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## **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)**

### **2008 FINAL RESULTS ANNOUNCEMENT**

#### **FINANCIAL HIGHLIGHTS**

- Revenue was RMB1,176,663,000 (2007: RMB1,581,163,000)
- Profit attributable to equity holders was RMB297,648,000 (2007: RMB827,269,000)
- Basic earnings per share was RMB0.135 (2007: RMB0.498)
- Proposed final dividend per ordinary share was RMB0.09 (2007: RMB0.08)

The board of directors (the “Board”) of Xinjiang Xinxin Mining Industry Co., Ltd. (the “Company”) and its subsidiary (collectively referred to as the “Group”) is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2008 (the “Reporting Year”).

## CONSOLIDATED INCOME STATEMENT

	Note	Year ended 31 December	
		2008 RMB'000	2007 RMB'000
Revenue	3	1,176,663	1,581,163
Cost of sales	4	<u>(856,580)</u>	<u>(721,705)</u>
<b>Gross profit</b>		<b>320,083</b>	859,458
Distribution costs	4	(7,100)	(7,981)
Administrative expenses	4	(115,462)	(94,439)
Other income		–	161
Other (losses)/gains	5	<u>(29,386)</u>	<u>4,150</u>
<b>Operating profit</b>		<b>168,135</b>	761,349
Subscription interest income		–	141,151
Finance income		126,501	31,852
Finance costs		<u>(1,663)</u>	<u>(108,008)</u>
Finance income-net	6	<u>124,838</u>	<u>64,995</u>
Share of loss of a joint-venture		<u>(658)</u>	<u>–</u>
<b>Profit before income tax</b>		<b>292,315</b>	826,344
Income tax expense	7	<u>5,336</u>	<u>(238)</u>
<b>Profit for the year</b>		<b><u>297,651</u></b>	<b><u>826,106</u></b>
<b>Attributable to:</b>			
Equity holders of the Company		297,648	827,269
Minority interest		<u>3</u>	<u>(1,163)</u>
		<b><u>297,651</u></b>	<b><u>826,106</u></b>
<b>Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in Renminbi per share)</b>			
– basic and diluted	8	<u>0.135</u>	<u>0.498</u>
<b>Dividends</b>	9	<u>198,900</u>	<u>657,714</u>

## CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2008	2007
	Note	RMB'000	RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		870,377	556,702
Mining rights		282,996	292,896
Land use rights		76,267	77,913
Intangible assets		458	97
Investment in a joint-venture		144,669	–
Other non-current asset		271,125	–
Deferred tax assets		5,379	–
<b>Total non-current assets</b>		<b>1,651,271</b>	<b>927,608</b>
<b>Current assets</b>			
Inventories		160,293	274,389
Trade and bills receivables	10	4,299	2,672
Other receivables, prepayments and other current assets		114,667	10,454
Interest receivable		16,755	–
Cash and bank balances		3,448,018	4,096,103
<b>Total current assets</b>		<b>3,744,032</b>	<b>4,383,618</b>
<b>Total assets</b>		<b>5,395,303</b>	<b>5,311,226</b>
<b>EQUITY</b>			
<b>Capital and reserves attributable to equity holders of the Company</b>			
Share capital		552,500	552,500
Capital reserve		4,055,489	4,055,489
Other reserves		182,168	153,076
Retained earnings			
– Proposed final dividend		198,900	176,800
– Others		222,751	153,095
		<b>5,211,808</b>	<b>5,090,960</b>
<b>Minority interest in equity</b>		<b>9,803</b>	<b>–</b>
<b>Total equity</b>		<b>5,221,611</b>	<b>5,090,960</b>

		<b>As at 31 December</b>	
		<b>2008</b>	2007
	<i>Note</i>	<b>RMB'000</b>	<b>RMB'000</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Long-term payables		1,361	1,967
Provision for close down, restoration and environmental costs		4,524	4,354
Deferred income		<u>16,383</u>	<u>20,386</u>
<b>Total non-current liabilities</b>		<u>22,268</u>	<u>26,707</u>
<b>Current liabilities</b>			
Current portion of long-term payables		978	1,824
Trade payables	11	69,713	74,934
Other payables and accruals		80,731	116,801
Income tax payable		<u>2</u>	<u>—</u>
<b>Total current liabilities</b>		<u>151,424</u>	<u>193,559</u>
<b>Total liabilities</b>		<u>173,692</u>	<u>220,266</u>
<b>Total equity and liabilities</b>		<u>5,395,303</u>	<u>5,311,226</u>
<b>Net current assets</b>		<u>3,592,608</u>	<u>4,190,059</u>
<b>Total assets less current liabilities</b>		<u>5,243,879</u>	<u>5,117,667</u>

## NOTES TO CONSOLIDATED FINANCIAL INFORMATION

### 1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”). 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.

The accounting policies and methods of computation used in the preparation of the financial statements are consistent with those used in the financial statements for the year ended 31 December 2007.

The Hong Kong Institute of Certified Public Accountants has issued a number of standards, amendments and interpretations that are first effective or available for early adoption for the current accounting period of the Group (details are in Note 2 to the consolidated financial statements included in the 2008 annual report). None of these HKFRSs developments have material impact on the Group’s financial statements as either they were consistent with accounting policies already adopted by the Group or they were not relevant to the Group’s operations.

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

### 2 SEGMENT INFORMATION

On business segments, the Group’s operation is regarded as a single business segment, being engaged in the mining, ore processing, smelting, refining and sales of nickel, copper and other non-ferrous metal products.

On geographical segments, as all of the turnover and operating results of the Group for the year ended 31 December 2007 and 2008 is derived in the PRC, an analysis of the turnover and operating results of the Group by business and geographical location is not presented.

No geographical segments information of the Group’s assets and liabilities is shown as the Group’s assets and liabilities are located in the PRC.

### 3 REVENUE

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

Revenue recognised during the year ended 31 December 2007 and 2008 are analysed as follows:

	Year ended 31 December	
	2008 RMB’000	2007 RMB’000
Nickel cathode	852,658	1,267,716
Copper cathode	221,335	199,873
Copper concentrate	62,286	67,889
Others	40,384	45,685
	<u>1,176,663</u>	<u>1,581,163</u>

#### 4 EXPENSES BY NATURE

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

	Year ended 31 December	
	2008	2007
	RMB'000	RMB'000
Depreciation	32,512	27,649
Amortisation	11,630	11,555
Provision for/(Reversal of) impairment of inventories	53,193	(3,913)
Provision for/(Reversal of) impairment of trade receivables	114	(922)
Reversal of impairment of other receivables	–	(119)
Staff costs	160,381	190,990
Changes in inventories of finished goods and work-in-progress	30,628	(41,250)
Raw materials and consumables used	486,779	479,762
Power and fuel consumed	80,304	66,219
Subcontracting expenses	30,298	26,108
Other manufacturing overheads	10,403	8,595
Transportation expenses	4,897	6,146
Sales tax levies	6,734	12,016
Auditor's remuneration	2,080	1,880
Resource compensation fees	24,954	7,046
Other taxes	1,530	3,958
Others	42,705	28,405
	<u>979,142</u>	<u>824,125</u>
Total cost of sales, distribution costs and administrative expenses	<u>979,142</u>	<u>824,125</u>

#### 5 OTHER (LOSSES)/GAINS – NET

	Year ended 31 December	
	2008	2007
	RMB'000	RMB'000
Gains on disposal of a subsidiary	–	3,301
Scrap sales	2,176	3,234
Losses on disposal of property, plant and equipment	(4,035)	(3,551)
Donations ( <i>Note</i> )	(29,000)	(372)
Gains on disposal of financial assets at fair value through profit or loss	972	–
Others	501	1,538
	<u>(29,386)</u>	<u>4,150</u>

*Note:*

Donations amounting to RMB29,000,000 were made to the local finance department, and social non-profit organizations to support local development and social welfare as well as the earthquake relief programme of the state.

## 6 FINANCE INCOME – NET

	Year ended 31 December	
	2008 RMB'000	2007 RMB'000
Subscription interest income ( <i>Note (a)</i> )	–	141,151
Finance income		
– Interest income on short-term bank deposits	<u>126,501</u>	<u>31,852</u>
Finance costs		
– Net foreign exchange loss ( <i>Note (b)</i> )	(1,088)	(96,932)
– Bank borrowings	–	(479)
– Unwinding of discount	(575)	(5,466)
– Others	<u>–</u>	<u>(5,131)</u>
	<u>(1,663)</u>	<u>(108,008)</u>
	<u><b>124,838</b></u>	<u><b>64,995</b></u>

### Notes:

- (a) The subscription interest income is the interest income generated from the over subscription proceeds during the subscription period before the listing of the H shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).
- (b) The net foreign exchange loss mainly related to the conversion/translation of the H shares IPO proceeds from Hong Kong Dollar to Renminbi during the period from the date the share proceeds received to the time of conversion/translation. The Hong Kong Dollar currency was depreciating as compared to Renminbi during the period.

## 7 INCOME TAX EXPENSE

	Year ended 31 December	
	2008 RMB'000	2007 RMB'000
Current income tax	43	238
Deferred income tax	<u>(5,379)</u>	<u>–</u>
	<u><b>(5,336)</b></u>	<u><b>238</b></u>

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 should be 25% since 2008.

The provision for PRC current income tax is calculated based on the statutory income tax rate of 33% and 25% of the assessable income of each of the companies of the Group determined in accordance with the relevant PRC income tax rules and regulations for the year ended 31 December 2007 and 2008 respectively.

The Company, except for its Shanghai branch, is exempted from enterprise income tax from 2007 to 2010 pursuant to the approval obtained from the Xinjiang Uygur Autonomous Region Government. This detailed procedure of tax exemption was subject to be reviewed annually.

The tax on profit for the year ended 31 December 2007 and 2008 mainly represent the tax for the Company’s Shanghai branch. The exemption of corporate income tax in 2008 was agreed with local tax authority. The directors of the Company believe that the Company will get the approval for income tax exemption from 2009 to 2010.

## 7 INCOME TAX EXPENSE (Continued)

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

	Year ended 31 December	
	2008	2007
	RMB'000	RMB'000
Profit before tax	<u>292,315</u>	<u>826,344</u>
Tax recalculated at statutory income tax of 25% (2007: 33%)	73,079	272,694
Effect of tax exemptions	(78,442)	(272,562)
Expense not deductible for tax purpose	<u>27</u>	<u>106</u>
Income tax expense	<u>(5,336)</u>	<u>238</u>

## 8 EARNINGS PER SHARE

	Year ended 31 December	
	2008	2007
Profit attributable to equity holders of the Company (RMB'000)	297,648	827,269
Adjusted weighted average number of shares in issue (thousand)	<u>2,210,000</u>	<u>1,661,781</u>
Basic and diluted earnings per share (RMB)	<u>0.135</u>	<u>0.498</u>

Upon incorporation on 1 September 2005, the Company issued 300,000,000 shares at par value of RMB1 each to Xinjiang Non-ferrous, Shanghai Yilian Kuangneng Industry Co., Ltd., Zhongjin Investment (Group) Co., Ltd., Xiamen Zijin High-tech Co., Ltd., Xinjiang Xinying New Material Co., Ltd. and Shaanxi Honghao Industry Co., Ltd.. On 19 May 2006, the Company increased its paid-up capital from RMB300,000,000 to RMB380,000,000 by issuing of 80,000,000 new shares at par value of RMB1 each to existing equity holders of the Company. In addition, the weighted average number of shares in issue has been adjusted for the share split effective on 27 September 2007 and the new issue of H shares in October 2007.

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

## 9 DIVIDENDS

	Year ended 31 December	
	2008	2007
	RMB'000	RMB'000
Special dividend paid	–	480,914
Proposed final dividend	<u>198,900</u>	<u>176,800</u>
	<u>198,900</u>	<u>657,714</u>

At the extraordinary general meetings of the Company held on 11 May 2007 and 13 September 2007, it was resolved that the Company's promoters at the time of the incorporation of the Company (the "Promoters") should be entitled to all of the cumulative distributable profits of the Company as at 30 June 2007 (the "Special Dividend"). Pursuant to a resolution passed at the meeting of the Board of Directors held on 19 November 2007, it was resolved to declare and pay the special dividend of RMB1.2656 per share, amounting to a total of approximately RMB480,914,000 based on the original number of shares prior to the share split to the Company's Promoters. The special dividend was fully paid to the Company's Promoters in December 2007.

## 9 DIVIDENDS (Continued)

According to the minutes of the Annual General Meeting held on 29 May 2008, the final dividend of RMB0.08 per ordinary share paid was based on the number of shares as at 31 December 2007, amounting to a total dividend of RMB176,800,000.

At the meeting of Board of Directors held on 8 April 2009, the directors proposed a final dividend of RMB0.09 per ordinary share, amounting to a total dividend of approximately RMB198,900,000 for the year ended 31 December 2008, and is subject to the approval by the Company's shareholders in the Annual General Meeting to be held on 11 June 2009. This proposed dividend is not reflected as a dividend payable in the financial statements for the year ended 31 December 2008.

## 10 TRADE AND BILLS RECEIVABLES

	As at 31 December	
	2008	2007
	RMB'000	RMB'000
Trade receivables ( <i>Note (a)</i> )	4,810	3,844
Bills receivables	2,000	1,225
Less: provision for impairment of receivables	<u>(2,511)</u>	<u>(2,397)</u>
	<u><b>4,299</b></u>	<u><b>2,672</b></u>

The fair values of trade and bills receivables equal to the book values.

*Notes:*

(a) Trade receivables are analysed as follows:

	As at 31 December	
	2008	2007
	RMB'000	RMB'000
Trade receivables		
– Fellow subsidiaries	575	919
– Other state-owned enterprises	85	601
– Third parties	<u>4,150</u>	<u>2,324</u>
Trade receivables, gross	<u><b>4,810</b></u>	<u><b>3,844</b></u>

Ageing analysis of the gross trade receivables at the respective balance sheet date are as follows:

	As at 31 December	
	2008	2007
	RMB'000	RMB'000
0-90 days	1,941	1,374
181-365 days	440	–
Over 365 days	<u>2,429</u>	<u>2,470</u>
	<u><b>4,810</b></u>	<u><b>3,844</b></u>

## 10 TRADE AND BILLS RECEIVABLES (Continued)

- (b) The credit period of trade receivables are generally from 1 to 3 months. Trade receivables with ageing over 365 days were provided for impairment provision of RMB2,395,000 and RMB2,328,000 as at 31 December 2008 and 2007 respectively.
- (c) Trade receivables from related parties are unsecured, interest free and repayable in accordance with the relevant contract entered into between the Group and these related parties. Trade receivables from third parties are unsecured and non-interest bearing.
- (d) The carrying amounts of trade and bills receivables approximate their fair values. The ageing of bills receivables are all within 180 days.
- (e) The movements of impairment of receivables are as follows:

	<b>2008</b> <i>RMB'000</i>	2007 <i>RMB'000</i>
At 1 January	2,397	3,459
Provision for receivables impairment	158	–
Reversal of receivables impairment	<u>(44)</u>	<u>(1,062)</u>
At 31 December	<u><u>2,511</u></u>	<u><u>2,397</u></u>

## 11 TRADE PAYABLES

Trade payables are analysed as follows:

	<b>As at 31 December</b>	
	<b>2008</b> <i>RMB'000</i>	2007 <i>RMB'000</i>
Trade payables		
– Fellow subsidiaries	6,958	10,462
– Other state-owned enterprises	8,027	10,109
– Third parties	<u>54,728</u>	<u>54,363</u>
	<u><u>69,713</u></u>	<u><u>74,934</u></u>

As at 31 December 2008 and 31 December 2007, the ageing analysis of trade payables are as follows:

	<b>As at 31 December</b>	
	<b>2008</b> <i>RMB'000</i>	2007 <i>RMB'000</i>
0-90 days	51,815	60,760
91-180 days	8,775	2,500
181-365 days	5,281	7,489
Over 365 days	<u>3,842</u>	<u>4,185</u>
	<u><u>69,713</u></u>	<u><u>74,934</u></u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### MARKET OVERVIEW

It is well-known that international and domestic prices of nickel and copper decreased significantly in 2008 as compared to 2007, which were resulted from the impact of the international financial crisis and economic recession. London Metal Exchange (“LME”) three-month future price of nickel cathode was US\$21,304 per tonne on average in 2008, representing a drop of 40.9% as compared to 2007. LME three-month future price of copper cathode was US\$6,890 per tonne on average in 2008, representing a decrease of 3.0% as compared to 2007. The average spot price of nickel cathode in Yangtze River Non-ferrous Metals Spot Market (長江有色金屬現貨市場) for 2008 was RMB177,126 per tonne in 2008, representing a decrease of 45.4% as compared to 2007. The average spot price of copper cathode was RMB55,412 tonne in 2008, representing a decrease of 11.5% as compared to 2007. The domestic price trends for nickel cathode and copper cathode during the Reporting Year were basically in line with the international price trends.

For 2008, the Group recorded average selling price of nickel cathode of RMB141,272 (after tax) per tonne, representing a decrease of 44.8% as compared to 2007, and the average selling price of copper cathode of RMB46,670 (after tax) per tonne, representing a decrease of 12.0% as compared to 2007.

During 2008, although the international and domestic nickel and copper price experienced significant decrease as compared to 2007, as benefit from the momentum provided by the PRC’s continuous economic growth and the relative shortage in nickel and copper resources supply, the volume of nickel cathode and copper cathode products provided by domestic producers still could not satisfy the growth in the consumption volume. The shortage of supply of nickel cathode and copper cathode in the domestic market therefore needed to be covered by import, which in turn caused active transactions in the domestic nickel cathode and copper cathode markets.

### Industry Position

The Group is a group of mining companies principally engaged in the mining, ore processing, smelting and refining of nickel products and other non-ferrous metals, namely: copper, cobalt, gold, silver, platinum and palladium. According to the statistics collected by China Non-ferrous Metals Industry Association in 2008, the total domestic production volume of nickel cathode for 2008 was 128,700 tonnes, representing an increase of 11.8% as compared to 2007. In 2008, the Company produced 6,083.1 tonnes of nickel cathode, representing an increase of 24.8% as compared to 2007. The Group is the second largest nickel cathode producer in the PRC, and the growth rate of its nickel cathode production volume in 2008 ranked number one among its peers in the same industry in the PRC.

## OPERATIONS REVIEW

### Production

For mining operations, Kalatongke Mine accomplished an aggregate of 327,174 tonnes of mine output and produced water hardening and nickel matte of 9,804 tonnes in 2008. For refining processing operations, Fukang Refinery produced nickel cathode of 6,083 tonnes and copper cathode of 4,502 tonnes in total in 2008.

## **Progress of technical improvement and expansion projects**

During the Reporting Year, the Group continued its two technical improvement and expansion projects in relation to the enhancement in mining, ore processing and smelting capacity of Kalatongke Mine and the refining capacity of nickel and copper of Fukang Refinery. The technical improvement and expansion projects of the Group proceeded smoothly in 2008 and the required construction progress during the Reporting Year was completed on schedule. The investment sum of the projects amounted to RMB311.0 million.

### **Kalatongke Mine**

The investment sum in the technical improvement and expansion project in mining, ore processing and smelting operations of Kalatongke Mine amounted to RMB209.6 million in 2008. The technical improvement on the main shaft has raised the production capacity, while the digging and laying of exhausted shafts has been completed and the auxiliary work has come close to an end. The construction of the main body of the technical improvement on ore processing has been completed and is expected to commence production by the end of 2009. The technical improvement on smelting commenced construction in October 2008, utilizing the internationally advanced oxygen side-blown bath smelting, which is a technique of converter smelting, and is expected to commence production in 2010.

### **Fukang Refinery**

The investment sum in the technical improvement and expansion project of 13,000 tonnes of nickel cathode and 12,000 tonnes of copper cathode of Fukang Refinery amounted to RMB101.4 million in 2008. The technical improvement and expansion project of 13,000 tonnes of nickel cathode has been almost completed and commenced production partly, while the construction work of the technical improvement and expansion of 12,000 tonnes of copper cathode commenced in April 2008 and is expected to commence production by the end of 2009.

### **Geological Mine Searching**

During the Reporting Year, the Group invested a total of RMB12.5 million in geological mine searching and exploration at depth and surrounding areas of Kalatongke Mine. Super rich grade ore in fine piece form was found in the course of inspection on ore bodies 6 and 9, preliminary estimates of reserves amounted to approximately 535,000 tonnes and the quantity of copper and nickel amounted to 11,200 tonnes. Super rich grade ore and rich grade ore were found in prospecting line 5 at level 530 of rockmass 2, of which the total depth could exceed 50 meters. The explored and controlled depth reached 50 meters and no boundary of the ore body has been identified. Follow-up exploration is currently in progress. Disseminated ore was found during the course of implementation of G11 and G22 exploration projects, of which the highest grade of copper was 0.7%, and that of nickel was 0.4%. The results of the geological mine searching and exploration are on-going and currently in the progress of preparation and submission for approval in accordance with the procedures.

### **Key Investments**

During the Reporting Year, the Company acquired from independent third parties Xinjiang Yakesi Resources Co., Ltd (“Yakesi”) and Hami Jubao Resources Co., Ltd (“Jubao”), both located at Hami, Xinjiang, which in aggregate possessed three nickel-copper mines located in Huangshandong, Huangshan and Xiangshan. The three nickel-copper mines are expected to increase the nickel reserves of the Group from 163,800 tonnes to approximately 314,800 tonnes, representing an increase of 151,000 tonnes or 92%. Nickel resources of the Group are expected to increase from 83,500 tonnes

to 330,500 tonnes, representing an increase of 247,000 tonnes or 296%. Copper reserves of the Group are expected to increase from 258,000 tonnes to 349,200 tonnes, representing an increase of 91,200 tonnes or 35%. Copper resources of the Group are expected to increase from 161,300 tonnes to 306,800 tonnes, representing an increase of 145,500 tonnes or 90%.

Such investments amounted to RMB542.2 million, completed in February 2009, and provide an assurance for a long-term and stable supply of raw materials for future development of the Group's principal business, and thereby increase the resources self-sufficiency ratio of the Group.

## FINANCIAL REVIEW

### Operating results

In 2008, the turnover of the Group amounted to RMB1,176.7 million, representing a decrease of 25.6% as compared to RMB1,581.2 million in 2007. The profit attributable to the equity holders of the Company in 2008 amounted to RMB297.6 million, representing a decrease of 64% from 2007. The decrease in profit was primarily due to a significant decline in the market prices of nickel cathode and copper cathode, resulting in a substantial decrease in the average selling price of nickel cathode, being the major product of the Group, in 2008 from 2007. As of 31 December 2008, refining capacity was higher than that of mining and ore processing. During the Reporting Year, the Company increased the volume of outside purchase of raw materials containing nickel at appropriate time based on market situations to fully utilize its current refining facilities. The cost of that portion of raw materials containing nickel purchased from outside suppliers was significantly higher than the cost of raw materials supply internally.

### Turnover and Gross Profit

In 2008, the turnover of the Group amounted to RMB1,176.7 million, representing a decrease of 25.6% as compared to RMB1,581.2 million in 2007.

The following table illustrates the details of sales by products of the Group for the two years ended 31 December 2007 and 2008:

Product name	2008			2007		
	Sales volume tonnes	Amounts RMB'000	% to Turnover	Sales volume tonnes	Amounts RMB'000	% to Turnover
Nickel cathode	6,035.6	852,658	72.5%	4,953.9	1,267,716	80.2%
Copper cathode	4,742.6	221,335	18.8%	3,769.8	199,873	12.6%
Copper concentrate	4,858.6	62,286	5.3%	4,805.0	67,889	4.3%
Other products		<u>40,384</u>	3.4%		<u>45,685</u>	2.9%
Total turnover		<b>1,176,663</b>	<b>100%</b>		1,581,163	100%
Cost of sales		<u>(856,580)</u>	<b>72.8%</b>		<u>(721,705)</u>	46.6%
Gross profit		<b><u>320,083</u></b>	<b><u>27.2%</u></b>		<b><u>859,458</u></b>	<b><u>54.4%</u></b>

In 2008, the turnover of nickel cathode amounted to RMB852.7 million, representing a decrease of 32.7% as compared to RMB1,267.7 million in 2007. The decrease in the turnover of nickel cathode was primarily due to the significant decline in the market price of nickel cathode. The average selling price of the Group's nickel cathode in 2008 amounted to RMB141,272 per tonne, representing a decrease of 44.8% as compared to the average selling price of RMB255,903 per tonne in 2007. The decrease in turnover of nickel cathode was partly offset by an increase of 21.8% in the sale volume of nickel cathode from 4,953.9 tonnes in 2007 to 6,035.6 tonnes in 2008.

In 2008, the turnover of copper cathode amounted to RMB221.3 million, representing a growth of 10.7% as compared to RMB199.9 million in 2007. The growth in the turnover of copper cathode was primarily due to an increase of 25.8% in its sales volume from 3,769.8 tonnes in 2007 to 4,742.6 tonnes in 2008. The growth in turnover of copper cathode was partly offset by a decline of 12% in the average selling price of copper cathode from RMB53,020 per tonne in 2007 to RMB46,670 per tonne in 2008.

In 2008, the turnover of copper concentrate amounted to RMB62.3 million, representing a decrease of 8.2% as compared to RMB67.9 million in 2007. The decrease in the turnover of copper concentrate was primarily due to the decline in the market price of copper product in 2008. The average selling price of the Group's copper concentrate in 2008 amounted to RMB12,820 per tonne, representing a decrease of 9.3% as compared to RMB14,129 per tonne in 2007. The decrease in turnover of copper concentrate was partly offset by a marginal increase of 1.1% in the sale volume of copper concentrate from 4,805 tonnes in 2007 to 4,858.6 tonnes in 2008.

In 2008, the turnover of other products amounted to RMB40.4 million, representing a decrease of 11.6% as compared to RMB45.7 million in 2007. The decrease in turnover of other products was primarily due to the decline in sales volume of super-fine nickel powder products.

Gross profit of the Group decreased by 62.8% from RMB859.5 million in 2007 to RMB320.1 million in 2008, and the gross profit margin for the two years ended 31 December 2007 and 2008 were 54.4% and 27.2%, respectively. The decrease in gross profit margin was primarily due to (1) a significant decline in the market prices of nickel cathode and copper cathode in 2008, resulting in a substantial fall in average selling price of nickel cathode and copper cathode, the major products of the Group, from 2007; (2) the timing and progress differences between the production capacity expansion of the mining and ore processing and that of the refining operation. As of 31 December 2008, refining capacity was higher than that of mining and ore processing. During the Reporting Year, the Company increased the volume of outside purchase of raw materials containing nickel at appropriate time based on market situations to fully utilize its current refining facilities. The cost of that portion of raw materials containing nickel purchased from outside suppliers was significantly higher than the cost of raw materials supply internally.

### **Selling and Marketing Expenses**

Selling and marketing expenses decreased by 11% from RMB8.0 million in 2007 to RMB7.1 million in 2008, primarily due to the Company adjusted its selling practice according to the market situation. Transportation cost decreased in 2008 as the transportation cost related to the sales of copper concentrate was borne by the purchasers while it was settled by the Company in the past.

## **Administrative Expenses**

Administrative expenses increased by 22.3% from RMB94.4 million in 2007 to RMB115.5 million in 2008, primarily due to changes in the computation and payment basis of mineral resources compensation fee and the exploration cost of relevant exploration projects written off by the Company in 2008.

## **Other Net Gains**

Other net gains decreased significantly from a gain of RMB4.2 million in 2007 to a loss of RMB29.4 million in 2008, primarily due to donations of RMB29 million in aggregate which were made to the local finance department and social non-profit organisations to support local development and social welfare as well as the earthquake relief programme of the state. In return for the support by the community and the favourable policies implemented by the government in the local area to reconstruct the infrastructure, improve the social environment and facilitate the advancement of the society, the Company took up its social responsibility by way of increasing its contribution and donation to the local area.

## **Finance Income and Finance Cost**

Finance income increased approximately fourfold from RMB31.9 million in 2007 to RMB126.5 million in 2008, primarily due to the growth in interest income as a result of significant increase in average bank balance.

Finance cost decreased from RMB108 million in 2007 to RMB1.7 million in 2008, primarily due to substantial decrease in net exchange loss since the Company had converted a majority of the IPO proceeds into Renminbi in 2007.

## **Financial Position**

The Group's consolidated balance sheet remains strong and free from bank debts or borrowings. In 2008, total assets increased by 1.6% to RMB5,395.3 million as at 31 December 2008. Shareholders' equity of the Company increased by 2.4% to RMB5,211.8 million as at 31 December 2008.

## **LIQUIDITY AND FINANCIAL RESOURCES**

### **Cash Flow**

In 2008, the Group's net cash inflow generated from operating activities amounted to RMB182.3 million, representing a decrease of RMB537.7 million (or 74.7%) from 2007, primarily due to a decrease of operating profit.

In 2008, the Group's net cash outflow used in investing activities amounted to RMB933.4 million, mainly consisted of payment and prepayment of the consideration (deposit) for the equity transfer and equipment and project expenses in relation to the technology renovation work conducted in Fukang Refinery and Kalatongke Mine. Net cash outflow used in financing activities amounted to RMB167.0 million, which mainly represented the dividend paid in June 2008.

## **Debts and Gearing**

As at 31 December 2008, the Group had total cash and cash equivalents amounting to RMB3,176.9 million, and those as at 31 December 2007 were RMB4,096.1 million.

As at 31 December 2008 and 31 December 2007, the Group did not have any bank debts or borrowings.

## **OUTLOOK**

### **Operating Environment**

In 2009, as affected by the international financial crisis and economic recession, the economic environment will be extremely harsh all over the world and metal prices are expected to remain at a low level. However, it is expected that the PRC's economy will continue to grow at a fast pace (the PRC government expects the PRC's 2009 GDP growth rate to be at 8%). As a result, the Group expects the consumption volume of nickel and copper in the domestic non-ferrous metal market will continue to grow. Due to the relative shortage in the supply of nickel and copper resources, nickel cathode and copper cathode products provided by domestic producers still will not satisfy the growth in the demand for consumption volume. The shortage in supply in the domestic market therefore needs to be covered by import. It is expected that the domestic market for nickel cathode and copper cathode will continue to sustain with active transactions.

The market prices for nickel cathode and copper cathode in the PRC in 2009 is expected to fluctuate between the average spot price of the fourth quarter of 2008 and that of the first quarter of 2009 in Shanghai Yangtze Non-ferrous Metals Market.

### **Operating objectives**

In 2009, the Group plans to produce 7,121 tonnes of nickel cathode, representing an increase of 17.7% as compared to 2008, of which 4,226 tonnes will be produced using self-produced raw materials, representing an increase of 26.4% as compared to 2008 (3,343 tonnes). The planned production volume of copper cathode is 5,000 tonnes, all of which will be produced using self-produced raw materials, representing an increase of 11.1% as compared to 2008, and an increase of 25.3% as compared to the production volume of copper cathode using self-produced raw materials in 2008 (3,991 tonnes). Because of the considerable uncertainties in metal prices and domestic market of raw material, the Board of Directors of the Company may make adjustment on the abovementioned production volume of nickel cathode using outside purchased raw materials in due course depending on the market conditions. Please note that the above production plan was made on the basis of the current market situation and the existing conditions of the Group. The Board of Directors may, as situation warrants, vary the production plans.

## **DIVIDENDS**

At the meeting of Board of Directors held on 8 April 2008, the directors proposed a final dividend of RMB0.09 per ordinary share, amounting to a total dividend of approximately RMB198,900,000 for the year ended 31 December 2008, which is subject to the approval by the Company's shareholders in the annual general meeting of the Company to be held on 11 June 2009. It is expected that the final cash dividend for 2008 will be paid in August 2009.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

Neither the Company nor its subsidiary purchased, sold or redeemed any of the Company's listed shares during the Reporting Year or from the end of the Reporting Year to the date of this report.

## **CORPORATE GOVERNANCE**

The Company strives to maintain a high standard of corporate governance and to comply with the relevant regulations of China Securities Regulatory Commission and the Stock Exchange as well as the regulations of other relevant regulatory authorities. Throughout the year ended 31 December 2008, the Company complied with all the code provisions of the Code on Corporate Governance Practices set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Company will continue to improve its corporate governance and enhance the transparency to its shareholders.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the *Model Code for Securities Transactions by Directors of Listed Issuers* (the "Model Code") in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors' securities transactions. All Directors and Supervisors have complied with the required standards as set out in the Model Code for the year ended 31 December 2008.

## **AUDIT COMMITTEE**

The Audit Committee comprises two independent non-executive Directors, Mr. Chen Jianguo and Mr. Ng Yuk Keung, and one non-executive Director, Mr. Zhou Chuanyou. Mr. Chen Jianguo serves as the chairman of the Audit Committee. The Board believes that members of the Audit Committee have sufficient knowledge and expertise in accounting and financial management to enable them to perform their duties.

The Audit Committee has held meetings on a regular basis and convened two meetings during the Reporting Year with 100% attendance. The 2008 audit plan of the Company and the 2008 interim results report have been reviewed in the meetings.

The Audit Committee of the Company has reviewed the annual results announcement for the year ended 31 December 2008.

## **PUBLICATION OF THE RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

This results announcement is published on the Company's website at [www.xjxxky.com.cn](http://www.xjxxky.com.cn) and the website of the Stock Exchange. The annual report of the Company will also be available at the Company's and the Stock Exchange's website in late April 2009 and will be despatched to shareholders of the Company in late April 2009.

## **POST BALANCE SHEET EVENTS**

### **Business combination – Acquisition of Yakesi and Jubao**

On 11 February 2009, the Office of Foreign Trade and Economic Cooperation of Xinjiang Uygur Autonomous Region approved the equity transfer agreement signed by the Company with Alexis and other minority shareholders of Yakesi.

On 14 January 2009, the Bureau of Foreign Trade and Economic of Hami Region approved the equity transfer agreement signed by the Company with Alexis.

The acquisition of Yakesi and Jubao, a group of companies engaged in the exploitation of copper and nickel mines, ore processing, manufacturing and sale of copper and nickel products was completed on 18 February 2009. After the acquisition, the Company eventually held 100% of equity interest of Yakesi and Jubao.

### **Proposed acquisition of Xinjiang Zhongxin Mining Company Limited (“Zhongxin Mining”)**

Pursuant to a resolution of the board at a meeting on 8 April 2009, the Company will reach five respective equity transfer agreements with Xinjiang Investment and Development (Group) Co., Ltd., No. 13 Agriculture Construction Division of Xinjiang Production and Construction Military Unit State-owned Assets Operating Co., Ltd., Shaanxi Honghao Industry Co., Ltd., Hami City Huilong Mining Industry Co., Ltd. and Hami City Jinhua Mining Co. Ltd. to acquire an aggregate of 95% equity interest in Zhongxin Mining. The equity transfer agreements are subject to the approval by the Company’s shareholders in the Annual General Meeting to be held on 11 June 2009. The aggregate consideration of the acquisitions amounts to RMB55,100,000.

## **CLOSURE OF REGISTER FOR ANNUAL GENERAL MEETING**

The register of members of the Company will be closed from 12 May 2009 to 11 June 2009 (both days inclusive), during which time no share transfers will be registered. In order to qualify for the final dividends and be eligible to attend the 2008 Annual General Meeting of the Company, instruments of transfer accompanied by share certificates and other appropriate documents must be lodged with the Company’s H share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong, no later than 4:30 p.m. on 11 May 2009.

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

Xinjiang, the PRC, 8 April 2009

*As at the date of this announcement, the executive directors are Mr. Yuan Ze, Mr. Shi Wenfeng, Mr. Zhang Guohua and Mr. Liu Jun; the non-executive directors are Mr. Zhou Chuanyou and Mr. Niu Xuetao; and the independent non-executive directors are Mr. Chen Jianguo, Mr. Sun Baosheng and Mr. Ng Yuk Keung.*

\* *For identification purposes only*