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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2007

The board of directors (the "Board") of Xinjiang Xinxin Mining Industry Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2007.

CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
		2007	2006
	Note	***RMB'000***	*RMB'000*
Turnover	*2*	**1,581,163**	869,068
Cost of sales	*3*	**(721,705)**	(348,419)
Gross profit		**859,458**	520,649
Selling and marketing expenses	*3*	**(7,981)**	(7,494)
Administrative expenses	*3*	**(94,439)**	(65,496)
Other income	*4*	**32,013**	5,208
Other gains – net		**4,150**	51
Operating profit		**793,201**	452,918
Subscription interest income	*5*	**141,151**	–
Finance costs – net	*6*	**(108,008)**	(10,122)
Profit before income tax		**826,344**	442,796
Income tax expense	*7*	**(238)**	(119)
Profit for the year		**826,106**	442,677
Attributable to:			
Equity holders of the Company		**827,269**	444,004
Minority interests		**(1,163)**	(1,327)
		826,106	442,677
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in Renminbi per share) – basic and diluted	*8*	**0.498**	0.318
Profit distribution to Holding Company		**–**	13,045
Dividends	*9*	**657,714**	400,000

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2007	2006
	Note	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment	*10*	**556,702**	468,028
Mining rights	*11*	**292,896**	284,117
Land use rights		**77,913**	77,995
Intangible assets		**97**	94
Total non-current assets		**927,608**	830,234
Current assets			
Inventories		**274,389**	163,299
Accounts and bills receivable	*12*	**2,672**	1,099
Other receivables, prepayments and other current assets		**10,454**	6,871
Cash and bank balances		**4,096,103**	562,482
Total current assets		**4,383,618**	733,751
Total assets		**5,311,226**	1,563,985
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	*13*	**552,500**	380,000
Capital reserve	*13*	**4,055,489**	90,750
Other reserves	*14*	**153,076**	213,457
Retained earnings			
– Proposed profit distribution		**–**	13,045
– Proposed dividend	*9*	**176,800**	400,000
– Others		**153,095**	51,436
		5,090,960	1,148,688
Minority interests		**–**	23,613
Total equity		**5,090,960**	1,172,301

		As at 31 December	
		2007	2006
	Note	***RMB'000***	*RMB'000*
LIABILITIES			
Non-current liabilities			
Long-term borrowings		**–**	50,000
Long-term payables		**1,967**	122,002
Provision for close down, restoration and environmental costs		**4,354**	4,092
Deferred income		**20,386**	13,360
Total non-current liabilities		**26,707**	189,454
Current liabilities			
Short-term borrowings		**–**	44,800
Current portion of long-term borrowings		**–**	10,000
Current portion of long-term payables		**1,824**	4,011
Trade payables	*15*	**74,934**	60,390
Other payables and accruals		**116,801**	82,910
Income tax payable		**–**	119
Total current liabilities		**193,559**	202,230
Total liabilities		**220,266**	391,684
Total equity and liabilities		**5,311,226**	1,563,985
Net current assets		**4,190,059**	531,521
Total assets less current liabilities		**5,117,667**	1,361,755

NOTES:

1. BASIS OF PREPARATION

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). 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.

(a) Standards, amendment and interpretations effective in 2007 adopted by the Group and relevant to its operation

- HKFRS 7, "Financial instruments: Disclosures", and the complementary amendment to HKAS 1, "Presentation of financial statements – Capital disclosures", introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the Group's financial instruments, or the disclosures relating to taxation and trade and other payables;

- HK(IFRIC) – Int 8, "Scope of HKFRS 2", requires consideration of transactions involving the issuance of equity instruments, where the identifiable consideration received is less than the fair value of the equity instruments issued in order to establish whether or not they fall within the scope of HKFRS 2. This standard does not have any impact on the Group's financial statements; and

- HK(IFRIC) – Int 10, "Interim financial reporting and impairment", prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. This standard does not have any impact on the Group's financial statements.

(b) Standards, amendments and interpretations effective in 2007 but not relevant to the Group's operation

- HK(IFRIC) – Int 7, "Applying the restatement approach under HKAS 29, Financial reporting in hyper-inflationary economies"; and

- HK(IFRIC) – Int 9, "Re-assessment of embedded derivatives".

(c) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

- HKAS 1 (Revised), "Presentation of Financial Statements";

- HKAS 23 (Revised), "Borrowing costs";

- HKFRS 8, "Operating segments";

- HK(IFRIC) – Int 11, "HKFRS 2 – Group and treasury share transactions";

- HK(IFRIC) – Int 14, "HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction";

- HKAS 32 and HKAS 1 Amendments, "Puttable Financial Instruments and Obligations Arising on Liquidation";

- HKAS 27 (Revised), "Consolidated and Separate Financial Statements";

- HKFRS 3 (Revised), "Business Combination"; and

- HKFRS 2 Amendment, "Share-based Payment Vesting Conditions and Cancellations".

(d) Interpretations to existing standards that are not yet effective and not relevant for the Group's operations

- HK(IFRIC) – Int 12, "Service concession arrangements"; and

- HK(IFRIC) – Int 13, "Customer loyalty programmes".

2. TURNOVER

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

Sales recognised during the year ended 31 December 2006 and 2007 are analysed as follows:

	Year ended 31 December	
	2007	2006
	RMB'000	*RMB'000*
Nickel cathode	**1,267,716**	604,649
Copper cathode	**199,873**	161,874
Copper concentrate	**67,889**	48,437
Raw copper	**–**	33,792
Others	**45,685**	20,316
	1,581,163	869,068

3. EXPENSES BY NATURE

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

	Year ended 31 December	
	2007	2006
	RMB'000	*RMB'000*
Depreciation	**27,649**	23,163
Amortisation	**11,555**	11,010
(Reversal of)/provision for impairment of inventories	**(3,913)**	1,490
Reversal of impairment of accounts receivable	**(922)**	(600)
(Reversal of)/provision for impairment of other receivables	**(119)**	32
Staff costs	**190,990**	133,557
Changes in inventories of finished goods and work-in-progress	**(41,250)**	(51,142)
Raw materials and consumables used	**479,762**	176,758
Power and fuel consumed	**66,219**	57,758
Subcontracting expenses	**26,108**	21,863
Other manufacturing overheads	**8,595**	10,216
Transportation expenses	**6,146**	6,308
Sales tax levies	**12,016**	7,719
Auditor's remuneration	**1,880**	866
Resource compensation fees	**7,046**	4,748
Other taxes	**3,958**	930
Others	**28,405**	16,733
Total cost of sales, distribution costs and administrative expenses	**824,125**	421,409

4. OTHER INCOME

	Year ended 31 December	
	2007	2006
	RMB'000	*RMB'000*
Interest income	**31,852**	3,863
Subsidy income	**161**	1,345
	32,013	5,208

5. SUBSCRIPTION INTEREST INCOME

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.

6. FINANCE COSTS – NET

	Year ended 31 December	
	2007	2006
	RMB'000	*RMB'000*
Net foreign exchange loss	**96,932**	–
Bank borrowings	**479**	616
Unwinding of discount	**5,466**	9,506
Others	**5,131**	–
	108,008	10,122

The net foreign exchange loss mainly related to the conversion/translation of the H shares initial public offering ("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	
	2007	2006
	RMB'000	*RMB'000*
Current income tax	**238**	119
Deferred income tax	**–**	–
	238	119

The provision for PRC current income tax is calculated based on the statutory income tax rate of 33% 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 2006 and 2007.

The Company, except for its Shanghai branch, is exempted from enterprise income tax from 2005 to 2006 pursuant to the approval obtained from the Xinjiang Uygur Autonomous Region Government. This tax exemption was further extended to 2010 pursuant to the approval subject to annual review for the tax exemption from 2007 to 2010. The tax on profit during the year ended 31 December 2006 and 2007 mainly represent the tax for the Company's Shanghai branch.

Effective from 1 January 2008, the Company shall determine and pay the corporate income tax in accordance with the Corporate Income Tax Law of the PRC (the "new CIT Law") as approved by the National Congress on 16 March 2007. Under the new CIT Law the corporate income tax applicable to the Company will be 25% from 2008. The directors of the Company believe that the Company will get the approval for income tax exemption from 2008 to 2010.

8. EARNINGS PER SHARE

	Year ended 31 December	
	2007	2006
Profit attributable to equity holders of the Company *(RMB'000)*	**827,269**	444,004
Adjusted weighted average number of shares in issue *(thousand)*	**1,661,781**	1,398,136
Basic and diluted earnings per share *(RMB)*	**0.498**	0.318

Upon incorporation on 1 September 2005, the Company issued 300,000,000 shares at par value of RMB1 each to Xinjiang Non-ferrous Metal Industry (Group) Ltd.*（新疆有色金屬工業（集團）有限責任公司）(the "Xinjiang Non-ferrous" or the "Holding Company"), 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. Pursuant to a resolution of the shareholders of the Company dated 11 May 2007 and the approval from China Securities Regulatory Commission dated 29 August 2007, each share of RMB1 was subdivided into four shares of RMB0.25 each with effect from 27 September 2007. The total number of shares immediately after the share split was 1,520,000,000. In October 2007, the Company completed the issue of 690,000,000 H shares of RMB0.25 each at HK$6.5 (equivalent to approximately RMB6.3) per share pursuant to the IPO and listing of the Company's H shares on the Main Board of The Stock Exchange of Hong Kong Limited. 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 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	
	2007	2006
	RMB'000	*RMB'000*
Special dividend paid	**480,914**	–
Proposed final dividend	**176,800**	400,000
	657,714	400,000

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.

At the meeting of Board of Directors held on 1 April 2008, the directors proposed a final dividend of RMB0.08 per ordinary share, amounting to a total dividend of approximately RMB176,800,000 for the year ended 31 December 2007, and was subject to the approval by the Company's shareholders in the Annual General Meeting on 29 May 2008. This proposed dividend is not reflected as a dividend payable in the financial statements for the year ended 31 December 2007.

A dividend in respect of the period from 1 September 2005 to 31 December 2006 of RMB1.0526 per share, amounting to a total of RMB400,000,000, was proposed by the directors on 7 March 2007 and subsequently approved by the Company's equity holders on 22 March 2007. The dividend of RMB400,000,000 was paid to the Company's Promoters during the year ended 31 December 2007.

10. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Machinery and equipment	Electronic equipment and others	Motor vehicles	Mining structures	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2006							
Cost	248,935	150,920	3,275	18,626	12,672	38,120	472,548
Accumulated depreciation	(108,242)	(85,119)	(1,192)	(9,620)	(2,694)	–	(206,867)
Impairment	(3,831)	–	–	–	–	(1,659)	(5,490)
Net book amount	136,862	65,801	2,083	9,006	9,978	36,461	260,191
Year ended 31 December 2006							
Opening net book amount	136,862	65,801	2,083	9,006	9,978	36,461	260,191
Additions	863	1,610	1,661	2,823	512	225,835	233,304
Transfer from construction in progress	9,695	17,263	–	–	–	(26,958)	–
Disposals	(1,104)	(733)	(27)	(25)	–	(415)	(2,304)
Depreciation	(10,900)	(9,493)	(554)	(1,339)	(877)	–	(23,163)
Closing net book amount	135,416	74,448	3,163	10,465	9,613	234,923	468,028
At 31 December 2006							
Cost	256,826	165,508	4,754	21,098	13,184	234,923	696,293
Accumulated depreciation	(117,579)	(91,060)	(1,591)	(10,633)	(3,571)	–	(224,434)
Impairment	(3,831)	–	–	–	–	–	(3,831)
Net book amount	135,416	74,448	3,163	10,465	9,613	234,923	468,028
Year ended 31 December 2007							
Opening net book amount	135,416	74,448	3,163	10,465	9,613	234,923	468,028
Additions	239	6,299	1,561	3,141	–	195,184	206,424
Transfer from construction in progress	50,082	59,423	1,913	1,710	7,243	(120,371)	–
Disposals	(2,182)	(1,113)	(75)	(292)	–	–	(3,662)
Disposal of subsidiary	–	(106)	(185)	(3,351)	–	(82,797)	(86,439)
Depreciation	(11,281)	(12,679)	(699)	(1,710)	(1,280)	–	(27,649)
Closing net book amount	172,274	126,272	5,678	9,963	15,576	226,939	556,702
At 31 December 2007							
Cost	297,729	227,109	7,814	19,719	20,427	226,939	799,737
Accumulated depreciation	(125,455)	(100,837)	(2,136)	(9,756)	(4,851)	–	(243,035)
Net book amount	172,274	126,272	5,678	9,963	15,576	226,939	556,702

As at 31 December 2007, no property, plant or equipment was pledged or secured. As at 31 December 2006, bank borrowings of RMB60,000,000 were secured by construction in progress of the Group at the carrying amount of RMB3,510,000 and guaranteed by Xinjiang Non-ferrous.

11. MINING RIGHTS

	RMB'000
Year ended 31 December 2006	
Opening net book amount	294,028
Amortisation charge	(9,911)
Closing net book amount	284,117
At 31 December 2006	
Cost	297,332
Accumulated amortisation	(13,215)
Net book amount	284,117
Year ended 31 December 2007	
Opening net book amount	284,117
Addition	297,021
Termination of Mining Rights Transfer Agreement signed with Xinjiang Non-ferrous	(278,335)
Amortisation charge	(9,907)
Closing net book amount	292,896
At 31 December 2007	
Cost	297,021
Accumulated amortisation	(4,125)
Net book amount	292,896

The mining rights of Kalatongke Mine were transferred from Xinjiang Non-ferrous at a cash consideration of RMB297,332,000 pursuant to the mining rights transfer agreement on 3 September 2005 (the "Mining Rights Transfer Agreement"). The consideration was to be paid by the Company in annual instalments of approximately RMB9,911,000 each year over the course of 30 years ending 2035. The difference between the value of the mining rights and the discounted net present value of the long-term payable is recorded as contribution from Holding Company in equity.

On 25 October 2006, the Ministry of Finance of the PRC (the "MOF") and the Ministry of Land and Resource of the PRC (the "MLR") jointly promulgated a new circular on Strengthening Reform of the System for Obtaining Mineral Exploration Rights and Mining Rights for Value (the "Circular"). Pursuant to the Circular, a holder of state-invested mining rights which have been allocated to such holder without any payment of consideration to the State in the past should pay a consideration determined by the MLR. This Circular does not have any grandfather exemption. Since the mining right held by the Company was originally obtained by Xinjiang Non-ferrous from MLR via capital injection, the Circular applies to the mining rights held by the Company.

On 25 July 2007, the Company entered into a new agreement with Xinjiang Non-ferrous (the "New Agreement") to terminate the Mining Rights Transfer Agreement pursuant to which the Company acquired the mining rights at Kalatongke Mine from Xinjiang Non-ferrous. Pursuant to the New Agreement, it was agreed that Xinjiang Non-ferrous will refund the money that the Company paid in the past two years pursuant to the Mining Rights Transfer Agreement.

On 25 July 2007, the Company entered into an agreement with the Land and Resources Department of Xinjiang Uygur Autonomous Region (the "New Mining Rights Transfer Agreement") to acquire for the mining rights at Kalatongke Mine at a consideration of approximately RMB297,021,000. The consideration was settled by a down-payment of approximately RMB59,466,000 on 27 July 2007 and the residual payment of approximately RMB237,555,000 on 10 December 2007 with interest charged at market rate.

12. ACCOUNTS AND BILLS RECEIVABLE

	As at 31 December	
	2007	2006
	RMB'000	*RMB'000*
Accounts receivable *(Note (a))*	**3,844**	4,478
Bills receivable	**1,225**	80
Less: Impairment provision	**(2,397)**	(3,459)
	2,672	1,099

Notes:

(a) Accounts receivable are analysed as follows:

	As at 31 December	
	2007	2006
	RMB'000	*RMB'000*
Accounts receivable		
– Fellow subsidiaries	**919**	1,907
– Other state-owned enterprises	**601**	498
– Third parties	**2,324**	2,073
Accounts receivable, gross	**3,844**	4,478

Ageing analysis of the gross accounts receivable at the respective balance sheet date are as follows:

	As at 31 December	
	2007	2006
	RMB'000	*RMB'000*
0 – 90 days	**1,374**	–
91 – 180 days	**–**	–
181 – 365 days	**–**	233
Over 365 days	**2,470**	4,245
	3,844	4,478

(b) The credit period of accounts receivable is generally from 1 to 3 months.

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

(d) The carrying amounts of accounts and bills receivable approximate their fair values. The ageing of bills receivable are all within 180 days.

13. SHARE CAPITAL AND CAPITAL RESERVE

	Number of ordinary shares	Share capital *RMB'000*	Capital reserve *RMB'000* *Note (c)*	Total *RMB'000*
At 1 January 2006	300,000,000	300,000	62,712	362,712
Issue of new shares for the acquisition of land use rights from Holding Company *(Note (a))*	58,551,000	58,551	20,521	79,072
Capital contribution of cash from other equity holders of the Company *(Note (a))*	21,449,000	21,449	7,517	28,966
At 31 December 2006	380,000,000	380,000	90,750	470,750
Increase in number of shares due to share split *(Note (b))*	1,140,000,000	–	–	–
Issue of new shares due to IPO *(Note (b))*	690,000,000	172,500	4,172,414	4,344,914
Share issue expenses	–	–	(185,837)	(185,837)
Transfer from other reserves	–	–	(21,838)	(21,838)
At 31 December 2007	2,210,000,000	552,500	4,055,489	4,607,989

Notes:

(a) Pursuant to a resolution passed in the extraordinary shareholders meeting on 10 May 2006, the Company increased its registered capital from RMB300,000,000 to RMB380,000,000 by creation of 80,000,000 shares of RMB1 each. 58,551,000 shares of RMB1 each were issued to Xinjiang Non-ferrous for the acquisition of land use rights at fair value of approximately RMB79,072,000 contributed to the Company and 21,449,000 shares of RMB1 each were issued to the other five promoters of the Company for capital contribution of cash of approximately RMB28,966,000. The fair value of land use rights was determined by market price and valued by a qualified PRC valuer. The land use rights acquired from Xinjiang Non-ferrous were administratively authorised land. Xinjiang Non-ferrous confirmed that they would pay the charges to government if the Company transfers such land use rights to third party.

(b) Pursuant to a resolution of the shareholders of the Company dated 11 May 2007 and the approval from China Securities Regulatory Commission dated 29 August 2007, each share of RMB1 was subdivided into four shares of RMB0.25 each with effect from 27 September 2007. The total number of shares immediately after the share split was 1,520,000,000.

In October 2007, the Company completed the issue of 690,000,000 H shares of RMB0.25 each at HK$6.5 (equivalent to approximately RMB6.3) per share pursuant to the IPO and listing of the Company's H shares on the Main Board of The Stock Exchange of Hong Kong Limited. Net proceeds from such issue amounted to approximately RMB4,137,239,000, out of which approximately RMB172,500,000 was recorded in share capital and approximately RMB3,964,739,000 was recorded in capital reserve.

In addition, pursuant to the relevant approval from the State-owned Assets Supervision and Administration Commission of the State Council (the "SASAC"), upon the completion of the H share listing, the 69,000,000 Domestic shares held by Xinjiang Non-ferrous was converted into an equal number of H shares and transferred to the National Council for Social Security Fund of the PRC.

The Company's share capital as at 31 December 2007 is as follows:

	As at 31 December 2007		
	Number of shares *(Thousands)*	**% of issued capital**	**Nominal value** *(RMB'000)*
Registered, issued and fully paid			
Domestic shares of RMB0.25 each	1,451,000	65.66%	362,750
H shares of RMB0.25 each	759,000	34.34%	189,750
	2,210,000	100.00%	552,500

The Domestic shares rank pari passu, in all material respects, with the H shares. However, the transfer of Domestic shares is subject to certain restrictions imposed by the PRC law from time to time.

(c) Capital reserve represents the difference between par value of share issued and the fair value of net assets/considerations received by the Company. Capital reserve can be used to increase share capital upon approval from the Board of Directors.

14. OTHER RESERVES

	IPO expenses *RMB'000* *Note (a)*	**Contribution from Holding Company** *RMB'000* *Note (b)*	**Statutory reserve** *RMB'000* *Note (c)*	**Total** *RMB'000*
At 1 January 2006	–	175,663	–	175,663
Transferred from retained earnings	–	–	49,787	49,787
Professional fees incurred	(11,993)	–	–	(11,993)
At 31 December 2006	(11,993)	175,663	49,787	213,457
At 1 January 2007	(11,993)	175,663	49,787	213,457
Professional fees incurred	(9,845)	–	–	(9,845)
Transferred to capital reserve	21,838	–	–	21,838
Termination of Mining Rights Transfer Agreement signed with Xinjiang Non-ferrous	–	(140,270)	–	(140,270)
Transferred from retained earnings	–	–	67,896	67,896
At 31 December 2007	–	35,393	117,683	153,076

Notes:

(a) It represents the professional fees incurred in connection with the IPO of the Company shares.

(b) It represents the difference between the fair value of mining rights acquired from Xinjiang Non-ferrous and the discounted net present value of long-term payable for the mining rights acquired.

(c) In accordance with the PRC Company Law and the Company's Articles of Association, every year the Company is required to transfer 10% of the profit after taxation determined in accordance with PRC GAAP to the statutory reserve until the balance reaches 50% of the paid-up capital. Such reserve can be used to reduce any losses incurred or to increase share capital. Except for the reduction of losses incurred, any other usage should not result in this reserve balance falling below 25% of the registered capital.

15. TRADE PAYABLES

Trade payables are analysed as follows:

	As at 31 December	
	2007	2006
	RMB'000	*RMB'000*
Trade payables		
– Fellow subsidiaries	**10,462**	11,848
– Other state-owned enterprises	**10,109**	6,790
– Third parties	**54,363**	41,752
	74,934	60,390

As at 31 December 2007 and 31 December 2006, the ageing analysis of trade payables are as follows:

	As at 31 December	
	2007	2006
	RMB'000	*RMB'000*
0 – 90 days	**60,760**	40,146
91 – 180 days	**2,500**	4,260
181 – 365 days	**7,489**	13,640
Over 365 days	**4,185**	2,344
	74,934	60,390

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

The carrying amounts of trade payables approximate their fair values.

MANAGEMENT DISCUSSION AND ANALYSIS

Market Overview

During the year ended 31 December 2007 (the "Reporting Year"), the strong growth in the global economy, particularly in China's economy, drove a significant increase in the consumption volume of nickel and copper in the People's Republic of China (the "PRC"). The relative shortage in the supply of nickel and copper resources in the PRC led to a rise in the consumption volume of nickel cathode and copper cathode products that the domestic producers could not satisfy. Instead, the shortage of supply in the domestic market was covered by substantial import, driving growth in both domestic nickel cathode and copper cathode markets in terms of production and sales. The continued imbalance between supply and demand resulted in an increase in the market prices of nickel cathode and copper cathode in both domestic and international markets. In 2007. London Metal Exchange ("LME") three-month future price of nickel cathode was US$36,020 per tonne on average, representing an increase of 54.5% as compared to 2006. LME three-month future price of copper cathode was US$7,101 per tonne on average, representing an increase of 6.3% as compared to 2006. In 2007, the average spot price of nickel cathode in Shanghai Yangtze Non-Ferrous Metals Market in the PRC was RMB324,225 per tonne, representing a growth of 43% as compared to 2006, while the average spot price of copper cathode for the year was RMB62,632 per tonne, representing an increase of 0.2%. The domestic price trend of both nickel cathode and copper cathode is basically in line with the international market.

Throughout the Reporting Year, the selling prices of the Company's products basically remained at high level.

Industry Position

The Company is a mining company 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 conducted by China Non-ferrous Metals Industry Association in 2007, the total domestic production volume of nickel cathode for 2007 was 115,759 tonnes, representing an increase of 7.6% as compared to last year. In 2007, the Company produced 4,872.9 tonnes of nickel cathode, representing an increase of 44.8% as compared to last year. The Company is the second largest nickel cathode producer in the PRC, and the growth rate of its nickel cathode production volume in 2007 ranked number one among the peers in the same industry in the PRC.

Operating Results

In 2007, the turnover of the Group reached a new record of RMB1,581.2 million, representing a growth of 81.9% as compared to RMB869.1 million in 2006. 55.5% of the growth was attributable to the increase in average selling price and the remaining 44.5% was attributable to growth in production volume. The profit attributable to the equity holders of the Company in 2007 amounted to RMB827.3 million, representing a growth of 86.3% from 2006. The profit growth was primarily due to the strong market demand in 2007 pushing high selling prices of major products and the effective control of production costs.

Turnover and Gross Profit

Due to increases in the sales volume and average selling prices of the Group's major products, nickel cathode and copper cathode, the turnover of the Group in 2007 reached a new record of RMB1,581.2 million, representing a growth of 81.9% as compared to RMB869.1 million in 2006.

The following table illustrates the details of sales by products for the two years ended 31 December 2006 and 2007:

	2006			**2007**		
Products' names	Sales Volume	Amounts	Turnover	**Sales Volume**	**Amounts**	**Turnover**
	tonnes	*RMB'000*	%	***tonnes***	***RMB'000***	**%**
Nickel cathode	3,303.5	604,649	69.6%	**4,953.9**	**1,267,716**	**80.2%**
Copper cathode	3,107.8	161,874	18.6%	**3,769.8**	**199,873**	**12.6%**
Raw copper	602.1	33,792	3.9%	**–**	**–**	**0.0%**
Copper concentrate	5,102.8	48,437	5.6%	**4,805.0**	**67,889**	**4.3%**
Other products		20,316	2.3%		**45,685**	**2.9%**
Total turnover		869,068	100%		**1,581,163**	**100%**
Cost of sales		(348,419)	40.1%		**(721,705)**	**45.6%**
Gross profit		520,649	59.9%		**859,458**	**54.4%**

In 2007, turnover from nickel cathode was RMB1,267.7 million, representing a growth of 110% as compared to RMB604.6 million in 2006. The increase in the turnover of nickel cathode was primarily due to (1) the significant enhancement in the refining capacity as a result of the technical improvement project of Fukang Refinery, which yielded 50% increase in sales volume of nickel cathode from 3,303.5 tonnes in 2006 to 4,953.9 tonnes in 2007; and (2) the strong market demand and high selling price, which resulted 40% increase in average selling price of nickel cathode from RMB183,033 per tonne in 2006 to RMB255,900 per tonne in 2007.

In 2007, turnover from copper cathode was RMB199.9 million, representing a growth of 23% as compared to RMB161.9 million in 2006. The increase in turnover of copper cathode was primarily due to an increase in its sales volume and average selling price from 3,107.8 tonnes and RMB 52,087 per tonne in 2006 to 3,769.8 tonnes and RMB53,020 per tonne in 2007, respectively. This represented an increase of 21% and 2% in sales volume and average selling price, respectively.

In 2007, our Company did not conduct any processing of copper concentrate into raw copper for sales. Turnover from copper concentrate was RMB67.9 million, representing a growth of 40% as compared to RMB48.4 million in 2006. The increase in turnover of copper concentrate was primarily due to an increase of 49% in its average selling price from RMB9,492 per tonne in 2006 to RMB14,129 per tonne in 2007. This increase was partially offset by a slight decrease of 6% in sales volume from 5,102.8 tonnes in 2006 to 4,805 tonnes in 2007.

In 2007, turnover from other products was RMB45.7 million, representing a growth of 125% as compared to RMB20.3 million in 2006. The growth was primarily due to significant increases in sales volume and average selling price of cobalt products in 2007 comparing to those in 2006.

Gross profit of the Group increased by 65% from RMB520.6 million in 2006 to RMB859.5 million in 2007, and the gross profit margin for the two years ended 31 December 2006 and 2007 were 59.9% and 54.4%, respectively. The slight decrease of gross profit margin was primarily due to the timing and progress differences between the production capacity expansion of the mining and ore processing and that of the refining operation. In 2007, the growth of refining production capacity was higher than that of mining and ore processing. During the year, the Company increased the volume of outside purchase of raw materials, namely nickel concentrate and sulphite matte, at appropriate time based on market situations to fully utilize current refining facilities. The cost of that portion of raw materials, namely nickel concentrate and sulphite matte, from outside suppliers was significantly higher than the cost of raw materials from internal supplies.

Selling and Marketing Expenses

Selling and marketing expenses slightly increased by 7% from RMB7.5 million in 2006 to RMB8.0 million in 2007. This slight increase was primarily due to increases in packaging and warehouse expenses incurred by increased sales volume of the Company's major products.

Administrative Expenses

Administrative expenses increased by 44% from RMB65.5 million in 2006 to RMB94.4 million in 2007. This increase was primarily due to an increase of salary expenses and mineral resources compensation fee as a result of the increases in production volume and turnover.

Other Income and Other Net Gains

Other income increased by 515% from RMB5.2 million in 2006 to RMB32.0 million in 2007. Such increase was primarily due to an increase in interest income resulting from a significant increase in cash and bank balances.

Other net gains increased from RMB51,000 in 2006 to RMB4.2 million in 2007. This increase was primarily due to the profit on disposal of a subsidiary company, Xinjiang Zhongxin Mining Company Limited* (新疆眾鑫礦業有限責任公司), amounted to RMB3.3 million.

Finance Costs and Interests from Fund Raised

In October 2007, the Company launched the IPO and its H shares were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). An interest income of RMB141.2 million was generated from the over subscription proceeds raised during the offering period prior to the listing.

Finance costs increased from RMB10.1 million in 2006 to RMB108.0 million in 2007. The increase was mainly due to a net exchange loss of RMB96.9 million incurred by the Company's IPO during the year. In 2007, the Company converted majority of the IPO proceeds in HK dollar into RMB. As of 31 December 2007, the Company had unconverted balance of IPO proceeds of HK$470 million.

Liquidity and Financial Resources

In 2007, financial resources of the Company were mainly derived from cash generated from operating activities and the issuance of H shares in the year, and the cash was mainly used in payment for mining rights, capital expenditure, operating activities, dividend payment and repayment of borrowings. Cash and bank balances of the Group increased from RMB562.5 million as at 31 December 2006 to RMB4,096.1 million as at 31 December 2007, representing an increase of 628%.

During the year, net cash inflow generated from the Group's operating activities amounted to RMB720.0 million, an increase of RMB261.0 million or 56.9% over the previous year. The main reasons for the increase in the cash-flow generated from the Group's operating activities were increases in sales volume and price in nickel cathode.

During the year, the net cash outflow used in the Group's investing activities amounted to RMB496.5 million, an increase of RMB288.7 million or 138.9% over the previous year. The increase in the net cash outflow used in the investing activities was due to the payment of mining rights of RMB283.8 million and the net cash outflow in respect of the disposal of a subsidiary during the year.

During the year, net cash inflow generated from the Group's financing activities amounted to RMB3,407.6 million, an increase of RMB3,423.8 million over the previous year, which was mainly due to the net proceeds from IPO of RMB4,155.2 million which was partly offset by dividend paid of RMB880.9 million.

As at 31 December 2007, the Company did not have any bank debts.

The Company's daily working capital requirements and capital expenditure requirements continue to be financed by its internal cash flow and in the manner as set out in the section headed "Future Plans and Use of Proceeds" of the prospectus of the Company dated 27 September 2007.

OUTLOOK

(1) Operating Environment

In 2008, despite the signs of global economy slowdown, it is expected that China's economy will continue to grow at a fast pace (The PRC government has seen China's 2008 GDP growth rate at 8%). As a result, the Company expects the consumption volume of nickel metal and copper metal in the domestic non-ferrous metal market will keep growing. Due to the relative shortage in the supply of nickel resources and copper resources, nickel cathode and copper cathode products provided by domestic producers still could not satisfy the growth in the consumption volume. Instead, the lack of supply in the domestic market needs to be covered by the import. It is expected that production and sales and active transactions will continue to grow in the domestic nickel cathode and copper cathode markets.

It is expected that the domestic market prices of nickel cathode and copper cathode in 2008 will remain at the high end of the average spot prices of Shanghai Yangtze Non-ferrous Metals Market for the last three years, though with fluctuations.

(2) Operating Objectives

In 2008, the Company plans to produce 7,000 tonnes of nickel cathode, 4,200 tonnes of copper cathode and 50 tonnes of cobalt products. Please note that this production planning was made on the basis of the current market situation and the existing conditions of the Company. The Board of Directors may, as situation warrants, vary the production plans.

DIVIDENDS

At the meeting of Board of Directors held on 1 April 2008, the directors proposed a final dividend of RMB0.08 per ordinary share, amounting to a total dividend of approximately RMB176,800,000 for the year ended 31 December 2007, which was subject to the approval by the Company's shareholders in the annual general meeting of the Company to be held on 29 May 2008.

DIRECTORS' INTEREST

Directors' and Supervisors' Interest in Contracts

None of Directors and Supervisors 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, or its subsidiary was a party during the year.

Directors' and Supervisors' Interests and Short Positions in Shares

As at 31 December 2007, none of Directors and Supervisors and their respective associates had an interests and short positions in the share capital and underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance ("SFO")), which would be required to be notified to the Company and 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 notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code").

Directors' and Supervisors' Rights to Acquire Shares or Debentures

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director and supervisors or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors or Supervisors to acquire such rights in any other body corporate.

Directors' Interests in a Competing Business

During the year and up to the date of this report, the following Director is considered to have interests in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Company, as defined in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), as set out below:

Mr. Yuan Ze chairs the board meetings at Xinjiang Non-ferrous and also acts as the legal representative of Xinjiang Non-ferrous to sign any bonds, material contracts and other material documents of Xinjiang Non-ferrous.

As the Board of Directors of the Company is independent from the Board of Directors of Xinjiang Non-ferrous and the above Director does not control the Board of the Company, the Group is capable of carrying on its businesses independently of, and at arm's length from, the business of Xinjiang Non-ferrous.

PURCHASE, SALE OR REDEMPTIONS OF THE COMPANY'S LISTED SECURITIES

The Company's H shares were listed on the Stock Exchange on 12 October 2007. Neither the Company nor its subsidiary purchased, sold or redeemed any of the Company's listed shares during the period from 12 October 2007 to the date of this report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association or the laws of the PRC which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

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 2007, the Company complied with all the code provisions of the Code on Corporate Governance Practices set out in Appendix 14 of the Listing Rules. The Company will continue to improve its corporate governance and enhance the transparency to its shareholders.

BOARD OF DIRECTORS

The Board comprises nine Directors, four of whom are executive Directors, two of whom are non-executive Directors and three of whom are independent non-executive Directors. There is no financial, business, family or any other relevant relationships between the members of the Board.

SUPERVISORY COMMITTEE

The Company's Supervisory Committee consists of five Supervisors. The Supervisory Committee is responsible for exercising supervision over the Board, its members and the senior management; and preventing them from abusing their authorities and jeopardizing the interests of the shareholders, the Company and its employees. Two meetings were held by the Supervisory Committee in 2007 with attendance rate of 100%.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct regarding Directors' securities transactions. Based on specific enquiries with all the Directors of the Company, the Directors have complied with the required standard as set out in the Model Code for the year ended 31 December 2007.

AUDIT COMMITTEE

The First Board established the audit committee and formulated the Articles of Audit Committee. The committee articles are set out on the Company's website.

The Audit Committee of the First Board 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 since its establishment and convened three meetings during the Reporting Year with 100% attendance. The 2007 audit plan of the Company and the 2007 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 2007.

CLOSURE OF REGISTER FOR ANNUAL GENERAL MEETING

The register of members of the Company will be closed from Saturday, 26 April 2008 to Thursday, 29 May 2008 (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 2007 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 Friday, 25 April 2008.

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

Xinjiang, the PRC, 1 April 2008

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 purpose only*