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)

2009 FINAL RESULTS ANNOUNCEMENT

FINANCIAL HIGHLIGHTS

- Revenue was RMB705,938,000 (2008: RMB1,176,663,000)
- Profit attributable to equity holders was RMB226,745,000 (2008: RMB297,648,000)
- Basic earnings per share was RMB0.103 (2008: RMB0.135)
- Proposed final dividend per share was RMB0.05 (2008: RMB0.09)

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 2009 (the "Reporting Year").

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
		2009	2008
	Note	***RMB'000***	*RMB'000*
Revenue	*3*	**705,938**	1,176,663
Cost of sales	*4*	**(419,050)**	(856,580)
Gross profit		**286,888**	320,083
Distribution costs	*4*	**(8,720)**	(7,100)
Administrative expenses	*4*	**(93,788)**	(115,462)
Other losses-net	*5*	**(5,505)**	(29,386)
Operating profit		**178,875**	168,135
Finance income		**50,730**	126,501
Finance costs		**(241)**	(1,663)
Finance income-net	*6*	**50,489**	124,838
Share of loss of a joint-venture		**(992)**	(658)
Share of loss of an associate		**(1,080)**	–
Profit before income tax		**227,292**	292,315
Income tax (expense)/credit	*7*	**(747)**	5,336
Profit for the year		**226,545**	297,651
Other comprehensive income		**–**	–
Total comprehensive income		**226,545**	297,651
Attributable to:			
Equity holders of the Company		**226,745**	297,648
Minority interests		**(200)**	3
Total comprehensive income		**226,545**	297,651
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*	**0.103**	0.135
Dividends	*9*	**110,500**	198,900

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December **2009** *RMB'000*	2008 *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**1,919,017**	870,377
Mining rights		**658,645**	282,996
Land use rights		**124,366**	76,267
Intangible assets		**28,545**	458
Investment in a joint-venture		**143,677**	144,669
Investment in an associate		**5,821**	–
Other non-current asset		**53,000**	271,125
Deferred tax assets		**21,946**	5,379
Total non-current assets		**2,955,017**	1,651,271
Current assets			
Inventories		**261,180**	160,293
Trade and bills receivables	*10*	**13,583**	4,299
Other receivables and prepayments		**92,552**	114,667
Interest receivable		**11,699**	16,755
Cash and bank balances		**2,301,418**	3,448,018
Total current assets		**2,680,432**	3,744,032
Total assets		**5,635,449**	5,395,303
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**552,500**	552,500
Capital reserve		**4,055,489**	4,055,489
Other reserves		**201,687**	182,168
Retained earnings			
– Proposed final dividend		**110,500**	198,900
– Others		**319,477**	222,751
		5,239,653	5,211,808
Minority interests in equity		**46,103**	9,803
Total equity		**5,285,756**	5,221,611

	Note	As at 31 December 2009 RMB'000	2008 RMB'000
LIABILITIES			
Non-current liabilities			
Long-term payables		**939**	1,361
Provision for close down, restoration and environmental costs		**5,310**	4,524
Deferred income		**26,328**	16,383
Deferred tax liability		**103,682**	–
Total non-current liabilities		**136,259**	22,268
Current liabilities			
Current portion of long-term payables		**116**	978
Trade payables	*11*	**97,133**	69,713
Other payables and accruals		**115,121**	80,731
Income tax payable		**1,064**	2
Total current liabilities		**213,434**	151,424
Total liabilities		**349,693**	173,692
Total equity and liabilities		**5,635,449**	5,395,303
Net current assets		**2,466,998**	3,592,608
Total assets less current liabilities		**5,422,015**	5,243,879

NOTES TO CONSOLIDATED FINANCIAL INFORMATION

1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("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.

The Hong Kong Institute of Certified Public Accountants has issued a number of standards, amendments and interpretations that are first effective or available for early adoption for the current accounting period of the Group (details are in Note 2 to the consolidated financial statements included in the 2009 annual report). None of these HKFRS developments have material impact on the Group's financial statements as either they were consistent with accounting policies already adopted by the Group or they were not relevant to the Group's operations. Apart from these HKFRS developments, the accounting policies used in the preparation of the financial statements are consistent with those used in the financial statements for the year ended 31 December 2008.

2 SEGMENT INFORMATION

In prior years, segment information is analysed on the basis of business segments and geographical segments according to the requirement of HKAS14.

Effective from 1 January 2009, as stipulated by HKFRS 8 management determines the operating segments based on the information reported to the Group's chief operating decision maker. 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 to the Group in enhancing the value as a whole rather than any specific unit, the Group's chief operating decision maker 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 under the requirements of HKFRS 8. The Group's revenues from its major products are set out in Note 3.

As all of the turnover and operating results of the Group for each of the years ended 31 December 2008 and 2009 were derived in the PRC and all the Group's assets and liabilities are located in the PRC, no geographical segment information is shown.

3 REVENUE

Revenue recognised during the year ended 31 December 2008 and 2009 are analysed as follows:

	Year ended 31 December	
	2009	2008
	RMB'000	*RMB'000*
Nickel cathode	**469,779**	852,658
Copper cathode	**178,644**	221,335
Copper concentrate	**23,579**	62,286
Others	**33,936**	40,384
	705,938	1,176,663

4 EXPENSES BY NATURE

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

	Year ended 31 December	
	2009	2008
	RMB'000	*RMB'000*
Depreciation	**47,924**	32,512
Amortisation	**15,745**	11,630
Provision for net realisable value of inventories	**–**	53,193
Provision for impairment of trade receivables	**143**	114
Provision for impairment of other receivables	**651**	–
Staff costs	**151,389**	160,381
Changes in inventories of finished goods and work-in-progress	**(97,422)**	30,628
Raw materials and consumables used	**169,390**	486,779
Power and fuel consumed	**92,979**	80,304
Subcontracting expenses	**70,220**	30,298
Other manufacturing overheads	**15,051**	10,403
Transportation expenses	**6,648**	4,897
Sales tax levies	**–**	6,734
Auditor's remuneration	**2,310**	2,080
Resource compensation fees	**9,539**	24,954
Other taxes	**12,144**	1,530
Others	**24,847**	42,705
Total cost of sales, distribution costs and administrative expenses	**521,558**	979,142

5 OTHER LOSSES – NET

	Year ended 31 December	
	2009	2008
	RMB'000	*RMB'000*
Scrap sales	**4,489**	2,176
Gains/(losses) on disposal of property, plant and equipment	**9**	(4,035)
Donations	**(11,000)**	(29,000)
Gains on disposal of financial assets at fair value through profit or loss	**–**	972
Others	**997**	501
	(5,505)	(29,386)

6 FINANCE INCOME – NET

	Year ended 31 December	
	2009	2008
	RMB'000	*RMB'000*
Finance income		
– Interest income on bank deposits	**50,730**	126,501
Finance costs		
– Net foreign exchange loss	**(61)**	(1,088)
– Interest expense on bank borrowings	**(70)**	–
– Unwinding of discount	**(110)**	(575)
	(241)	(1,663)
	50,489	124,838

7 INCOME TAX EXPENSE/(CREDIT)

	Year ended 31 December	
	2009	2008
	RMB'000	*RMB'000*
Current income tax	**4,495**	43
Deferred income tax	**(3,748)**	(5,379)
	747	(5,336)

Effective from 1 January 2008, the Company determines and pays 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 is 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 group companies determined in accordance with the relevant PRC income tax rules and regulations for each of the years ended 31 December 2008 and 2009 respectively.

The Company, except for its Shanghai branch, is exempted from corporate income tax from 2007 to 2010 pursuant to the approval obtained from the Xinjiang Uygur Autonomous Region Government. This tax exemption is subject to annual review. The exemption of corporate income tax in 2009 was agreed with local tax authority. The directors of the Company believe that the Company will get the approval for income tax exemption in 2010.

The subsidiary, 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 Uygur Autonomous Region.

The subsidiary, Jubao, is exempted from corporate 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 Uygur Autonomous Region.

The subsidiary, Zhongxin Mining, is exempted from corporate income tax from 2007 to 2009 pursuant to approval obtained from local tax bureau of Xinjiang Uygur Autonomous Region.

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the corporate income tax rate of 25% as follows:

	Year ended 31 December	
	2009	2008
	RMB'000	*RMB'000*
Profit before tax	**227,292**	292,315
Tax recalculated at corporate income tax rate of 25%	**56,823**	73,079
Effect of tax exemptions/deduction	**(55,989)**	(78,442)
Income not subject to tax	**(1,250)**	–
Expense not deductible for tax purpose	**1,163**	27
Income tax expense/(credit)	**747**	(5,336)

8 EARNINGS PER SHARE

	Year ended 31 December	
	2009	2008
Profit attributable to equity holders of the Company *(RMB'000)*	**226,745**	297,648
Adjusted weighted average number of shares in issue *(in thousand)*	**2,210,000**	2,210,000
Basic and diluted earnings per share *(RMB)*	**0.103**	0.135

9 DIVIDENDS

	Year ended 31 December	
	2009	2008
	RMB'000	*RMB'000*
Proposed final dividend of RMB0.05 (2008: RMB0.09) per share	**110,500**	198,900

At the meeting of Board of Directors held on 29 March 2010, the directors proposed a final dividend of RMB0.05 per share, totalling approximately RMB110,500,000 for the year ended 31 December 2009, which is subject to the approval by the Company's shareholders in the Annual General Meeting to be held on 28 May 2010. This proposed dividend is not reflected as a dividend payable in the financial statements for the year ended 31 December 2009.

10 TRADE AND BILLS RECEIVABLES

	As at 31 December	
	2009	2008
	RMB'000	*RMB'000*
Trade receivables *(Note(a))*	**7,676**	4,810
Bills receivables *(Note(d))*	**8,561**	2,000
Less: provision for impairment of receivables *(Note(e))*	**(2,654)**	(2,511)
	13,583	4,299

Notes:

(a) Trade receivables are analysed as follows:

	As at 31 December	
	2009	2008
	RMB'000	*RMB'000*
Trade receivables		
– Fellow subsidiaries	**1,108**	575
– Third parties	**6,568**	4,235
Trade receivables, gross	**7,676**	4,810

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

	As at 31 December	
	2009	2008
	RMB'000	*RMB'000*
0 – 90 days	**4,226**	1,941
91 – 180 days	**283**	–
181 – 365 days	**–**	440
Over 365 days	**3,167**	2,429
	7,676	4,810

(b) The credit periods of trade receivables are generally ranging from one to three months. As at 31 December 2009 and 2008, management of the Group assessed the recoverability of trade receivables on a customer by customer basis and made provision of RMB2,654,000 and RMB2,511,000 respectively; and there were no significant past due but not impaired trade receivable balances.

(c) Trade receivables from related parties are unsecured, non-interest bearing and repayable in accordance with the relevant contracts entered into between the Group and these related parties.

(d) The ageing of bills receivables are all within 180 days.

(e) The movements of provision for impairment of receivables are as follows:

	2009	2008
	RMB'000	*RMB'000*
At 1 January	**2,511**	2,397
Provision for impairment of receivables	**143**	158
Reversal of provision for impairment of receivables	**–**	(44)
At 31 December	**2,654**	2,511

(f) The carrying amounts of trade and bills receivables approximate their fair values.

11 TRADE PAYABLES

Trade payables are analysed as follows:

	As at 31 December	
	2009	2008
	RMB'000	*RMB'000*
Trade payables		
– Fellow subsidiaries	**20,791**	6,958
– Third parties	**76,342**	62,755
	97,133	69,713

Aging analysis of trade payables at the respective balance sheet date is a follows:

	As at 31 December	
	2009	2008
	RMB'000	*RMB'000*
0 – 90 days	**77,737**	51,815
91 – 180 days	**5,650**	8,775
181 – 365 days	**6,071**	5,281
Over 365 days	**7,675**	3,842
	97,133	69,713

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET OVERVIEW

It is well-known that international and domestic prices of nickel and copper decreased significantly in 2009 as compared to 2008 as a result of the impact of the international financial crisis and the recession in the global real economy. London Metal Exchange ("LME") three-month future price of nickel cathode was US$14,725 per tonne on average in 2009, representing a decrease of 30.9% as compared to the year 2008. LME three-month future price of copper cathode was US$5,185 per tonne on average in 2009, representing a decrease of 24.8% as compared to 2008. The average spot price (tax included) of nickel cathode in Yangtze River Non-ferrous Metals Spot Market (長江有色金屬現貨市場) for 2009 was RMB115,309 per tonne in the year 2009, representing a decrease of 34.9% as compared to the year 2008. The average spot price (tax included) of copper cathode was RMB42,001 per tonne in the year 2009, representing a decrease of 24.2% as compared to the year 2008. The domestic price trends for nickel cathode and copper cathode during 2009 were basically in line with the international price trends.

During the Reporting Year, the Group recorded an average selling price of nickel cathode of RMB98,867 (tax excluded) per tonne, representing a decrease of 30.0% as compared to 2008, and an average selling price of copper cathode of RMB36,227 (tax excluded) per tonne, representing a decrease of 22.4% as compared to 2008.

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

Industry Position

The Group is principally engaged in the mining, ore processing, smelting and refining of nickel products and other non-ferrous metals, namely: copper, cobalt, gold, silver, platinum and palladium. According to the statistics collected by the China Non-ferrous Metals Industry Association, the total domestic production volume of nickel cathode for 2009 was 164,800 tonnes, representing an increase of 28.0% as compared to 2008. In 2009, the Group produced 5,078 tonnes of nickel cathode, and ranked as the PRC second largest nickel cathode producer ultilizing nickel sulfide resources.

OPERATIONS REVIEW

Production and Operations

During the year, as domestic small and medium-sized producers of raw material nickel sulfide generally suffered from low utilization rates as a result of the significant decline in the international and domestic nickel prices, raw materials from nickel sulfide ore concentrates purchased by the Group from the domestic market decreased sharply as compared to 2008. The Group adjusted its operational strategies in a timely manner, with key measures such as lifting the technical and economic indicators, lowering production costs, increasing the production volume of nickel cathode products using self-produced raw materials, in bid to enhance the Group's overall economic benefits. For the year, the Group recorded a total production volume of nickel cathode of 5,078 tonnes, of which 4,279 tonnes were produced using self-produced raw materials and 799 tonnes were produced using externally purchased raw materials, representing an increase of 28.0% and a decrease of 70.8% as compared to 3,343 tonnes and 2,740 tonnes in 2008 respectively. For the year, the Group recorded a production volume of copper cathode of 5,032 tonnes, representing an increase of 11.8% as compared to 4,502 tonnes in 2008. The Group's total sales of nickel cathode for the year amounted to 4,752 tonnes, representing a decrease of 21.3% as compared to 6,036 tonnes in 2008, while total sales of copper cathode for 2009 amounted to 4,931 tonnes, representing an increase of 4.0% as compared to 4,743 tonnes in 2008.

In light of the significant decrease in product prices and the resulting decrease in sales of nickel cathode due to lower production volume of nickel cathode using externally purchased raw materials, the Group realized lower sales revenue and net profit after tax during the Reporting Year as compared to 2008. In 2009, the Group achieved sales revenue of RMB705.9 million, representing a decrease of 40.0% as compared to 2008, net profit after tax (net profit after tax attributable to shareholders) of RMB226.7 million, representing a decrease of 23.8% as compared to 2008, and earnings per share (basic and diluted earnings per share) of RMB0.103 (basic and diluted earnings per share were calculated basing on the profit attributable to equity holders of the Company and the weighted average of issued ordinary shares of the Company of 2,210,000,000 shares for the year), representing a decrease of 23.7% as compared to 2008.

In respect of mining operations, Kalatongke Mine accomplished an aggregate of 347,015 tonnes of mine output and produced nickel-copper mixed concentrates of 52,197 tonnes in 2009. Xinjiang Yakesi Resources Co., Ltd. ("Xinjiang Yakesi") and Hami Jubao Resources Co., Ltd. ("Hami Jubao") accomplished 432,361 tonnes of mine output in aggregate and produced 25,207 tonnes of nickel concentrates in 2009.

As for smelting and refining processing operations, Kalatongke Mine produced water hardening and nickel matte ("水淬高冰鎳") of 11,622 tonnes in 2009. Xinjiang Zhongxin Mining Company Limited ("Zhongxin Mining") produced water hardening and nickel matte of 1,699 tonnes in 2009. Fukang Refinery (阜康冶煉廠) manufactured nickel cathode of 5,078 tonnes and copper cathode of 5,032 tonnes in total in 2009.

In respect of sales of products in the year, the Group achieved total revenue from operations of RMB705.9 million, of which revenue from nickel cathode is RMB469.8 million, accounting for 66.6% of the Group's total revenue. Copper cathode recorded revenue of RMB178.6 million, accounting for 25.3% of the Group's total revenue. Other products from the Group's principal businesses including copper concentrate, cobalt cathode, gold, silver, platinum and palladium, achieved revenue of RMB57.5 million, representing 8.1% of the Group's total revenue.

During the Reporting Year, with significant decrease in nickel prices and small and medium-sized manufacturer of nickel sulphide as raw materials running under their production capacity, the Group's procurement of nickel concentrate as raw materials from the domestic market declined significantly as compared to 2008, resulting in a sharp decrease in the Group's nickel cathode produced using externally procured raw materials during the Reporting Year. Apart from that, the Group's business operations in 2009 were stable and robust, and were not subject to any material problems or predicaments in terms of its operations. To mitigate market risks, the Group will continue to pursue opportunities of merging and acquiring mines in search of raw materials, so as to further enrich its quantity of resources, expand its production capacity and thus uplift its economic efficiency.

Progress of Technical Improvement and Expansion Projects

During the Reporting Year, the Group continued its three technical improvement and expansion projects in relation to the enhancement in mining, ore processing and smelting capacity of Kalatongke Mine, the refining capacity of nickel and copper of Fukang Refinery and Xinjiang Yakesi's new mining and ore processing capacity. The technical improvement and expansion projects of the Group proceeded smoothly in 2009 and the required construction progress during the Reporting Year was completed on schedule. Investments in these projects amounted to RMB603.1 million. Among which:

Kalatongke Mine

Regarding the technical improvement and expansion project in relation to the enhancement in mining, ore processing and smelting capacity of the Kalatongke Mine as at the end of 2009, 85% of the construction work of the mining segment, 90% of that of the ore processing segment and 25% of the smelting segment were completed. The entire project commenced operation in 2010 and has since developed a production capacity of mining 3,400 tonnes of ore per day, processing 3,000 tonnes of ore per day and making 30,698 tonnes of water hardening and nickel matte (with nickel contents of 8,000 tonnes) per year. Investments in this project recorded RMB368.7 million during the Reporting Year.

Fukang Refinery

In respect of the technical improvement and expansion project of 13,000 tonnes of nickel cathode and 12,000 tonnes of copper cathode of Fukang Refinery as at the end of 2009, the technical improvement and expansion project of 13,000 tonnes of nickel cathode has nearly been completed and partially commenced production. The construction of the technical improvement and expansion of 12,000 tonnes of copper cathode is 90% completed and the entire project will commence operation in 2010. Investments in this project during the Reporting Year amounted to RMB98.5 million.

Xinjiang Yakesi

As for the new technical improvement and expansion projects of Xinjiang Yakesi in relation to the mining and processing of 4,000 tonnes of ore per day, investments in the project during the Reporting Year amounted to RMB135.9 million. The entire project will commence operation in 2012.

Equity Investments

In February 2009, the Company completed its acquisition of 100% equity interest in two mining companies – Xinjiang Yakesi and Hami Jubao and in October 2009, the Company completed its capital injection of RMB257.0 million into Xinjiang Yakesi. In the above acquisition and capital increase, the Company invested a total of RMB799.8 million, of which RMB528.7 million was recorded during the Reporting Year. Through this acquisition, the Group now owns three nickel-copper mines in Huangshandong (黃山東), Huangshan (黃山) and Xiangshan (香山) which lead to a surge in the Group's copper and nickel reserves (see the Group's 2008 Annual Report). The Group has also developed a production capacity of mining and processing 1,600 tonnes of ore per day in its self-owned raw material mines.

In June 2009, the Company completed the acquisition of the equity interest in Zhongxin Mining and in July 2009, the Company finished the capital increase of RMB62.0 million in Zhongxin Mining. During the Reporting Year, the Company's investments in this acquisition and capital increase were RMB118.7 million. Upon the completion of the acquisition and capital increase, the Company owns 97.6% equity interest in Zhongxin Mining and has developed a smelting capacity of 7,600 tonnes of water hardening and metallic nickel matte (Nickel: 5,000 tonnes), further optimizing the Group's industry chain.

In August 2009, the Company and Xinjiang Asele Copper Industry Company Limited jointly established Xinjiang Wuxin. The Company has invested RMB66.0 million and owns 66.0% equity interest in Xinjiang Wuxin. Xinjiang Wuxin capitalizes on Xinjiang's advantage of copper resources and holds a leading position in Xinjiang's copper industry. It proposes to build the first large-scale copper smelting enterprise with a construction scale of 100,000 tonnes of copper cathode per year. Upon completion, the project will become the Group's new economic growth points, which will further enhance the Group's economic benefits and overall operational efficiency.

FINANCIAL REVIEW

Operating results

In 2009, the turnover of the Group amounted to RMB705.9 million, representing a decrease of 40% as compared to RMB1,176.7 million in 2008. The profit attributable to the equity holders of the Company in 2009 amounted to RMB226.7 million, representing a decrease of 23.8% from 2008.

The decrease in profit was primarily due to the impact of international financial crisis. The prices of copper and nickel decreased significantly in 2009 as compared to the year of 2008 ("Last Year"). In addition, the Company's acquisition of equity interests in Xinjiang Yakesi, Hami Jubao and Hami Zhongxin and the increased investment in relation to the technology renovation works of Fukang Refinery, Kalatongke Mine and Xinjiang Yakesi in 2009 caused the bank balance of the Company dropped dramatically. In addition, the interest rate for bank deposit in Renmenbi decreased. Due to the reasons mentioned above, the bank interest income in 2009 decreased 59.9% as compared to that in 2008.

Due to the impact of lackluster domestic and international nickel prices, in 2009, some domestic small and medium-sized nickel mines reduced production output or suspended production, resulting in the Group's outside purchase of nickel raw materials decreased significantly as compared to 2008, and thus the Group's production volume of nickel cathode dropped by approximately 16.5% as compared to that for Last Year. Nevertheless, the Group adjusted the operational strategies in a timely manner, enhanced the technology parameters, reduced the production cost and administration expenses, and increased the production of nickel cathode by using self-produced raw materials to 4,279 tonnes, representing an increase of 28% from Last Year. These measures substantially offset the negative impact on the operating profit as caused by the decreases in price and production in 2009.

Turnover and Gross Profit

The following table illustrates the details of sales by products of the Group for the two years ended 31 December 2009 and 2008:

	2009			2008		
Product Name	**Sales Volume** *Tonnes*	**Amount** *RMB'000*	**% to** *Turnover*	Sales Volume *Tonnes*	Amount *RMB'000*	% to *Turnover*
Nickel cathode	**4,751.6**	**469,779**	**66.6%**	6,035.6	852,658	72.5%
Copper cathode	**4,931.2**	**178,644**	**25.3%**	4,742.6	221,335	18.8%
Copper concentrate	**2,623.5**	**23,579**	**3.3%**	4,858.6	62,286	5.3%
Other products		**33,936**	**4.8%**		40,384	3.4%
Total turnover		**705,938**	**100.0%**		1,176,663	100.0%
Cost of sales		**(419,050)**	**59.4%**		(856,580)	72.8%
Gross profit		**286,888**	**40.6%**		320,083	27.20%

In 2009, the turnover of nickel cathode amounted to RMB469.8 million, representing a decrease of 44.9% as compared to RMB852.7 million in 2008. The decrease in the turnover of nickel cathode was primarily due to the significant decline in the price of nickel cathode in international and domestic markets as compared to that for Last Year. The average selling price of the Group's nickel cathode in 2009 amounted to RMB98,867 per tonne, representing a decrease of 30.0% as compared to the average selling price of RMB141,272 per tonne in 2008. Furthermore, due to the decrease in external purchase of nickel raw materials, the production volume of the nickel cathode in 2009 decreased as compared to 2008. The Group's sales volume of nickel cathode in 2009 was 4,751.6 tonnes, representing a decrease of 1,284 tonnes (or 21.3%) as compared to 6,035.6 tonnes in 2008.

In 2009, the turnover of copper cathode amounted to RMB178.6 million, representing a decrease of 19.3% as compared to RMB221.3 million in 2008. The decrease in the turnover of copper cathode was primarily due to the significant decline in the price of copper cathode in international and domestic markets as compared to that for Last Year. The average selling price of the Group's copper cathode in 2009 amounted to RMB36,227 per tonne, representing a decrease of 22.4% as compared to the average selling price of RMB46,670 in 2008. The decrease in the turnover of copper cathode was partly offset by a growth of 4% in the sales volume of copper cathode to 4,931.2 tonnes in 2009 from 4,742.6 tonnes in 2008. The increase in sales volume was due to the change in the production process at Kalatongke Mine of suspending the production of copper concentrate and thus increasing the copper contents in the nickel matte under the production flow.

In 2009, the turnover of copper concentrate amounted to RMB23.6 million, representing a decrease of 62.1% as compared to RMB62.3 million in 2008. The decrease in the turnover of copper concentrate was primarily due to the decrease of 46% in the sales volume of copper concentrate in 2009 as compared to that in 2008, from 4,858.6 tonnes to 2,623.5 tonnes. This was the result of the change in the production process at Kalatongke Mine of suspending the production of copper concentrate. The copper concentrate sold by the Group in 2009 was produced by Xinjiang Yakesi. The average selling price of the Group's copper concentrate in 2009 amounted to RMB8,987.6 per tonne, representing a decrease of 29.9% as compared to RMB12,820 per tonne in 2008.

In 2009, the turnover of other products amounted to RMB33.9 million, representing a decrease of 16.1% as compared to RMB40.4 million in 2008. The decrease in turnover of other products was primarily due to the decline in sales volume of products, such as cobalt products.

Gross profit of the Group decreased by 10.4% from RMB320.1 million in 2008 to RMB286.9 million in 2009, and the gross profit margin for the two years ended 31 December 2008 and 2009 were 27.2% and 40.6%, respectively. The growth in gross profit margin was mainly due to the adjustment of operational strategies, the enhancement of technology parameters, the reduction of production cost and the increase in self-produced raw material when there was a significant decrease in the volume of external purchase of nickel raw materials in 2008. As the result of these factors, the raw-material self-sufficiency rate of the Group increased significantly. The cost of self-produced raw material was much lower than the cost of raw material from external suppliers. Moreover, in 2009, the Group reversed the provision for inventory write-downs of 2008 and this contributed to the growth of gross profit margin.

Selling and Marketing Expenses

Selling and marketing expenses increased by 22.8%, as compared to Last Year, to RMB8.7 million, primarily because after completing the acquisition of the equity of Yakesi Resources Development Co., Ltd. and Hami Jubao Resources Development Co. Ltd. in February 2009, the transportation fee related to the products sold by Xinjiang Yakesi and Hami Jubao was consolidated during the Reporting Year.

Administrative Expenses

Administrative expenses decreased by 18.8% to RMB93.8 million, primarily due to the reduction of the mineral resource compensation fee which was led by the decline in price of mineral products, and the decrease in employees' salaries.

Other Net Losses

Other net losses decreased significantly from a loss of RMB29.4 million in 2008 to a loss of RMB5.5 million in 2009, primarily due to the significant decrease in donations made for the local social welfare in 2009.

Finance Income and Finance Cost

Finance income decreased 59.9% from RMB126.5 million in 2008 to RMB50.7 million in 2009, primarily due to the decline in interest income as a result of the decrease in average cash and bank balance as compared to those in Last Year, as well as the decrease in bank deposit rates.

Finance cost decreased 85.5% from RMB1.7 million in 2008 to RMB0.2 million in 2009, primarily due to the discontinuation of net exchange losses in 2009 as the Company had converted all the balance of the IPO proceeds into Renminbi in the beginning of 2008.

Financial Position

The Group's consolidated balance sheet remained strong and free from bank debts or borrowings. In 2009, total assets increased by 4.5% to RMB5,635.5 million as at 31 December 2009. Shareholders' equity of the Company increased by 0.5% to RMB5,239.7 million as at 31 December 2009.

LIQUIDITY AND FINANCIAL RESOURCES

In 2009, the Group's net cash inflow generated from operating activities amounted to RMB7.0 million, representing a decrease of RMB175.3 million from RMB182.3 million in 2008, primarily due to the decrease in operating profit as caused by the decreases in nickel and copper prices in 2009, and the increase in the inventory of the Group.

In 2009, the Group's net cash outflow used in investing activities amounted to RMB626.5 million, mainly consisting of payments made for the acquisition of Xinjiang Yakesi, Hami Jubao and Hami Zhongxin and the project expenses in relation to the technology renovation work conducted in Fukang Refinery, Kalatongke Mine and Xinjiang Yakesi. Net cash outflow used in financing activities amounted to RMB255.9 million, which mainly represented the dividend paid in 2009 and the repayment of the bank loan from the Hami Zhongxin.

In 2009, the Group had total cash and cash equivalents amounting to RMB2,301.4 million, and those as at 31 December 2008 were RMB3,176.9 million.

As at 31 December 2009, the Group did not have any bank debts or borrowing:

	As at 31 December 2009	As at 31 December 2008
Current ratio (times)	**12.6**	24.7
Gearing ratio	**N/A**	N/A

OUTLOOK

Operating Environment

In 2010, although the global economy is gradually recovering and the real economies worldwide are also poised to rebound from a low point, the effects of the global financial crisis still linger. Also, the market environment is not thriving enough to accelerate economic growth around the globe. It is expected that metal prices will fluctuate and remain at low level. Nevertheless, since China is expected to keep growing fast (the PRC government expects China's GDP growth in the year 2010 will stand at around 8%), the Group expects the consumption volume of nickel and copper in the domestic non-ferrous metal market will continue to grow. Due to the relative shortage in the supply of nickel and copper resources, nickel cathode and copper cathode products provided by domestic manufacturers are still unable to satisfy the growth in the demand for consumption volume. The shortage in supply in the domestic market therefore needs to be covered by import. It is expected that the domestic market for nickel cathode and copper cathode will continue to sustain with active transactions.

The market prices for nickel cathode and copper cathode in the PRC in 2010 are expected to fluctuate between the average spot price of the fourth quarter of 2009 and that of the first quarter of 2010 in Shanghai Yangtze Non-ferrous Metals Market.

Operational Objectives

In 2010, the Group plans to increase the production volume of nickel cathode and copper cathode. Please note that due to a number of uncertainties in metal prices and the domestic raw materials market, the above plan was made on the basis of the current market situation and the existing conditions of the Group. The Board of Directors may, as situation warrants, vary the production plans.

DIVIDENDS

At the meeting of Board of Directors held on 29 March 2010, the directors proposed payment of a final dividend of RMB0.05 per share, amounting to a total dividend of approximately RMB110,500,000 for the year ended 31 December 2009, which is subject to the approval by the Company's shareholders in the 2009 annual general meeting ("AGM") of the Company to be held on 28 May 2010. It is expected that the final cash dividend for 2009 will be paid on or before 31 August 2010.

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

Neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the Reporting Year.

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 2009, the Company complied with all the code provisions of the Code on Corporate Governance Practices set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Company will continue to maintain a high standard of its corporate governance and enhance transparency to its shareholders.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors' securities transactions. All Directors and Supervisors have complied with the required standards as set out in the Model Code for the year ended 31 December 2009.

AUDIT COMMITTEE

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

The Audit Committee has held meetings on a regular basis and convened two meetings during the Reporting Year. Attendance rates for the first and second meetings are 100% and 66.7%, respectively. The 2009 audit plan of the Company and the 2009 interim results report were reviewed in the meetings.

The Audit Committee of the Company has reviewed the annual results announcement for the year ended 31 December 2009.

PUBLICATION OF THE RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the Company's website at www.xjxxky.com.cn or kunlun.wsfg.hk and the website of the Stock Exchange. The annual report of the Company will also be available at the Company's and the Stock Exchange's website in early April 2010 and will be despatched to shareholders of the Company in early April 2010.

POST BALANCE SHEET EVENTS

(a) On 7 January 2010, Hexin Mining entered into a finance lease arrangement with a financial institution, of which RMB50,000,000 was secured by the Company's corporate guarantee.

(b) Pursuant to a resolution passed at the meeting of Board of Directors held on 29 March 2010, the Company will contribute additional capital of RMB330,000,000 into Wuxin Mining together with issuing corporate guarantees amounting to RMB1,075,800,000 in favour of Wuxin Mining's banking facilities, which are subject to the approval by the Company's shareholders in the AGM to be held on 28 May 2010.

CLOSURE OF REGISTER FOR AGM AND PAYMENT OF DIVIDENDS

The register of members of the Company will be closed from 29 April 2010 to 28 May 2010 (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 AGM 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 28 April 2010.

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

Xinjiang, the PRC, 29 March 2010

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

* *For identification purposes only*