



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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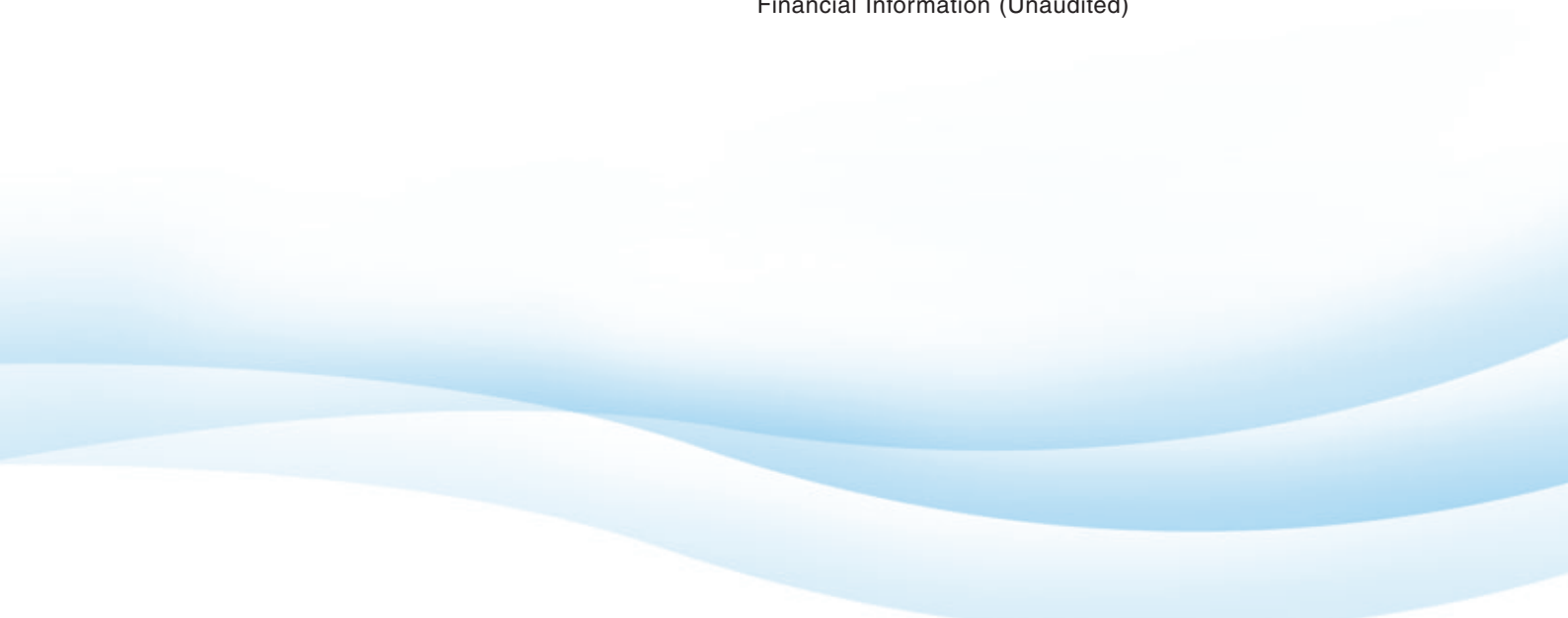


We See The Future

* 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)
Sun Baohui (孫寶輝)
Liu Dao Ying (劉道英)
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)

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*)

Registered office in Hong Kong

Unit 3102-3105, 31/F, Office Tower, Convention Plaza
1 Harbour Road
Wanchai, Hong Kong

Statutory address and principal place of business in the PRC

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

Legal advisers to the Company

Stephen Mok & Co in association with Eversheds
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
17M Floor
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183 Queen's Road East
Wanchai
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Company website

www.xjxxky.com.cn

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 2010 (the “Period”), together with the unaudited consolidated operating results of the first half of 2009 (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 increased by 105.9% to RMB544.1 million, mainly due to significant increases in nickel and copper prices in the international and domestic markets and significant increases in the production and sales volume of nickel cathode. The realised consolidated net profit attributable to the equity holders of the Company increased by 178.1% to RMB187.1 million.

Basic earnings per share attributable to the equity holders of the Company for the Period amounted to RMB0.085, representing an increase of RMB0.055 per share as compared to that for the Same Period Last Year. The increase in basic earnings per share was mainly due to the increase in net profit.

The Board does not recommend any payment of interim dividend for 2010.

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

Nickel and copper prices for the Period have rebounded as a result of the recovery of the global and the PRC economy. During the Period, the average three-month future price of nickel cathode was traded on the London Metal Exchange (“LME”) at US\$21,284 per tonne, representing an 80% increase from US\$11,834 per tonne for the Same Period Last Year, and the average three-month future price of copper cathode was traded on the LME at US\$7,161 per tonne during the Period, representing a 75% increase from US\$4,089 per tonne for the Same Period Last Year.

In the domestic non-ferrous metal market, the average spot price (including tax) of nickel cathode was traded on the Changjiang Nonferrous Metal Spot Market (長江有色金屬現貨市場) at RMB159,436 per tonne during the Period, representing a 67% increase from RMB95,775 for the Same Period Last Year, and the average spot price (including tax) of copper cathode was traded on the Changjiang Nonferrous Metal Spot Market at RMB57,061 during the Period, representing a 66% increase from RMB34,397 for the Same Period Last Year. During the reporting period, the trend of the nickel cathode and copper cathode prices in the domestic market was basically in line with that in the international market.

During the Period, the growth rate of the PRC’s GDP has reached 11.1%. The series of the measures launched by the PRC government to promote economic growth have taken effect consecutively and the PRC economy has rebounded gradually. It is expected that the trading of nickel cathode and copper cathode in the domestic market will continue to be active in the second half of 2010, and the demand for nickel and copper will rise gradually with the trading prices continuing to fluctuate based on the average spot market prices during the Period.

Business Review

During the Period, the consolidated revenue of the Group amounted to RMB544.1 million, representing a 105.9% increase from RMB264.3 million for the Same Period Last Year. The total comprehensive income attributable to the equity holders of the Company was RMB187.1 million, representing a 178.1% increase from RMB67.3 million for the Same Period Last Year.

During the Period, the average selling price of nickel cathode of the Group was approximately RMB133,235 per tonne (excluding tax), representing a 59.3% increase from RMB83,636 for the Same Period Last Year, and the average selling price of copper cathode of the Group was approximately RMB47,788 per tonne (excluding tax), representing a 60.7% increase from RMB29,747 for the Same Period Last Year. At the same time, following the recovery of the PRC economy, the Company has proactively organized its production and increased the quantities of the self-produced nickel raw materials and the external purchases of nickel raw materials. The output of nickel cathode during the Period was 3,057.1 tonne, representing a 37.6% increase from 2,221.4 tonnes for the Same Period Last Year.

Management Discussion and Analysis

Mineral Exploration, Mine Development and Mining Production Activities

Mineral Exploration

During the Period, Xinjiang Xinxin Mining Industry Co., Ltd. Kalatongke Nickel and Copper Mine (新疆新鑫礦業股份有限公司喀拉通克銅鎳礦) (“Kalatongke Nickel-Copper Mine”), a branch of the Company, mainly conducted the supplementary exploration of No. 1 and No. 2 ore deposit and completed a total of 212.2 meters of crosscut vein works (穿脈工程) and 3,015.7 meters of hole drilling (坑內鑽探). Xinjiang Yakesi Resources Co. Ltd. (新疆亞克斯資源開發股份有限公司) (“Xinjiang Yakesi”) and Hami Jubao Resources Co. Ltd. (哈密市聚寶資源開發有限公司) (“Hami Jubao”), the wholly-owned subsidiaries of the Company, conducted Hami Xiangshan Nickel-copper Mine Line 36-38 Supplementary Geological Exploration, Hami Huangshandong (黃山東) Nickel-copper Mine Line 20-24 Southern Supplementary Geological Exploration Project, Hami Huangshandong Nickel-copper Mine Infrastructure Exploration Special Project, Huangshandong Nickel-copper Mine No. 12 Mine Area Production and Exploration Project and Huangshandong Nickel-copper Mine No. 17 Mine Area Production and Exploration Project. The exploration works have completed the tunneling footage totalling 4,250.8 meters.

During the Period, the Group’s geological exploration expenditure amounted to approximately RMB2.7 million.

Mine Development

During the Period, in respect of the construction works of tunnel excavation, Kalatongke Nickel-Copper Mine completed the OP3 mine sliding shaft (溜礦井) of No. 2 wind shaft works, 530-410 level slope passageway tunneling for 85 meters; mine tunnel drifting for 648 meters of No. 9 ore deposit works, the preparatory installation works for No. 9 main shaft and the wind shaft; tunneling for 322 meters of No. 1 slope passageway and the slope passageway of the 926 meters level excavation works, tunneling for 202 meters of the 926 middle section; at 350 middle section, tunneling for 207 meters of No. 3 wind shaft works and the holing-through with No. 2 auxiliary shaft; at 260 middle section tunneling for 80 meters; at 260-214 level, inclined shaft lifted by belt conveyor and related tunneling for 184 meters; 410-260 meters inclined shaft lifted by belt conveyor tunneling for 290 meters of No. 2 main shaft works, and at 410 middle section mine tunnel drifting, track laying for 500 meters. Xinjiang Yakesi has made respective investments in exploring Huangshandong No. 17 Mine, Xiangshan Mine Auxiliary Shaft, Huangshan West No. 30 and Huangshan West No. 32 tunnel excavation works. Hami Jubao has invested in the exploring works for the construction of Huangshan East No. 12 Mine.

During the Period, the Group’s expenditure for exploring and constructing mines amounted to RMB118.0 million.

Management Discussion and Analysis

Mining Production

During the Period, Kalatongke Nickel-Copper Mine produced 178,303 tonnes of ores comprising 1,534 tonnes of nickel metal and 2,349 tonnes of copper metal. Xinjiang Yakesi and Hami Jubao produced 189,711 tonnes of ores comprising 837 tonnes of nickel metal and 470 tonnes of copper metal.

During the Period, the expenditure of the Group's mining production amounted to RMB71.1 million.

Financial Review and Analysis

Turnover and gross profit

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

Product Name	For the period ended 30 June 2010			For the period ended 30 June 2009		
	Sales		% to	Sales		% to
	Volume	Amount	Revenue	Volume	Amount	Revenue
	Tonnes	RMB'000	%	Tonnes	RMB'000	%
Nickel cathode	3,168.1	422,106	77.6%	2,060.1	172,299	65.2%
Copper cathode	2,069.5	98,896	18.2%	2,424.3	72,116	27.3%
Copper concentrate	566.8	6,910	1.3%	425.9	3,466	1.3%
Other products		16,236	2.9%		16,380	6.2%
Total revenue		544,148	100.0%		264,261	100.0%
Cost of sales		(327,737)	60.2%		(190,105)	71.9%
Gross profit		<u>216,411</u>	39.8%		<u>74,156</u>	28.1%

During the Period, the revenue of nickel cathode increased 145% to RMB422.1 million as compared to that in the Same Period Last Year. The average selling price of nickel cathode increased 59.3% to RMB133,235 per tonne during the Period as compared to that in the Same Period Last Year. The increase of the average selling price of nickel cathode was attributable to the recovery of the global and domestic economy. The sales volume of nickel cathode increased 53.8% to 3,168.1 tonnes during the Period. The increase of sales volume of nickel cathode was mainly due to the increases in self-produced nickel raw materials and the external purchases of nickel raw material as compared to that in the Same Period Last Year, leading to the increased output of nickel cathode for the Period.

Management Discussion and Analysis

During the Period, the revenue of copper cathode increased 37.1% to RMB98.9 million as compared to that in the Same Period Last Year. The average selling price of copper cathode increased 60.7% to RMB47,788 per tonne during the Period as compared to that in the Same Period Last Year. The sales volume of copper cathode decreased 14.6% to 2,069.5 tonnes during the Period. The decrease in sales volume of copper cathode was because the copper production system was halt for a period of time for inspection and repair, leading to the lower output of copper cathode for the Period as compared to that in the Same Period Last Year.

During the Period, the revenue of copper concentrate increased 99.4% to RMB6.9 million as compared to that in the Same Period Last Year. The average selling price of copper concentrate increased 49.8 % to RMB12,190 per tonne during the Period as compared to that in the Same Period Last Year. The sales volume of copper concentrate increased 33.1% to 566.8 tonnes during the Period.

During the Period, the revenue of other products was RMB16.2 million, approximating to same level of RMB16.4 million for the Same Period Last Year.

The gross profit of the Group for the Period was RMB216.4 million, representing an increase of 191.8% from RMB74.2 million for the Same Period Last Year. The gross profit margin for the Period and the Same Period Last Year were 39.8% and 28.1%, respectively. The increase in gross profit margin for the Period was mainly due to the increase in the market prices of nickel cathode and copper products.

Distribution costs

During the Period, distribution costs decreased 24.8% to RMB2.87 million as compared to that in the Same Period Last Year mainly because the raw materials containing nickel produced by Xinjiang Yakesi and Hami Jubao were supplied locally to Xinjiang Zhongxin Mining Company Limited for the Period, while such raw materials were supplied to Kalatongke Nickel-Copper Mine in different district for the Same Period Last Year. The transportation costs of the selling expenses of the raw materials containing nickel were reduced owing to shorter distance.

Administrative expenses

Administrative expenses increased 29.5% to RMB43.7 million mainly due to the business expansion of the Group and the number of subsidiaries being consolidated during the Period was greater than that for the Same Period Last Year.

Other net gains

During the Period, other net gains increased by 5.5% to RMB2.96 million, mainly because of the increase in the income from scrap sales of the Group.

Finance income – net

The finance net income decreased 30.7% to RMB19.7 million for the Period, mainly because the average cash and bank balances were lower than that in the Same Period Last Year, leading to a decrease in interest income.

Management Discussion and Analysis

Financial position

The consolidated balance sheet of the Group remains strong. As at 30 June 2010, the equity holders' equity increased by 1.4% to RMB5,362.0 million, and total assets of the Group increased by 2.8% to RMB5,791.1 million, primarily due to the operating profit generated during the Period.

For the period ended 30 June 2010, the Group's net cash inflow generated from operating activities was RMB107.4 million, increased by RMB205.9 million as compared to the net cash outflow of RMB98.5 million in the Same Period Last Year, primarily due to an increase of operating profit. Net cash outflow of RMB329.8 million used in investment activities mainly consisted of the payments for the equipment and project expenses in relation to the technology renovation and the extended construction works of the Group. Net cash outflow of RMB72.6 million from financing activities mainly represented the dividend payment of the Company in 2009.

Historical Capital Expenditure

Capital expenditure was primarily used to expand the production capacities of the Group and to improve the mining, ore processing, smelting and refining technology of the Group. The following table sets out the conditions of the Group's capital expenditure as well as the ratio of the capital of each operation over total capital expenditure based on various categories of operations for the Period:

	Six months ended 30 June 2010 RMB'000	Percentage %
Mining, ore processing and smelting and complementary operations in Kalatongke Mine	181,510	49.5%
Refining and complementary operations in Fukang Refinery	15,262	4.2%
Mining and ore processing and complementary operations in Xinjiang Yakesi	87,038	23.7%
Mining operation in Hami Jubao	3,064	0.8%
Smelting and complementary operations in Xinjiang Zhongxin Mining Company Limited	11,245	3.1%
100,000-ton of copper smelting operation in Xinjiang Wuxin Copper Company Limited	68,787	18.7%
Total	366,906	100%

Management Discussion and Analysis

Liquidity and Financial Resources

As at 30 June 2010, the Group had total cash and cash equivalents amounting to RMB2,006.5 million, and those as at 31 December 2009 were RMB2,301.4 million.

	As at 30 June 2010	As at 31 December 2009
Current Ratio (Times)	8.5	12.6
Gearing Ratio	NA	NA

As at 30 June 2010 and 31 December 2009, the Group did not have any loans or borrowings.

Major Acquisitions And Disposal

There were no other major acquisitions and disposals in relation to the Group during the Period.

Commodity Price Risk

The prices of the Group's products are impacted by their 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 Company. Therefore, the volatility of commodity prices may materially affect the turnover and profit of the Company. The Group did not engage in nor enter into any trading contracts and pricing arrangements to hedge the risk of volatility of non-ferrous metals prices.

Risk of Fluctuations in Exchange Rate

The transactions of the Group are all denominated in Renminbi. Fluctuations in currency 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 Company has no exposure to risks resulting from fluctuations in interest rates on the Group's debt-free balance sheet, to the extent that the Company may need to raise debt financing in the future, any upward fluctuations in interest rates will increase the cost of new debt financing.



Management Discussion and Analysis

Charge on Assets

There were no charges or pledges of assets in the Group as at 30 June 2010.

Material Litigation or Arbitration

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

Contingent Liabilities

Save as disclosed in note 21 to the condensed consolidated interim financial information (unaudited), the Group had no other significant contingent liabilities as at 30 June 2010.

Directors' and Supervisors' Interest in Contract

As at 30 June 2010, 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 subsidiaries 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 Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

Directors' Interest

Below listed are the recipients of the SARIS and their allocated number of SARIS number as at 30 June 2010:

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
Senior management		11,500,000	0.159
Twelve key personnel		3,120,000	0.141
Total		14,620,000	0.660

Save as disclosed above and in the section headed "Share Capital and Dividends – Shareholding of Substantial Shareholders", as at 30 June 2010, 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 Listing Rules.



Directors' Interest

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 2010 is as follows:

	Number of shares issued	% of capital	Nominal value <i>RMB'000</i>
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 2010, 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



Share Capital and Dividends

Note: The entire shareholdings/equity interests of Shanghai Yilian Kuangneng Co. Ltd. and Zhongjin Investment (Group) Ltd. are beneficially owned by Mr. Zhou Chuanyou (周傳有). In addition, Hong Kong CCIG International Industrial Co., Ltd., which is also beneficially owned by Mr. Zhou Chuanyou, held 2,527,000 (L) H shares of the Company as at 30 June 2010. Accordingly, as at 30 June 2010, 483,451,000 shares of the Company are beneficially owned by Mr. Zhou Chuanyou, representing 21.87% of the total share capital of the Company.

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

Save as disclosed above, as at 30 June 2010, 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

The Board does not recommend any payment of interim dividend for 2010 (nil for 2009).

Employees and Welfare

As at 30 June 2010, the Group had 3,035 full-time employees. Breakdowns by function and location are as follows:

Division	Employees	% to Total
Management and administration	167	5.5%
Engineering technician	416	13.7%
Production staff	1,854	61.1%
Repair and maintenance	416	13.7%
Inspection	167	5.5%
Sales	15	0.5%
Total	3,035	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 RMB188.8 million as follows:

- RMB0.5 million was used in relation to the geological mine search below and in the surrounding area of the Kalatongke Mine;
- RMB62.9 million was used in relation to the further expansion of the mining and ore processing at the Kalatongke Mine;
- RMB112.8 million to be used in relation to the expansion of the smelting operation at the Kalatongke Mine;
- RMB0.2 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; and
- RMB12.4 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.

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 two meetings (with an attendance rate of 18/18) in which all four executive directors attended such Board meetings.

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 its 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 Securities Transactions by Directors of Listed Issuers

Upon specific enquiries made of 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, 26 August 2010

Condensed Consolidated Interim Balance Sheet (Unaudited)

(All amounts in RMB thousands unless otherwise stated)

	Note	As at	
		30 June 2010 Unaudited	31 December 2009 Audited
ASSETS			
Non-current assets			
Property, plant and equipment	5	2,257,803	1,919,017
Mining rights	5	651,728	658,645
Land use rights	5	122,897	124,366
Intangible assets		28,463	28,545
Investment in a joint-venture	6	142,211	143,677
Investment in an associate	7	5,378	5,821
Other non-current assets		53,047	53,000
Deferred tax assets	14	21,517	21,946
Total non-current assets		3,283,044	2,955,017
Current assets			
Inventories	8	299,444	261,180
Trade and bills receivables	9	63,974	13,583
Other receivables and prepayments	10	135,845	92,552
Interest receivable		2,200	11,699
Cash and bank balances		2,006,543	2,301,418
Total current assets		2,508,006	2,680,432
Total assets		5,791,050	5,635,449

Condensed Consolidated Interim Balance Sheet (Unaudited)

(All amounts in RMB thousands unless otherwise stated)

	Note	As at	
		30 June 2010 Unaudited	31 December 2009 Audited
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	11	552,500	552,500
Capital reserve		4,055,489	4,055,489
Other reserves		203,470	201,687
Retained earnings		504,777	429,977
		5,316,236	5,239,653
Non-controlling interests		45,765	46,103
Total equity		5,362,001	5,285,756
LIABILITIES			
Non-current liabilities			
Long-term payables		830	939
Provision for close down, restoration and environmental costs		5,310	5,310
Deferred income		26,212	26,328
Deferred tax liabilities	14	103,167	103,682
Total non-current liabilities		135,519	136,259
Current liabilities			
Current portion of long-term payables		69	116
Trade payables	12	148,296	97,133
Other payables and accruals	13	106,106	115,121
Dividend payable		37,950	–
Income tax payable		1,109	1,064
Total current liabilities		293,530	213,434
Total liabilities		429,049	349,693
Total equity and liabilities		5,791,050	5,635,449
Net current assets		2,214,476	2,466,998
Total assets less current liabilities		5,497,520	5,422,015

Condensed Consolidated Interim Statement of Comprehensive Income (Unaudited)

(All amounts in RMB thousands unless otherwise stated)

	Note	Unaudited Six months ended 30 June	
		2010	2009
Revenue	4	544,148	264,261
Cost of sales	15	(327,737)	(190,105)
Gross profit		216,411	74,156
Distribution costs	15	(2,873)	(3,818)
Administrative expenses	15	(43,692)	(33,732)
Other gains – net	16	2,960	2,806
Operating profit		172,806	39,412
Finance income	17	19,733	28,528
Finance costs	17	(4)	(72)
Finance income – net	17	19,729	28,456
Share of loss of a joint-venture	6	(1,466)	(427)
Share of loss of an associate	7	(443)	(87)
Profit before income tax		190,626	67,354
Income tax expense	18	(3,881)	(70)
Profit for the period		186,745	67,284
Other comprehensive income for the period, net of tax		–	–
Total comprehensive income for the period		186,745	67,284
Total comprehensive income attributable to:			
– Equity holders of the Company		187,083	67,274
– Non-controlling interests		(338)	10
		186,745	67,284
Earnings per share for profit attributable to the equity holders of the Company during the period (expressed in Renminbi per share)			
– basic and diluted	19	0.085	0.030
Dividends	20	–	–

Condensed Consolidated Interim Statement of Changes in Equity (Unaudited)

(All amounts in RMB thousands unless otherwise stated)

	Unaudited							
	Attributable to equity holders of the Company					Total	Non-controlling interests	Total equity
	Share capital	Capital reserve	Other reserves	Retained earnings				
At 1 January 2009	552,500	4,055,489	182,168	421,651	5,211,808	9,803	5,221,611	
Total comprehensive income for the period	-	-	-	67,274	67,274	10	67,284	
Transaction with owners								
Distributions to owners								
- Dividend relating to 2008	-	-	-	(198,900)	(198,900)	-	(198,900)	
Non-controlling interests arising on a business combination	-	-	-	-	-	2,616	2,616	
Total transaction with owners	-	-	-	(198,900)	(198,900)	2,616	(196,284)	
Appropriation to safety fund reserve	-	-	1,329	(1,329)	-	-	-	
Utilisation of safety fund reserve	-	-	(274)	274	-	-	-	
At 30 June 2009	552,500	4,055,489	183,223	288,970	5,080,182	12,429	5,092,611	
At 1 January 2010	552,500	4,055,489	201,687	429,977	5,239,653	46,103	5,285,756	
Total comprehensive income for the period	-	-	-	187,083	187,083	(338)	186,745	
Transaction with owners								
- Dividend relating to 2009	-	-	-	(110,500)	(110,500)	-	(110,500)	
Appropriation to safety fund reserve	-	-	2,959	(2,959)	-	-	-	
Utilisation of safety fund reserve	-	-	(1,176)	1,176	-	-	-	
At 30 June 2010	552,500	4,055,489	203,470	504,777	5,316,236	45,765	5,362,001	

Condensed Consolidated Interim Cash Flow Statement (Unaudited)

(All amounts in RMB thousands unless otherwise stated)

	Unaudited	
	Six months ended 30 June	
	2010	2009
Cash flows from operating activities		
Cash generated from/(used in) operations	110,639	(98,062)
Income tax paid	(3,192)	(402)
Net cash generated from/(used in) operating activities	107,447	(98,464)
Cash flows from investing activities		
Acquisition of subsidiary, net of cash acquired	–	(280,777)
Purchase of property, plant and equipment	(358,810)	(266,852)
Purchase of other intangible assets	(190)	(1,548)
Interest received	29,232	31,637
Net cash used in investing activities	(329,768)	(517,540)
Cash flows from financing activities		
Dividend paid	(72,550)	(166,610)
Net decrease in cash and cash equivalents	(294,871)	(782,614)
Cash and cash equivalents at beginning of the period	2,301,418	3,448,018
Exchange losses	(4)	–
Cash and cash equivalents at end of the period	2,006,543	2,665,404



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 subsidiaries (collectively referred to as the “Group”) are 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 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 26 August 2010.

This condensed consolidated interim financial information has not been audited.

2 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2010 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, ‘Interim financial reporting’. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2009, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

Notes to the Condensed Consolidated Interim Financial Information (Unaudited)

(All amounts in RMB thousands unless otherwise stated)

3 Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2009, as described in those annual financial statements.

(a) New and amended standards adopted by the Group

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning on 1 January 2010:

- HKFRS 3 (revised), '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', are 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.

The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with HKFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed.

As the Group has adopted HKFRS 3 (revised), it is required to adopt HKAS 27 (revised), 'consolidated and separate financial statements', at the same time. HKAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss.

The Group will apply HKFRS 3 (revised) to all business combination from 1 January 2010, and there is no business combination for the six months ended 30 June 2010.

Notes to the Condensed Consolidated Interim Financial Information (Unaudited)

(All amounts in RMB thousands unless otherwise stated)

3 Accounting policies *(continued)*

(b) Standards, amendments and interpretations to existing standards effective in 2010 but not relevant to the Group

- HK(IFRIC)-Int 17, 'Distributions of non-cash assets to owners' is effective for annual periods beginning on or after 1 July 2009. This is not currently applicable to the Group, as it has not made any non-cash distributions.
- 'Additional exemptions for first-time adopters' (Amendment to HKFRS 1) is effective for annual periods beginning on or after 1 January 2010. This is not relevant to the Group, as it is an existing HKFRS preparer.
- HKAS 39 (Amendment), 'Eligible hedged items' is effective for annual period on or after 1 July 2009. That is not currently applicable to the Group, as it has no hedging.
- HKFRS 2 (Amendment), 'Group cash-settled share-based payment transaction' is effective for annual periods beginning on or after 1 January 2010. This is not currently applicable to the Group, as it has no such share-based payment transactions.
- First improvements to Hong Kong Financial Reporting Standards (2008) were issued in October 2008 by the Hong Kong Institute of Certified Public Accountant ("HKICPA"). The improvement related to HKFRS 5 "Non-current assets held for sale and discontinued operations" is effective for annual period on or after 1 July 2009.
- Second improvements to Hong Kong Financial Reporting Standards (2009) were issued in May 2009 by the HKICPA. All improvements are effective in the financial year of 2010.

(c) The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning on 1 January 2010 and have not been early adopted:

- HKFRS 9, 'Financial instruments' addresses the classification and measurement of financial assets and is likely to affect the Group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. This is not currently applicable to the Group.

Notes to the Condensed Consolidated Interim Financial Information (Unaudited)

(All amounts in RMB thousands unless otherwise stated)

3 Accounting policies (continued)

(c) The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning on 1 January 2010 and have not been early adopted: (continued)

- Under 'Classification of rights issues' (Amendment to HKAS 32), for rights issues offered for a fixed amount of foreign currency, current practice appears to require such issues to be accounted for as derivative liabilities. The amendment states that if such rights are issued pro rata to all the entity's existing shareholders in the same class for a fixed amount of currency, they should be classified as equity regardless of the currency in which the exercise price is denominated. The amendment should be applied for annual periods beginning on or after 1 February 2010. Earlier application is permitted. This is not currently applicable to the Group.
- Amendments to HK(IFRIC) Int-14 'Prepayments of a minimum funding requirement' corrects an unintended consequence of HK(IFRIC) Int-14, 'HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognise as an asset for any surplus arising from the voluntary prepayment of minimum funding contributions in respect of future service. This was not intended when HK(IFRIC) Int-14 was issued, and the amendments correct the problem. The amendments are effective for annual periods beginning on 1 January 2011. Earlier application is permitted. The amendments should be applied retrospectively to the earliest comparative period presented. This is not currently applicable to the Group.
- HK(IFRIC) Int-19, 'Extinguishing financial liabilities with equity instruments' clarifies the requirements of HKFRSs when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. The interpretation is effective for annual periods beginning on or after 1 July 2010. Earlier application is permitted. This is not currently applicable to the Group.
- 'Limited exemption from comparative HKFRS 7 disclosures for first-time adopters' (Amendment to HKFRS 1) provide first-time adopters with the same transition provisions as included in the amendment to HKFRS 7 in relation to relief from presenting comparative information that ended before 31 December 2009 for new fair value disclosures requirements. This is required to be applied for annual periods beginning on or after 1 July 2010. Early adoption is permitted. This is not relevant to the Group, as it is an existing HKFRS preparer.
- Third improvements to Hong Kong Financial Reporting Standards (2010) were issued in May 2010, by the HKICPA. All improvements are effective in annual periods beginning on or after 1 January 2011.

Notes to the Condensed Consolidated Interim Financial Information (Unaudited)

(All amounts in RMB thousands unless otherwise stated)

4 Segment information

The chief operating decision-maker has been identified as the Company's Board of Directors.

As all of the Group's activities are engaged in the mining, ore processing, smelting, refining and sales of nickel, copper and other non-ferrous metal products, and resources are allocated based on what is beneficial for the Group in enhancing the value as a whole rather than any specific department, the Board of Directors considers the performance assessment of the Group should be based on the results of the Group as a whole. Therefore, management considers there to be only one operating segment.

Revenues from major products

The Group's revenues from its major products are set out in below table.

	Six months ended 30 June	
	2010 Unaudited	2009 Unaudited
Nickel cathode	422,106	172,299
Copper cathode	98,896	72,116
Copper concentrate	6,910	3,466
Others	16,236	16,380
	544,148	264,261

As all of the turnover and operating results of the Group for the six months ended 30 June 2009 and 2010 is derived in the PRC and all the Group's assets and liabilities are located in the PRC, no geographical segment information is shown.

For the six months ended 30 June 2010, the top two customers contributed 40% and 23% of the revenue (2009: 35% and 12%) respectively.

Notes to the Condensed Consolidated Interim Financial Information (Unaudited)

(All amounts in RMB thousands unless otherwise stated)

5 Property, plant and equipment, mining rights and land use rights

	Property, plant and equipment	Mining rights	Land use rights	Total
Six months ended 30 June 2009				
Opening net book amount				
1 January 2009	870,377	282,996	76,267	1,229,640
Acquisition of subsidiaries	415,739	387,300	50,549	853,588
Additions	274,678	1,472	–	276,150
Depreciation/Amortization	(20,394)	(6,146)	(981)	(27,521)
Closing net book amount				
30 June 2009 (Unaudited)	1,540,400	665,622	125,835	2,331,857
Six months ended 30 June 2010				
Opening net book amount				
1 January 2010	1,919,017	658,645	124,366	2,702,028
Additions	366,906	–	–	366,906
Depreciation/Amortization	(28,120)	(6,917)	(1,469)	(36,506)
Closing net book amount				
30 June 2010 (Unaudited)	2,257,803	651,728	122,897	3,032,428

6 Investment in a joint-venture

	Six months ended 30 June	
	2010 Unaudited	2009 Unaudited
At 1 January	143,677	144,669
Share of loss	(1,466)	(427)
At 30 June	142,211	144,242

Notes to the Condensed Consolidated Interim Financial Information (Unaudited)

(All amounts in RMB thousands unless otherwise stated)

7 Investment in an associate

	Six months ended 30 June	
	2010 Unaudited	2009 Unaudited
At 1 January	5,821	–
Acquisition of a subsidiary	–	9,685
Share of loss	(443)	(87)
At 30 June	5,378	9,598

8 Inventories

	As at	
	30 June 2010 Unaudited	31 December 2009 Audited
Cost:		
Raw materials	56,847	57,798
Work-in-progress	36,557	31,916
Semi-finished goods	137,608	111,704
Finished goods	68,975	60,410
	299,987	261,828
Provision for impairment:		
Raw materials	(543)	(648)
Inventories, net	299,444	261,180

9 Trade and bills receivables

	As at	
	30 June 2010 Unaudited	31 December 2009 Audited
Trade receivables (Note (a))	59,270	7,676
Bills receivable	7,500	8,561
Less: provision for impairment of receivables	(2,796)	(2,654)
	63,974	13,583

Notes to the Condensed Consolidated Interim Financial Information (Unaudited)

(All amounts in RMB thousands unless otherwise stated)

9 Trade and bills receivables (continued)

Notes:

- (a) Trade receivables are analysed as follows:

	As at	
	30 June 2010 Unaudited	31 December 2009 Audited
Trade receivables		
– Fellow subsidiaries	1,232	1,108
– Third parties	58,038	6,568
Trade receivables, gross	59,270	7,676

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

	As at	
	30 June 2010 Unaudited	31 December 2009 Audited
0 – 90 days	55,505	4,226
91 – 180 days	315	283
181 – 365 days	283	–
Over 365 days	3,167	3,167
	59,270	7,676

- (b) The credit period of trade receivables is generally from 1 to 3 months. As at 30 June 2010 and 31 December 2009, management of the Group assessed the recoverability of trade receivables on a customer by customer basis and made impairment provision of RMB2,796,000 and RMB2,654,000 respectively; and there were no significant past due but not impaired trade receivables balances.
- (c) Trade receivables from related parties are unsecured, non-interest bearing and repayable in accordance with the relevant contract entered into between the Group and these related parties.
- (d) The ageing of bills receivables is all within 180 days.
- (e) The carrying amounts of trade receivables approximate their fair values.
- (f) Impairment provision for trade receivables is charged to administrative expenses.

Notes to the Condensed Consolidated Interim Financial Information (Unaudited)

(All amounts in RMB thousands unless otherwise stated)

10 Other receivables and prepayments

	As at	
	30 June 2010 Unaudited	31 December 2009 Audited
Other receivables		
– Amount due from a joint-venture (Note (a))	50,000	50,000
– Amount due from an associate (Note (b))	7,048	7,048
– Third parties	10,141	9,981
Less: Impairment provision	(2,152)	(2,152)
	65,037	64,877
Advances to suppliers (Note (c))	70,808	27,675
	135,845	92,552

Notes:

- (a) Amount due from a joint-venture

According to the contract signed by the Company and Hami Hexin Mining Company Limited (“Hexin Mining”) on 29 June 2009, in which the Company owns 50% equity interest, the Company provided a loan with amount of RMB50,000,000 to Hexin Mining. The loan was unsecured, bearing interest at a rate of 4.86% per annum, and repayable no later than 31 December 2010.

- (b) Amount due from an associate

According to the contract signed by Yakesi and Tibet PuXiong Mining Company Limited (“Puxiong Mining”) on 27 June 2006, in which Yakesi owns a 30% equity interest, Yakesi provided a loan RMB7,000,000 to PuXiong Mining. The loan is guaranteed by the holding company of PuXiong Mining, bearing interest at a rate of 5.31% per annum, and repayable on demand.

- (c) Advances to suppliers is analysed as follows:

	As at	
	30 June 2010 Unaudited	31 December 2009 Audited
Advances to suppliers		
– Fellow subsidiaries	418	66
– Third parties	70,390	27,609
	70,808	27,675

- (d) The carrying amounts of other receivables and prepayments approximate their fair values.
- (e) Impairment provision for other receivables is charged to administrative expenses.

Notes to the Condensed Consolidated Interim Financial Information (Unaudited)

(All amounts in RMB thousands unless otherwise stated)

11 Share capital

	As at		As at	
	30 June 2010		31 December 2009	
	Numbers of shares	Amount Unaudited	Numbers of shares	Amount Audited
Issued and fully paid				
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
	2,210,000,000	552,500	2,210,000,000	552,500

12 Trade payables

Trade payables are analysed as follows:

	As at	
	30 June 2010 Unaudited	31 December 2009 Audited
Trade payables		
– Fellow subsidiaries	24,083	20,791
– Third parties	124,213	76,342
	148,296	97,133

As at 30 June 2010 and 31 December 2009, the ageing analysis of trade payables are as follows:

	As at	
	30 June 2010 Unaudited	31 December 2009 Audited
0 – 90 days	118,083	77,737
91 – 180 days	16,104	5,650
181 – 365 days	1,496	6,071
Over 365 days	12,613	7,675
	148,296	97,133

Notes to the Condensed Consolidated Interim Financial Information (Unaudited)

(All amounts in RMB thousands unless otherwise stated)

13 Other payables and accruals

	As at	
	30 June 2010 Unaudited	31 December 2009 Audited
Other payables (Note (a))	43,668	32,769
Customer deposits and receipts in advance	16,464	31,047
Salary and welfare payables	35,902	46,132
Accrued taxes other than income tax (Note (b))	10,072	5,173
	106,106	115,121

Notes:

(a) Other payables are analysed as follows:

	As at	
	30 June 2010 Unaudited	31 December 2009 Audited
Other payables		
– Xinjiang Non-ferrous	818	–
– Fellow subsidiaries	–	480
– Third parties	42,850	32,289
	43,668	32,769

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 2010 Unaudited	31 December 2009 Audited
Value added tax	3,981	(13,148)
Individual income tax	395	746
Stamp duty	41	447
Resource compensation fee	5,097	15,190
Others	558	1,938
	10,072	5,173

Notes to the Condensed Consolidated Interim Financial Information (Unaudited)

(All amounts in RMB thousands unless otherwise stated)

14 Deferred income tax

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	As at	
	30 June 2010 Unaudited	31 December 2009 Audited
Deferred tax assets		
– Deferred tax assets to be recovered after more than 12 months	(17,626)	(21,946)
– Deferred tax assets to be recovered within 12 months	(3,891)	–
	(21,517)	(21,946)
Deferred tax liabilities		
– Deferred tax liabilities to be recovered after more than 12 months	102,602	102,957
– Deferred tax liabilities to be recovered within 12 months	565	725
	103,167	103,682
Deferred tax liabilities – net	81,650	81,736

The gross movements in the deferred income tax account are as follows:

	Six months ended 30 June 2010 Unaudited	Six months ended 30 June 2009 Unaudited
At 1 January	81,736	(5,379)
Acquisition of subsidiaries	–	90,448
Credit to consolidated statement of comprehensive income	(86)	(139)
At 30 June	81,650	84,930

Notes to the Condensed Consolidated Interim Financial Information (Unaudited)

(All amounts in RMB thousands unless otherwise stated)

14 Deferred income tax (continued)

The movements in deferred income tax assets and liabilities during the period, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

Deferred tax liabilities

	Fair value gains ^(note)	Others	Total
At 1 January 2009	–	–	–
Acquisition of subsidiaries	104,606	–	104,606
Credited to consolidated statement of comprehensive income	(139)	–	(139)
At 30 June 2009 (Unaudited)	104,467	–	104,467
At 1 January 2010	103,547	135	103,682
Credited to consolidated statement of comprehensive income	(515)	–	(515)
At 30 June 2010 (Unaudited)	103,032	135	103,167

Deferred tax assets

	Deferred income	Provision	Depreciation	Tax losses	Pre-operating expense	Others	Total
At 1 January 2009	(4,085)	(557)	(737)	–	–	–	(5,379)
Acquisition of subsidiaries	–	(64)	(391)	(13,158)	(545)	–	(14,158)
At 30 June 2009 (unaudited)	(4,085)	(621)	(1,128)	(13,158)	(545)	–	(19,537)
At 1 January 2010	(4,085)	(688)	(964)	(15,638)	(545)	(26)	(21,946)
Debited to consolidated statement of comprehensive income	–	–	–	429	–	–	429
At 30 June 2010 (unaudited)	(4,085)	(688)	(964)	(15,209)	(545)	(26)	(21,517)

Note: Fair value gains represent the differences between the fair values and carrying amounts of mining rights, land use rights and property, plant and equipment arising from business combination.

Notes to the Condensed Consolidated Interim Financial Information (Unaudited)

(All amounts in RMB thousands unless otherwise stated)

15 Expenses by nature

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

	Six months ended 30 June	
	2010 Unaudited	2009 Unaudited
Depreciation (Note 5)	28,120	20,394
Amortisation	8,612	7,206
Reversal of impairment of inventories	–	(53,193)
Provision for impairment of trade receivables	142	61
Provision for impairment of other receivables	–	375
Staff costs	84,319	60,130
Changes in inventories of finished goods and work-in-progress	(39,110)	23,019
Raw materials and consumables used	157,690	69,163
Power and fuel consumed	60,500	40,851
Subcontracting expenses	39,042	30,984
Other manufacturing overheads	11,457	14,152
Transportation expenses	2,104	2,854
Sales tax levies	5	–
Mineral resources compensation fee	5,574	3,238
Others	15,847	8,421
Total cost of sales, distribution costs and administrative expenses	374,302	227,655

16 Other gains – net

	Six months ended 30 June	
	2010 Unaudited	2009 Unaudited
Scrap sales	3,631	1,062
Donation	(2,311)	–
Others	1,640	1,744
	2,960	2,806

Notes to the Condensed Consolidated Interim Financial Information (Unaudited)

(All amounts in RMB thousands unless otherwise stated)

17 Finance income – net

	Six months ended 30 June	
	2010 Unaudited	2009 Unaudited
Finance income		
– Interest income on short-term bank deposits	19,733	28,528
Finance costs		
– Unwinding of discount	–	(72)
– Net foreign exchange loss	(4)	–
	(4)	(72)
	19,729	28,456

18 Income tax expense

	Six months ended 30 June	
	2010 Unaudited	2009 Unaudited
Current income tax	3,967	209
Deferred income tax	(86)	(139)
	3,881	70

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 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 six months ended 30 June 2009 and 2010 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 is subject to be reviewed annually.

Notes to the Condensed Consolidated Interim Financial Information (Unaudited)

(All amounts in RMB thousands unless otherwise stated)

18 Income tax expense (continued)

The subsidiary, Xinjiang Yakesi Resources Development Co., Ltd. (“Yakesi”), is eligible for corporate income tax based on the deducted tax rate of 15% from 2005 to 2010 pursuant to approval obtained from local tax bureau of Hami, Xinjiang Xinjiang Uygur Autonomous Region.

The subsidiary, Hami Jubao Resources Development Co., Ltd. (“Jubao”), is exempted from enterprise income tax from 2007 to 2008 and eligible for corporate income tax based on the deducted tax rate of 7.5% from 2009 to 2010 pursuant to approval obtained from local tax bureau of Hami, Xinjiang Xinjiang Uygur Autonomous Region.

The subsidiary, Xinjiang Zhongxin Mining Company Limited (“Zhongxin Mining”), is exempted from corporate income tax from 2007 to 2009 pursuant to approval obtained from local tax bureau of Xinjiang Xinjiang Uygur Autonomous Region, and applied the corporate income tax rate of 25% since 1 January 2010.

19 Earnings per share

	Six months ended 30 June	
	2010 Unaudited	2009 Unaudited
Profit attributable to equity holders of the Company (RMB'000)	187,083	67,274
Number of shares in issue (thousand)	2,210,000	2,210,000
Basic and diluted earnings per share (RMB)	0.085	0.030

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

Notes to the Condensed Consolidated Interim Financial Information (Unaudited)

(All amounts in RMB thousands unless otherwise stated)

20 Dividend

Dividend for 2009 amounting to RMB72,550,000 was paid in June 2010 (2009: RMB130,590,000)

The Board of Directors has not proposed any interim dividend up to 26 August 2010.

21 Contingences

(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)

22 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 2010 Unaudited	31 December 2009 Audited
Contracted but not provided for:		
– Buildings	720,719	180,791
– Machinery and equipment	231,572	258,758
	952,291	439,549
Authorised but not contracted for:		
– Buildings	452,174	1,101,298
– Machinery and equipment	1,101,534	1,137,861
	1,553,708	2,239,159
	2,505,999	2,678,708

(b) Operating lease commitments

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

Notes to the Condensed Consolidated Interim Financial Information (Unaudited)

(All amounts in RMB thousands unless otherwise stated)

22 Commitments (continued)

(b) Operating lease commitments (continued)

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

	As at	
	30 June 2010 Unaudited	31 December 2009 Audited
No later than 1 year	1,636	1,636
Later than 1 year and no later than 5 year	2,454	3,272
	4,090	4,908

23 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. The Company's directors regard Xinjiang Non-ferrous as the immediate and ultimate holding company of the Company.

Xinjiang Non-ferrous itself is a state-owned enterprise and is controlled by the PRC government. In accordance with HKAS 24 (revised), "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. Other than the related-party transactions disclosed in note (c), the Group's management is of the opinion that there were no individually/collectively-significant transactions conducted with those government-related entities, other than Xinjiang Non-ferrous Group's companies, for the six months ended 30 June 2009 and 2010.

Notes to the Condensed Consolidated Interim Financial Information (Unaudited)

(All amounts in RMB thousands unless otherwise stated)

23 Related-party transactions (continued)

During the six months ended 30 June 2009 and 2010, 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 Haoxin Lithia Developing Company Limited	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 Ashele Cooper Industry Company Limited	Associate of holding company
Hexin Mining	Joint-venture
Puxiong Mining	Associate

The Group's management is of the opinion that, for the six months ended 30 June 2009 and 2010, the transactions conducted between the Group and any of the related parties listed above were at terms mutually agreed by the underlying parties in the ordinary course of business.

Notes to the Condensed Consolidated Interim Financial Information (Unaudited)

(All amounts in RMB thousands unless otherwise stated)

23 Related-party transactions (continued)

- (a) During the six months ended 30 June 2009 and 2010, the Group had the following material transactions with related parties:

Transactions with the Holding Company

	Six months ended 30 June	
	2010 Unaudited	2009 Unaudited
Nature of transactions		
Rental expense paid/payable – Building	818	818
Dividend paid	44,260	79,668
	45,078	80,486

Apart from the above transactions, 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 20 March 2019.

Transactions with companies controlled by the Holding Company

Name of related parties	Nature of transactions	Six months ended 30 June	
		2010 Unaudited	2009 Unaudited
– Xinjiang Non-ferrous Industry Group Precious Metal Co., Ltd.	Purchase of equipment and fittings	1,766	580
– Fukang Non-ferrous Development Co., Ltd.	Purchase of raw materials and consumables	1,847	752
	Purchase of coal	378	912
– Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	Provision of construction services	61,816	62,505
	Provision of equipment processing	2,998	2,390
– China Non-ferrous Metal Import and Export Company of Xinjiang	Purchase of equipment and fittings	14,062	–

Notes to the Condensed Consolidated Interim Financial Information (Unaudited)

(All amounts in RMB thousands unless otherwise stated)

23 Related-party transactions (continued)

(a) During the six months ended 30 June 2009 and 2010, the Group had the following material transactions with related parties: (continued)

Name of related parties	Nature of transactions	Six months ended 30 June	
		2010 Unaudited	2009 Unaudited
– Fukang Non-ferrous Development Co., Ltd.	Provision of transportation services	2,456	1,684
– Xinjiang Non-ferrous Metallurgy Transportation Company Co., Ltd.	Provision of transportation services	249	159
– Xinjiang Non-ferrous Metal Industry(Group) Fuyun Xingtong Service Co.,Ltd.	Provision of transportation services	399	244
	Provision of comprehensive supporting services	1,600	1,767
– Metallurgical Design Institute of Non-ferrous Metals of Urumqi	Provision of mining structure design services	–	648
– Fuyun Hengsheng Beryllium Industry Co.,Ltd.	Provision of services	–	5
		87,571	71,646
Provision of loans to a joint-venture			
– Hexin Mining	Provision of loans	–	15,000
Sales of inventories to related parties			
– Fuyun Hengsheng Beryllium Industry Co., Ltd.	Sale of copper cathode	13,057	5,861
– Xinjiang Non-ferrous Industry Group Precious Metal Co.,Ltd.	Sale of nickel cathode and copper cathode	–	31
– Fukang Non-ferrous Development Co., Ltd.	Sale of scarps	559	–
– Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co.,Ltd.	Sale of water, electricity and material	2,116	1,923
		15,732	7,815

Notes to the Condensed Consolidated Interim Financial Information (Unaudited)

(All amounts in RMB thousands unless otherwise stated)

23 Related-party transactions (continued)

(b) Balances due from or due to related parties

	As at	
	30 June 2010 Unaudited	31 December 2009 Audited
Trade receivable from fellow subsidiaries		
– Fuyun Hengsheng Beryllium Industry Co., Ltd.	537	537
– Fukang Non-ferrous Development Co., Ltd.	339	247
– Xinjiang Haoxin Lithia Developing Company Limited	324	324
– Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	32	–
	1,232	1,108
Other receivables from a joint-venture		
– Hexin Mining	50,000	50,000
Other receivables from an associate		
– PuXiong Mining	7,048	7,048
	57,048	57,048
Advances to fellow subsidiaries		
– Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	83	66
– Metallurgical Design Institute of Non-ferrous Metals of Urumqi	45	–
– Xinjiang Non-ferrous Metallurgy Transportation Co.,Ltd.	290	–
	418	66

Notes to the Condensed Consolidated Interim Financial Information (Unaudited)

(All amounts in RMB thousands unless otherwise stated)

23 Related-party transactions (continued)

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

	As at	
	30 June 2010 Unaudited	31 December 2009 Audited
Trade payables to fellow subsidiaries		
– Xinjiang Non-ferrous Metallurgy Manufacture Factory	116	110
– Metallurgical Design Institute of Non-ferrous Metals of Urumqi	40	40
– Fukang Non-ferrous Development Co., Ltd.	464	894
– Xinjiang Non-ferrous Metal Industry (Group) Fuyun Xingtong Service Co.,Ltd.	1,009	579
– Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co.,Ltd.	21,527	18,726
– Xinjiang Non-ferrous Metallurgy Transportation Company Co., Ltd.	147	136
– Xinjiang Non-ferrous Industry Group Precious Metal Co., Ltd.	780	306
	24,083	20,791
Other payables to fellow subsidiaries		
– Xinjiang Non-ferrous Metal Industry (Group) Fuyun Xingtong Service Co., Ltd.	–	7
– Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co.,Ltd.	–	203
– Xinjiang Non-ferrous Metallurgy Transportation Company Co., Ltd.	–	50
– China Non-ferrous Metal Import and Export Company of Xinjiang	–	220
	–	480
Long-term payables to Holding Company		
– Current	69	116
– Non-current	830	939
	899	1,055

Notes to the Condensed Consolidated Interim Financial Information (Unaudited)

(All amounts in RMB thousands unless otherwise stated)

23 Related-party transactions (continued)

(c) Significant transactions with other state-owned enterprises

(i) Bank deposits with and interest income from state-owned banks

	As at	
	30 June 2010 Unaudited	31 December 2009 Audited
Deposits	1,961,210	2,266,217
	Six months ended 30 June	
	2010 Unaudited	2009 Unaudited
Interest income	19,606	28,528

As at 30 June 2010, there were four (31 December 2009: six) state-owned banks in each of which the Group placed deposits over RMB100 million.

(ii) Others

For the six months ended 30 June 2010, the Group conducted sales approximating RMB256,410,000 (2009: RMB19,688,000) with four (2009: two) state-owned enterprises; and purchased electricity approximating RMB37,823,000 (2009: RMB28,960,000) from electricity supply bureaus.

In the opinion of the Directors, all transactions disclosed above were conducted in ordinary course of business and commercial terms.

(d) Key management compensation

	Six months ended 30 June	
	2010 Unaudited	2009 Unaudited
– Salaries and other short-term employee benefits	1,556	1,726
– Retirement benefit contributions	75	59
	1,631	1,785



Xinjiang Xinxin Mining Industry Co., Ltd.
新疆新鑫礦業股份有限公司