,229	4,190,059
Total assets less current liabilities		5,209,740	5,117,667

Condensed Consolidated Interim Income Statement

(All amounts in RMB thousands unless otherwise stated)

	Note	Six months ended 30 June	
		2008 (Unaudited)	2007 (Audited)
Revenue	11	649,597	731,744
Cost of sales	12	(371,049)	(204,228)
Gross profit		278,548	527,516
Selling and marketing expenses	12	(3,249)	(4,980)
Administrative expenses	12	(54,050)	(41,015)
Other income	13	51,791	4,659
Other (losses)/gains – net	14	(12,525)	3,995
Operating profit		260,515	490,175
Finance costs – net	15	(1,445)	(5,031)
Profit before income tax		259,070	485,144
Income tax expense	16	–	(238)
Profit for the period		259,070	484,906
Attributable to:			
Equity holders of the Company		259,072	486,069
Minority interests		(2)	(1,163)
		259,070	484,906
Earnings per share for profit attributable to the equity holders of the Company during the period (expressed in Renminbi per share)			
– basic and diluted	17	0.1172	0.3198
Proposed dividend	18	–	480,914

Condensed Consolidated Interim Statement of Changes in Equity

(All amounts in RMB thousands unless otherwise stated)

	Attributable to equity holders of the Company					Minority interests	Total equity
	Share capital	Capital reserve	Other reserves	Retained earnings	Total		
At 1 January 2007	380,000	90,750	213,457	464,481	1,148,688	23,613	1,172,301
Profit for the period	–	–	–	486,069	486,069	(1,163)	484,906
Profit distribution	–	–	–	(13,045)	(13,045)	–	(13,045)
Dividend	–	–	–	(400,000)	(400,000)	–	(400,000)
Appropriation to statutory reserve	–	–	48,173	(48,173)	–	–	–
Listing expenses charged to other reserves	–	–	(9,845)	–	(9,845)	–	(9,845)
Disposal of a subsidiary	–	–	–	–	–	(22,450)	(22,450)
At 30 June 2007 (Audited)	380,000	90,750	251,785	489,332	1,211,867	–	1,211,867
At 1 January 2008	552,500	4,055,489	153,076	329,895	5,090,960	–	5,090,960
Profit for the period	–	–	–	259,072	259,072	–	259,072
Dividend	–	–	–	(176,800)	(176,800)	–	(176,800)
Minority interests	–	–	–	–	–	9,798	9,798
At 30 June 2008 (Unaudited)	552,500	4,055,489	153,076	412,167	5,173,232	9,798	5,183,030

Condensed Consolidated Interim Cash Flow Statement

(All amounts in RMB thousands unless otherwise stated)

	Note	Six months ended 30 June	
		2008 (Unaudited)	2007 (Audited)
Cash flows from operating activities			
Cash generated from operations		104,824	397,980
Interest paid		—	(1,188)
Income tax paid		—	(357)
Net cash generated from operating activities		104,824	396,435
Cash flows from investing activities			
Purchase of property, plant and equipment		(157,092)	(88,791)
Purchase of available for sale financial assets		(3,820)	—
Purchase of land use rights		—	(927)
Proceeds from disposal of a subsidiary		—	(35,780)
Proceeds from disposal of property, plant and equipment		8	—
Purchase of other intangible assets		(444)	—
Interest received		51,791	4,293
Proceeds from disposal of available for sale financial assets		4,792	—
Net cash used in investing activities		(104,765)	(121,205)
Cash flows from financing activities			
Capital contribution from a minority equity holder of a subsidiary	19	7,800	—
Profit distribution to Holding Company		—	(13,045)
Dividend paid		(176,800)	(400,000)
Proceeds from borrowings		—	50,000
Net cash used in financing activities		(169,000)	(363,045)
Net decrease in cash and bank balances		(168,941)	(87,815)
Cash and bank balances at beginning of the period		4,096,103	562,482
Effect on foreign exchange rate changes, net		(1,126)	—
Cash and bank balances at end of the period		3,926,036	474,667

Notes to the Condensed Consolidated Interim Financial Information (Unaudited)

(All amounts in RMB thousands unless otherwise stated)

1. General information

Xinjiang Xinxin Mining Industry Co., Ltd. (the “Company”) and its subsidiary (collectively referred to as the “Group”) is principally engaged in the mining, ore processing, smelting, refining and sales of nickel, copper and other non-ferrous metal products. The Company was incorporated in the People’s Republic of China (the “PRC”) on 1 September 2005 as a joint stock company with limited liability. The address of the Company’s office is 7/F, Youse Building, No.4 You Hao North Road, Urumqi, Xinjiang Uygur Autonomous Region of the PRC.

In October 2007, the Company completed its initial public offering (“IPO”) and the H shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited.

This condensed consolidated interim financial information is presented in thousands of units of Renminbi (“RMB”), unless otherwise stated.

This condensed consolidated interim financial information has been approved for issue by the Board of Directors on 20 August 2008.

2. Basis of preparation

This condensed consolidated interim financial information for the half-year ended 30 June 2008 has been prepared in accordance with HKAS 34, ‘Interim financial reporting’. The interim condensed financial report should be read in conjunction with the annual financial statements for the year ended 31 December 2007.

The consolidated financial statements have been prepared under the historical cost convention except that certain financial assets and financial liabilities at fair value as appropriate.

3. Accounting policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2007, as described in the annual financial statements for the year ended 31 December 2007.

In addition to the accounting policy as described in the annual financial statements for the year ended 31 December 2007, the Company adopted the following accounting policy in relation to the Share Appreciation Rights Incentive Scheme:

The Group operates a cash settled Share Appreciation Rights Incentive Scheme (“SARIS”). The related cost of services received from the employees and the liability to pay for such services are measured at fair value and recognised over the vesting period as the employees render services. Fair value is established at the grant date, re-measured at each reporting date with any changes in fair value recognised in the profit or loss for the period and derecognised until the liability is settled.

Notes to the Condensed Consolidated Interim Financial Information (Unaudited)

(All amounts in RMB thousands unless otherwise stated)

3. Accounting policies (continued)

The total amount to be expensed over the vesting period is determined by reference to the fair value of the SARIS granted, excluding the impact of any non-market vesting conditions. Non-market conditions are included in the assumptions about the number of SARIS that are expected to vest. At each balance sheet date, the Group revises its estimates of the number of SARIS that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to liability.

The following new standards, amendments to standards or interpretations are mandatory for the first time for the financial year beginning 1 January 2008 but are not currently relevant for the Group:

- HK(IFRIC) – Int 11, 'HKFRS 2 – Group and treasury share transactions';
- HK(IFRIC) – Int 12, 'Service concession arrangements'; and
- HK(IFRIC) – Int 14, 'HKAS 19 – the limit on a defined benefit asset, minimum funding requirements and their interaction'.

The following new standards, amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2008 and have not been early adopted:

- HKFRS 8, 'Operating segments', effective for annual periods beginning on or after 1 January 2009. HKFRS 8 replaces HKAS 14, 'Segment reporting', and requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply HKFRS 8 from 1 January 2009 and the management is currently assessing the impact of HKFRS 8;
- HKAS 23 (amendment), 'Borrowing costs', effective for annual periods beginning on or after 1 January 2009. The Group will apply HKAS 23 (amendment) from 1 January 2009 but it is currently not applicable to the Group as there are no qualified assets;
- HKFRS 2 (amendment) 'Share-based payment', effective for annual periods beginning on or after 1 January 2009. The Group will apply HKFRS 2 (amendment) from 1 January 2009, but it is not expected to have any impact on the Group's accounts;
- HKFRS 3 (amendment), 'Business combinations' and consequential amendments to HKAS 27, 'Consolidated and separate financial statements', HKAS 28, 'Investments in associates' and HKAS 31, 'Interests in joint ventures', effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. Management is assessing the impact of the new requirements regarding acquisition accounting, consolidation and associates on the Group. The Group does not have any joint ventures. The Group will apply HKFRS 3 (amendment) from 1 January 2010;

Notes to the Condensed Consolidated Interim Financial Information (Unaudited)

(All amounts in RMB thousands unless otherwise stated)

3. Accounting policies *(continued)*

- HKAS 1 (amendment), 'Presentation of financial statements', effective for annual periods beginning on or after 1 January 2009. The Group will apply HKAS 1 (amendment) from 1 January 2009;
- HKAS 32 (amendment), 'Financial instruments: presentation', and consequential amendments to HKAS 1, 'Presentation of financial statements', effective for annual periods beginning on or after 1 January 2009. The Group will apply HKAS 32 (amendment) from 1 January 2009, but it is not expected to have any significant impact to the Group's accounts; and
- HK(IFRIC) – Int 13, 'Customer loyalty programmes', effective for annual periods beginning on or after 1 July 2008. Management is evaluating the effect of this interpretation on its revenue recognition. HK(IFRIC) – Int 13 is not relevant to the Group's operations because none of the Group's companies operate any loyalty programmes.

4. Non-current assets

	Property, plant and equipment	Mining rights	Land use rights	Total
Six months ended 30 June 2007				
Opening net book amount				
1 January 2007	468,028	284,117	77,995	830,140
Additions	74,107	–	12,405	86,512
Disposals	(493)	–	(10,841)	(11,334)
Disposal of a subsidiary	(86,439)	–	–	(86,439)
Depreciation/Amortization	(12,513)	(4,956)	(808)	(18,277)
Closing net book amount				
30 June 2007 (Audited)	442,690	279,161	78,751	800,602
Six months ended 30 June 2008				
Opening net book amount				
1 January 2008	556,702	292,896	77,913	927,511
Additions	149,599	–	–	149,599
Disposals	(287)	–	–	(287)
Depreciation/Amortization	(16,045)	(4,950)	(823)	(21,818)
Closing net book amount				
30 June 2008 (Unaudited)	689,969	287,946	77,090	1,055,005

Notes to the Condensed Consolidated Interim Financial Information (Unaudited)

(All amounts in RMB thousands unless otherwise stated)

5. Accounts and bills receivable

	As at	
	30 June 2008 (Unaudited)	31 December 2007 (Audited)
Accounts receivable		
– Fellow subsidiaries	943	919
– Other state-owned enterprises	498	601
– Third parties	3,685	2,324
	5,126	3,844
Bills receivable	–	1,225
Less: Impairment provision	(2,505)	(2,397)
	2,621	2,672

Ageing analysis of the gross accounts receivable is as follows:

	As at	
	30 June 2008 (Unaudited)	31 December 2007 (Audited)
0 – 90 days	1,655	1,374
91 – 180 days	696	–
181 – 365 days	324	–
Over 365 days	2,451	2,470
	5,126	3,844

The credit period of accounts receivable generally ranges from 1 to 3 months.

Accounts receivable from related parties are unsecured, interest free and repayable in accordance with the relevant contract entered into between the Group and these related parties. Accounts receivable from third parties are unsecured and non-interest bearing.

The carrying amounts of accounts and bills receivable approximate their fair values.

Notes to the Condensed Consolidated Interim Financial Information (Unaudited)

(All amounts in RMB thousands unless otherwise stated)

6. Other receivables, prepayments and other current assets

	As at	
	30 June 2008 (Unaudited)	31 December 2007 (Audited)
Other receivables		
– Other state-owned enterprises	15,035	151
– Third parties	3,601	2,214
Less: Impairment provision	(1,155)	(1,155)
	17,481	1,210
Advances to suppliers (Note (a))	70,975	9,244
	88,456	10,454

Note:

(a) Advances to suppliers are analysed as follows:

	As at	
	30 June 2008 (Unaudited)	31 December 2007 (Audited)
Advances to suppliers		
– Fellow subsidiaries	3,256	132
– Other state-owned enterprises	49,047	357
– Third parties	18,672	8,755
	70,975	9,244

Other receivables are unsecured, interest free and have no fixed repayment term.

The carrying amounts of other receivables, prepayments and other current assets approximate their fair values.

Notes to the Condensed Consolidated Interim Financial Information (Unaudited)

(All amounts in RMB thousands unless otherwise stated)

7. Share capital

Issued and fully paid	As at		As at	
	30 June 2008 Number of shares	Amount (Unaudited)	31 December 2007 Number of shares	Amount (Audited)
Domestic shares of RMB0.25 each	1,451,000,000	362,750	1,451,000,000	362,750
H shares of RMB0.25 each	759,000,000	189,750	759,000,000	189,750
At the period/year end	2,210,000,000	552,500	2,210,000,000	552,500

8. Long-term payables

Early retirement benefit obligation

	As at	
	30 June 2008 (Unaudited)	31 December 2007 (Audited)
At beginning of the period	3,791	6,066
Interest cost	148	300
Paid during the period	(939)	(2,575)
At end of the period	3,000	3,791

Analysis of early retirement benefit obligation

	As at	
	30 June 2008 (Unaudited)	31 December 2007 (Audited)
Current	1,308	1,824
Non-current	1,692	1,967
At end of the period	3,000	3,791

Notes to the Condensed Consolidated Interim Financial Information (Unaudited)

(All amounts in RMB thousands unless otherwise stated)

8. Long-term payables (continued)

The provision for early retirement benefit is in respect of future payments to be made by the Group to former employees who have accepted early retirement terms. These payments are made monthly based on the employees' pre-retirement salary level and age, and are due to be made until the former employees reach normal statutory retirement age, which extends up to 2026. The early retirement policy ceased since the incorporation of the Company.

9. Trade payables

	As at	
	30 June 2008 (Unaudited)	31 December 2007 (Audited)
Trade payables		
– Fellow subsidiaries	11,160	10,462
– Other state-owned enterprises	2,567	10,109
– Third parties	35,896	54,363
	49,623	74,934

The ageing analysis of trade payables is as follows:

	As at	
	30 June 2008 (Unaudited)	31 December 2007 (Audited)
0 – 90 days	18,790	60,760
91 – 180 days	17,668	2,500
181 – 365 days	2,636	7,489
Over 365 days	10,529	4,185
	49,623	74,934

Trade payables are repayable according to normal trade terms within one year.

The carrying amounts of trade payable approximate their fair values.

Notes to the Condensed Consolidated Interim Financial Information (Unaudited)

(All amounts in RMB thousands unless otherwise stated)

10. Other payables and accruals

	As at	
	30 June 2008 (Unaudited)	31 December 2007 (Audited)
Other payables (Note (a))	16,441	17,675
Customer deposits and receipts in advance	15,900	12,368
Salary and welfare payables	41,580	68,930
Other levies	247	3,756
Accrued taxes other than income tax (Note (b))	7,765	14,072
	81,933	116,801

Notes:

(a) Other payables are analysed as follows:

	As at	
	30 June 2008 (Unaudited)	31 December 2007 (Audited)
Other payables		
– Fellow subsidiaries	251	597
– Other state-owned enterprises	25	–
– Third parties	16,165	17,078
	16,441	17,675

The carrying amounts of other payables approximate their fair values.

(b) Accrued taxes other than income tax are analysed as follows:

	As at	
	30 June 2008 (Unaudited)	31 December 2007 (Audited)
Value added tax	2,403	3,538
City construction tax	418	4,060
Individual income tax	963	2,281
Stamp Duty	–	2,879
Mineral resources compensation fee	3,784	–
Others	197	1,314
	7,765	14,072

Notes to the Condensed Consolidated Interim Financial Information (Unaudited)

(All amounts in RMB thousands unless otherwise stated)

11. Revenue

Revenue represents the sales value of goods sold to customers net of value added tax.

Revenue recognised during the six months ended 30 June 2007 and 2008 is analysed as follows:

	Six months ended 30 June	
	2008 (Unaudited)	2007 (Audited)
Nickel cathode	502,654	567,119
Copper cathode	120,187	78,384
Copper concentrate	10,658	67,889
Others	16,098	18,352
	649,597	731,744

12. Expenses by nature

The following items have been (credited)/charged to the operating profit during the period:

	Six months ended 30 June	
	2008 (Unaudited)	2007 (Audited)
Depreciation (Note 4)	16,045	12,513
Amortisation	5,808	5,765
Reversal of impairment of inventories	—	(3,913)
Provision for impairment of accounts receivable	108	415
Provision for/impairment of other receivables	—	63
Staff costs	75,322	94,785
Changes in inventories of finished goods and work-in-progress	(1,967)	(41,874)
Raw materials and consumables used	230,032	111,218
Power and fuel consumed	36,229	26,578
Subcontracting expenses	14,440	11,601
Other manufacturing overheads	9,551	4,374
Transportation expenses	2,527	4,112
Sales tax and levies	5,303	7,573
Mineral resources compensation fee	20,314	4,487
Others	14,636	12,526
Total cost of sales, selling and marketing expenses and administrative expenses	428,348	250,223

Notes to the Condensed Consolidated Interim Financial Information (Unaudited)

(All amounts in RMB thousands unless otherwise stated)

13. Other income

	Six months ended 30 June	
	2008 (Unaudited)	2007 (Audited)
Interest income	51,791	4,293
Subsidy income	–	366
	51,791	4,659

14. Other (losses)/gains – net

	Six months ended 30 June	
	2008 (Unaudited)	2007 (Audited)
Gains on disposal of a subsidiary	–	3,301
Scrap sales	1,541	1,002
Losses on disposal of property, plant and equipment	(279)	(493)
Donation	(16,535)	–
Gains on disposal of available for sale financial assets	972	–
Others	1,776	185
	(12,525)	3,995

15. Finance costs – net

	Six months ended 30 June	
	2008 (Unaudited)	2007 (Audited)
Exchange losses	1,126	–
Interest on bank borrowings	–	479
Unwinding of discount	319	4,552
	1,445	5,031

Notes to the Condensed Consolidated Interim Financial Information (Unaudited)

(All amounts in RMB thousands unless otherwise stated)

16. Income tax expense

	Six months ended 30 June	
	2008 (Unaudited)	2007 (Audited)
Current income tax	—	238
Deferred income tax	—	—
	—	238

The provision for PRC current income tax is calculated based on the statutory income tax rate of 25% (2007: 33%) of the assessable income of each of the companies/branches now comprising the Group determined in accordance with the relevant PRC income tax rules and regulations for the six months ended 30 June 2007 and 2008.

The Company, except for its Shanghai branch, is exempted from enterprise income tax from 2005 to 2006 pursuant to the approval obtained from Xinjiang Uygur Autonomous Region Government. This tax exemption was further extended to 2010 pursuant to the approval and our Company will be reviewed annually to confirm the tax exemption from 2007 to 2010. The directors of the Company do not anticipate any problems in obtaining the corporate income tax exemption by the Company in 2008. The tax on profit in the period of the six months ended 30 June 2007 mainly represents the tax for Shanghai branch.

Effective from 1 January 2008, the Company shall determine and pay the corporate income tax in accordance with the Corporate Income Tax Law of the PRC (the “new CIT Law”) as approved by the National Congress on 16 March 2007. Under the new CIT Law the corporate income tax applicable to the Company will be 25% from 2008.

Reconciliation between actual tax expense and accounting profit at applicable tax rates is as follows:

	Six months ended 30 June	
	2008 (Unaudited)	2007 (Audited)
Profit before tax	259,070	485,144
Tax recalculated at statutory income tax of 25% (2007: 33%)	64,768	160,098
Effect of tax exemptions/preferential tax rate	(64,768)	(159,860)
Income tax expense	—	238

Notes to the Condensed Consolidated Interim Financial Information (Unaudited)

(All amounts in RMB thousands unless otherwise stated)

17. Earnings per share

	Six months ended 30 June	
	2008 (Unaudited)	2007 (Audited)
Profit attributable to equity holders of the Company (RMB'000)	259,072	486,069
Adjusted weighted average number of shares in issue (thousand)	2,210,000	1,520,000
Basic and diluted earnings per share (RMB)	0.1172	0.3198

Diluted earnings per share is equal to basic earnings per share as there was no dilutive potential share outstanding for all periods presented.

18. Dividend

	Six months ended 30 June	
	2008 (Unaudited)	2007 (Audited)
Proposed dividend	—	480,914
Final dividend paid	176,800	400,000

19. Capital contribution from a minority equity holder of a subsidiary

On 12 June 2008, Xinjiang Mengxi Mining Company Limited* 新疆蒙西礦業有限公司 was set up with paid-in capital of RMB15,918,400. The Company subscribed 51% of the paid-in capital at a cash consideration of RMB12,200,000 and Xinjiang Baodi Mining Company Limited* 新疆寶地礦業有限責任公司 subscribed the remaining 49% of the paid-in capital at a cash consideration of RMB7,800,000.

* For identification purpose only

Notes to the Condensed Consolidated Interim Financial Information (Unaudited)

(All amounts in RMB thousands unless otherwise stated)

20. Contingencies

(a) Environmental contingencies

Historically, the Group has not incurred any significant expenditure for environmental remediation. Further, the Group is presently not involved in any environmental remediation and has not accrued any amounts for environmental remediation relating to its operations. Under existing legislations, management believes that there are no probable liabilities that will have a material adverse effect on the financial position or operating results of the Group. The PRC government, however, may move further towards the adoption of more stringent environmental standards.

Environmental liabilities are subject to considerable uncertainties which affect the Group's ability to estimate the ultimate cost of remediation efforts. These uncertainties include (i) the exact nature and extent of the contamination at various sites including, but not limited to mines and land development areas, whether operating, closed or sold, (ii) the extent of required cleanup efforts, (iii) varying costs of alternative remediation strategies, (iv) changes in environmental remediation requirements, and (v) the identification of new remediation sites. The amount of such future cost is indeterminable due to such factors as the unknown magnitude of possible contamination and the unknown timing and extent of the corrective actions that may be required. Accordingly, the outcome of environmental liabilities under future environmental legislations cannot reasonably be estimated at present, and could be material.

(b) Insurance

The Group carries commercial insurance for its employees who work underground for personal injury and its mining equipments underground. However, such insurance may not be sufficient to cover the potential future losses. While the effect of under-insurance on future incidents cannot be reasonably assessed at present, management believes this can have a material adverse impact on the results of operations or the financial position of the Group.

Notes to the Condensed Consolidated Interim Financial Information (Unaudited)

(All amounts in RMB thousands unless otherwise stated)

21. Commitments

(a) Capital commitments

Capital expenditure for property, plant and equipment at the respective balance sheet date but not yet incurred is as follows:

	As at	
	30 June 2008 (Unaudited)	31 December 2007 (Audited)
Contracted but not provided for:		
– Buildings	125,597	85,686
– Machinery and equipment	52,309	36,624
	177,906	122,310
Authorised but not contracted for:		
– Buildings	321,378	446,799
– Machinery and equipment	589,395	680,515
	910,773	1,127,314
	1,088,679	1,249,624

(b) Operating lease commitments

The Company leases various offices and warehouses under non-cancelable operating lease agreements.

The future aggregate minimum lease payments under non-cancelable operating leases are as follows:

	As at	
	30 June 2008 (Unaudited)	31 December 2007 (Audited)
No later than 1 year	1,636	1,636
Later than 1 year and no later than 2 years	818	1,636
	2,454	3,272

Notes to the Condensed Consolidated Interim Financial Information (Unaudited)

(All amounts in RMB thousands unless otherwise stated)

22. Related-party transactions

The Group is part of a larger group of companies under Xinjiang Non-ferrous and has extensive transactions and relationships with members of the Xinjiang Non-ferrous Group.

Xinjiang Non-ferrous itself is a state-owned enterprise and is controlled by the PRC government. In accordance with HKAS 24 (revised 2004), "Related Party Disclosure", state-owned enterprises and their subsidiaries, other than Xinjiang Non-ferrous Group's companies, directly or indirectly controlled by the PRC government are also defined as related parties of the Group. The directors of the Company are of the opinion that these transactions are conducted at terms multilaterally agreed by the underlying parties in the ordinary course of business.

During the six months ended 30 June 2007 and 2008, the Group's management are of the view that the following companies are related parties of the Group:

Name of related parties*	Relationship with the Group
Xinjiang Non-ferrous	Holding company
Xinjiang Lithia Factory	Fellow subsidiary
Xinjiang A'xi Gold Mine	Fellow subsidiary
Xinjiang Non-ferrous Gold Construction Company	Fellow subsidiary
Xinjiang Non-ferrous Metallurgy Transportation Co., Ltd.	Fellow subsidiary
Xinjiang Non-ferrous Metal Dibian Trade Company	Fellow subsidiary
China Non-ferrous Metal Import and Export Company of Xinjiang	Fellow subsidiary
Metallurgical Design Institute of Non-ferrous Metals of Urumqi	Fellow subsidiary
Xinjiang Non-ferrous Metallurgy Manufacture Factory	Fellow subsidiary
Xinjiang Non-ferrous Industry (Group) Precious Metal Co., Ltd.	Fellow subsidiary
Xinjiang Non-ferrous Metal Industrial Materials (Group) Co., Ltd.	Fellow subsidiary
Fukang Non-ferrous Development Co., Ltd.	Fellow subsidiary
Xinjiang Non-ferrous Metal Industry (Group) Fuyun Xingtong Service Co., Ltd.	Fellow subsidiary
Xinjiang Jinhui Real Estate Development Co., Ltd.	Fellow subsidiary
Urumqi Mingyuan Property Management Co., Ltd.	Fellow subsidiary
Yinlong Aluminum-plastics Compound Tube Company of Xinjiang	Fellow subsidiary
Xinjiang Sangong Power Co., Ltd.	Fellow subsidiary
Fuyun Hengsheng Beryllium Industry Co., Ltd.	Fellow subsidiary
Beijing Baodi Xindi Kemao Co., Ltd.	Fellow subsidiary
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	Fellow subsidiary
Xinjiang Haoxin Lithia Development Co., Ltd.	Fellow subsidiary

* For identification purpose only

Notes to the Condensed Consolidated Interim Financial Information (Unaudited)

(All amounts in RMB thousands unless otherwise stated)

22. Related-party transactions (continued)

(a) Deposits and interest income

	As at	
	30 June 2008 (Unaudited)	31 December 2007 (Audited)
Deposits placed with state-owned banks	3,926,031	4,096,098
	Six months ended 30 June	
	2008 (Unaudited)	2007 (Audited)
Interest income from state-owned banks	51,791	4,293

(b) During the six months ended 30 June 2007 and 2008, the Group had the following material transactions with related parties:

Transactions with the Holding Company

Nature of transactions	Six months ended 30 June	
	2008 (Unaudited)	2007 (Audited)
Rental expense paid/payable – Building	818	818
Interest expense paid/payable	–	4,191
Profit distribution	–	13,045
Dividend paid	70,816	251,120

Apart from the above transaction, the Company entered into trademark agreements with the Holding Company pursuant to which the Company has the right to use the registered trademark of “Bo Feng” at no cost from 1 September 2005 to 9 July 2009.

Notes to the Condensed Consolidated Interim Financial Information (Unaudited)

(All amounts in RMB thousands unless otherwise stated)

22. Related-party transactions (continued)

- (b) During the six months ended 30 June 2007 and 2008, the Group had the following material transactions with related parties: (continued)

Transactions with companies controlled by the Holding Company

Name of related parties*	Nature of transactions	Six months ended 30 June	
		2008 (Unaudited)	2007 (Audited)
– Xinjiang Non-ferrous Metallurgy Manufacture Factory	Purchase of equipment and fittings	–	1,701
	Provision of manufacturing services	–	47
– Xinjiang Non-ferrous Industry (Group) Precious Metal Co., Ltd.	Purchase of equipment and fittings	96	164
– Xinjiang Non-ferrous Metal Dibian Trade Company	Purchase of raw materials	–	855
– Xinjiang Non-ferrous Metal Industrial Materials (Group) Co., Ltd.	Purchase of raw materials	–	153
– Fukang Non-ferrous Development Co., Ltd.	Purchase of raw materials and consumables	903	821
	Purchase of coal	904	2,174
– Xinjiang Non-ferrous Gold Construction Company	Provision of construction services	–	22,480
– Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	Provision of construction service	59,516	–
	Provision of equipment processing	2,348	–
– Fukang Non-ferrous Development Co., Ltd.	Provision of transportation services	2,152	3,950
– Xinjiang Non-ferrous Metallurgy Transportation Company Co., Ltd.	Provision of transportation services	75	8
– Xinjiang Non-ferrous Metal Industry (Group) Fuyun Xingtong Service Co., Ltd.	Provision of transportation services	663	172
	Provision of comprehensive supporting service	1,160	1,754
– Metallurgical Design Institute of Non-ferrous Metals of Urumqi	Provision of mining structure design services	168	–
		67,985	34,279
Sales of inventories to related parties			
– Fuyun Hengsheng Beryllium Industry Co., Ltd.	Sale of copper cathode	1,802	109
– Beijing Baodi Xindi Kemao Co., Ltd.	Sale of nickel cathode	–	1,158
		1,802	1,267

* For identification purpose only

Notes to the Condensed Consolidated Interim Financial Information (Unaudited)

(All amounts in RMB thousands unless otherwise stated)

22. Related-party transactions (continued)

(c) Balances due from or due to related parties

	As at	
	30 June 2008 (Unaudited)	31 December 2007 (Audited)
Accounts receivable from fellow subsidiaries		
– Xinjiang Haoxin Lithia Company Limited	324	–
– Xinjiang Non-ferrous Industry (Group) Precious Metal Co., Ltd.	38	38
– Fuyun Hengsheng Beryllium Industry Co., Ltd.	581	881
	943	919
Accounts receivable from other state-owned enterprises	498	601
	1,441	1,520
Other receivables from other state-owned enterprises	15,035	151
Advances to fellow subsidiaries		
– Xinjiang Non-ferrous Metallurgy Manufacture Factory	106	106
– Xinjiang Non-ferrous Gold Construction Company	3	26
– Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	3,075	–
– Xinjiang Non-ferrous Industry (Group) Precious Metal Co., Ltd.	4	–
– China Non-ferrous Metal Import and Export Company of Xinjiang	39	–
– Xinjiang Non-ferrous Metal Industry (Group) Fuyun Xingtong Service Co., Ltd.	29	–
	3,256	132
Advances to other state-owned enterprises	49,047	357
	52,303	489

Notes to the Condensed Consolidated Interim Financial Information (Unaudited)

(All amounts in RMB thousands unless otherwise stated)

22. Related-party transactions (continued)

(c) Balances due from or due to related parties (continued)

	As at	
	30 June 2008 (Unaudited)	31 December 2007 (Audited)
Trade payables to fellow subsidiaries		
– Xinjiang Non-ferrous Metallurgy Manufacture Factory	187	187
– Metallurgical Design Institute of Non-ferrous Metals of Urumqi	168	112
– Fukang Non-ferrous Development Co., Ltd.	616	885
– Xinjiang Non-ferrous Gold Construction Company	7,539	8,230
– Xinjiang Non-ferrous Metal Industry (Group) Quanzin Construction Co., Ltd.	1,995	–
– Xinjiang Non-ferrous Metal Industry (Group) Fuyun Xingtong Service Co., Ltd.	569	1,048
– Xinjiang Lithia Factory	7	–
– Xinjiang Non-ferrous Metallurgy Transportation Company Co., Ltd.	79	–
	11,160	10,462
Trade payables to other state-owned enterprises	2,567	10,109
	13,727	20,571
Other payables to fellow subsidiaries		
– Xinjiang Non-ferrous Gold Construction Company	–	100
– Xinjiang Non-ferrous Metal Industry (Group) Fuyun Xingtong Service Co., Ltd.	194	472
– Fuyun Hengsheng Beryllium Industry Co., Ltd.	57	25
	251	597
Other payables to other state-owned enterprise	25	–
	276	597
Long-term payables to Holding Company		
– Current	1,308	1,824
– Non-current	1,692	1,967
	3,000	3,791

Notes to the Condensed Consolidated Interim Financial Information (Unaudited)

(All amounts in RMB thousands unless otherwise stated)

22. Related-party transactions (continued)

(d) Interest expenses paid/payable to

	Six months ended 30 June	
	2008 (Unaudited)	2007 (Audited)
State-owned banks	—	479

(e) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2008 (Unaudited)	2007 (Audited)
Total compensation paid/payable to key management personnel	1,679	1,257