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XIAN YUEN TITANIUM RESOURCES HOLDINGS LIMITED
森源鈦礦控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 353)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2010

The Board of Directors (the "**Board**") of Xian Yuen Titanium Resources Holdings Limited (the "**Company**") is pleased to announce the unaudited interim financial statements of the Company and its subsidiaries (collectively known as the "**Group**") for the six months ended 30 June 2010. The unaudited condensed consolidated financial statements were not audited but have been reviewed by the Company's audit committee (the "**Audit Committee**").

CONDENSED CONSOLIDATED INCOME STATEMENT
For the six months ended 30 June 2010

		Unaudited	
		Six months ended 30 June	
	Notes	**2010**	2009
		HK$'000	*HK$'000*
			(Restated)
Continuing operations:			
Revenue	*5*	**–**	3,733
Cost of sales		**–**	(3,617)
Gross profit		**–**	116
Other income	*5*	**51**	1,623
Administrative expenses		**(9,640)**	(6,963)
Operating loss		**(9,589)**	(5,224)
Finance costs	*7*	**(1,028)**	(5,262)
Loss before income tax	*8*	**(10,617)**	(10,486)
Income tax expense	*9*	**–**	–
Loss for the period from continuing operations		**(10,617)**	(10,486)

* *For identification purpose only*

	Notes	Unaudited Six months ended 30 June 2010 HK$'000	2009 HK$'000 (Restated)
Discontinued operations:			
(Loss)/Profit for the period from discontinued operations	*11*	**(348,966)**	8,342
Loss for the period attributable to the owners of the Company		**(359,583)**	(2,144)
Loss per share for loss attributable to the owners of the Company during the period	*12*		
– Basic (HK cents)			
From continuing and discontinued operations		**(4.88)**	(0.06)
From continuing operations		**(0.14)**	(0.28)
– Diluted (HK cents)			
From continuing and discontinued operations		**N/A**	N/A
From continuing operations		**N/A**	N/A

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2010

	Unaudited Six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
		(Restated)
Loss for the period	**(359,583)**	(2,144)
Other comprehensive income for the period		
Release of exchange loss upon de-consolidation of subsidiaries	**(972)**	–
Exchange loss on disposals of subsidiaries recognised in profit and loss	**–**	(9,308)
Total comprehensive loss for the period attributable to the owners of the Company	**(360,555)**	(11,452)

CONDENSED CONSOLIDATED FINANCIAL POSITION

As at 30 June 2010

	Notes	(Unaudited) 30 June 2010 HK$'000	(Audited) 31 December 2009 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**471**	3,605
Goodwill	*13*	**–**	327,632
Deposits for acquisitions of subsidiaries	*14*	**185,000**	185,000
Exploration and evaluation assets		**–**	38,562
		185,471	554,799
Current assets			
Prepayments, deposits and other receivables		**973**	1,393
Cash at banks and in hand		**104,849**	113,382
		105,822	114,775
Current liabilities			
Deposits received, other payables and accruals		**3,805**	22,559
Net current assets		**102,017**	92,216
Total assets less current liabilities		**287,488**	647,015
Non-current liabilities			
Convertible bonds	*15*	**19,168**	19,279
Net assets		**268,320**	627,736
EQUITY			
Equity attributable to the owners of the Company			
Share capital		**73,646**	73,610
Reserves		**194,674**	554,126
Total equity		**268,320**	627,736

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2010

1. GENERAL INFORMATION

Xian Yuen Titanium Resources Holdings Limited (the "Company") is a limited liability company incorporated and domiciled in the Cayman Islands. Registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business is Room 1102B, 11th Floor, Tower I, Admiralty Centre, 18 Harcourt Road, Hong Kong. The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The principal activity of the Company is investment holding. The principal activities of its subsidiaries (together with the Company, collectively referred to as the "Group") consisted of investment holding and trading of carpets.

Due to the recent discovery of the loss of the exploration licence, as detailed described in the Company's announcements dated 26 and 27 August 2010, it is the Board's current intention to suspend the Group's exploration and mining business until the Group regains controls of Qinghai Forest Source Mining Industry Developing Company Limited ("**QHFSMI**") and Inner Mongolia Forest Source Mining Industry Developing Company Limited ("**IMFSMI**") and the Group repossesses the exploration licence. Details of loss of assets and loss on controls over QHFSMI and IMFSMI and the financial impact are set out in note 3(i) and (ii) respectively below.

2. RE-STATEMENT OF COMPARATIVE FINANCIAL INFORMATION

The Group has reclassified other income from gain on disposal of subsidiaries to profit for the period from discontinued operations which conforms with the presentation of annual financial statement for the year ended 31 December 2009.

3. BASIS OF PREPARATION

These unaudited condensed consolidated financial statements of the Group which comprise the condensed consolidated statement of financial position as at 30 June 2010, and the related condensed consolidated income statement, statements of comprehensive income, changes in equity and cash flows for the six months ended 30 June 2010, and explanatory notes, have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange.

The unaudited condensed consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 31 December 2009 (the "2009 Annual Financial Statements"), except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") (which include individual Hong Kong Financial Reporting Standards, HKAS and Interpretations).

The unaudited condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the 2009 Annual Financial Statements.

It should be noted that accounting estimates and assumptions are used in the preparation of the financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the unaudited condensed consolidated financial statements, are disclosed in note 4.

(i) Loss of assets and loss on control on QHFSMI and IMFSMI

During the preparation of the preparing the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2010, the Board, to its astonishment, found out that as from 31 January 2010 the exploration licence held by QHFSMI, an indirect wholly-owned subsidiary of the Company incorporated in the People's Republic of China ("**PRC**"), had been transferred to a company known as 內蒙古小紅山源森礦業有限公司 (in English, for identification purpose only, Inner Mongolia Xian Hong Shan Yuen Xian Mining Industry Company Limited) ("**Yuen Xian Company**") without the Company's knowledge, consent or approval.

Based on the searches conducted by the Company's legal advisers, the Company further found out that:

1. Yuen Xian Company is a wholly foreign owned enterprise established in the PRC on 21 October 2009 and is wholly-owned by a company known as "Yuenxian Mining Industry Holding Company Limited" ("**HK Yuenxian**"). Ms. Leung Lai Ching Margaret ("**Ms. Leung**") is one of the directors and the legal representative of Yuen Xian Company.

2. HK Yuenxian (formerly known as Forest Source Mining Industry Holding Company Limited) is a company incorporated in Hong Kong and is wholly-owned by Ms. Leung. Ms. Leung is also the sole director of HK Yuenxian.

Disputes with Ms. Leung

In November 2009, a legal proceeding was commenced by Hong Kong Forest Source Mining Industry Holding Company Limited ("**HKFSMIH**"), QHFSMI and IMFSMI, three wholly-owned subsidiaries of the Company, against HK Yuenxian. Ms. Leung and such other persons named as co-defendants to such legal proceedings. The Company had sought and obtained, among other things, an interim injunction order from the Hong Kong Court in the following terms:

(a) an injunction restraining, amongst others, HK Yuenxian and Ms. Leung from carrying on business in Hong Kong and/or the PRC under the name "Forest Source Mining Industry Holding Company Limited; and

(b) an injunction restraining, amongst others, Ms. Leung from acting or holding out as a director of QHFSMI or interfering with the business QHFSMI, including but not limited to making any representations, requests, demands or promises to the Inner Mongolia Autonomous Region Commerce and Industry Bureau or any other governmental agencies in the PRC on behalf of QHFSMI in regard to any affairs of or relating to QHFSMI.

The interim injunction order was subsequently discharged on 30 March 2010. Details of the interim injection order were set out in the 2009 Annual Financial Statements.

To the best knowledge, information and belief of the directors of the Company having made all reasonable enquiries, the company name of "Forest Source Mining Industry Holding Company Limited" was subsequently changed to "Yuenxian Mining Industry Holding Company Limited" on 7 January 2010.

Ms. Leung's legal status as director and legal representatives in the PRC subsidiaries remained unchanged during the period due to her in-cooperation

Ms. Leung was a director and legal representative of QHFSMI and IMFSMI. On 10 September 2009, the board of directors of the sole shareholder of QHFSMI and IMFSMI (namely, HKFSMIH) had resolved to remove Ms. Leung's capacity as director and legal representative of both QHFSMI and IMFSMI with immediate effect. As disclosed in the 2009 Annual Financial Statements dated 14 May 2010 and the Company's circular dated 28 June 2010, the respective members of the board of directors and legal representatives of QHFSMI and IMFSMI have yet to be officially changed as the procedures for changing and updating the official records at the relevant PRC government authority are taking longer than expected as Ms. Leung, being the previous legal representative, has not been cooperative and has failed to provide the requested documents and corporate seals. Based on the advice of the Company's legal adviser as to PRC laws, the directors were of the view that the Company had maintained control on QHFSMI and IMFSMI despite the fact that the respective members of the board of directors and legal representatives of QHFSMI and IMFSMI have yet to be officially changed, although the directors and legal representatives were removed on 10 September 2009.

Transfer of Exploration Licence without the Company's consent

The Company acquired QHFSMI from Ms. Leung three years ago. QHFSMI was the holder of an exploration licence which conferred QHFSMI the rights to conduct exploration work for the mineral resources containing iron, vanadium and titanium in the titanium mine located at Xiao Hong Shan in Inner Mongolia, the PRC. Based on the search recently conducted by the Company's legal adviser, the exploration licence was transferred, without the Company's consent, to Yuen Xian Company on 31 January 2010. Such actions by Ms. Leung were totally unexpected in view of the interim injunction order obtained by the Company from the Hong Kong Court as referred to in the sub-paragraph headed "Disputes with Ms. Leung" above. Without the exploration licence, QHFSMI no longer has the rights to, among other things, carry out exploration of the mineral resources of the titanium mine, access the titanium mine and neighbouring areas and has no priority in obtaining the mining rights of the titanium mine.

As soon as the Company discovered the loss of QHFSMI's exploration licence, the Company has sought preliminary advice from its legal adviser. In light of the information provided by the Company, the legal adviser opined that given the discovery of the loss of significant assets of QHFSMI, the Board is no longer in the position of maintaining controls over QHFSMI and IMFSMI by the Company. Due to the above reasons, the directors considered that the Group no longer has the power to exercise its rights as the sole shareholder and thus has lost its controls over the assets and operations or is unable to exercise control over the financial and operating policy decisions of QHFSMI and IMFSMI. Accordingly, the directors consider that it is inappropriate to consolidate the financial results of QHFSMI and IMFSMI into the Group and these two wholly-owned subsidiaries are de-consolidated and classified as discontinued operations during the six months ended 30 June 2010.

(ii) Financial impact on de-consolidating QHFSMI and IMFSMI

Due to the reasons mentioned above, the Group was unable to obtain the financial information of QHFSMI and IMFSMI for the six months ended 30 June 2010. The directors of the Company consider that the Group had lost its control to govern the financial and operating policies of QHFSMI and IMFSMI so as to obtain benefit from its activities with effect from 1 January 2010. Accordingly, in preparing the consolidated financial statements of the Group for the six months ended 30 June 2010, the financial information of QHFSMI and IMFSMI was de-consolidated with effect from 1 January 2010, and the unaudited loss arising from loss of control of QHFSMI and IMFSMI amounting to approximately HK$348,966,000 was arrived at based on the latest available financial information of QHFSMI and IMFSMI as at 31 December 2009.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the period are discussed below:

De-consolidating subsidiaries

As soon as the Company discovered the loss of QHFSMI's exploration licence *(note 3)*, without the Company's consent, the Company has sought preliminary advice from its legal adviser. In light of the information provided by the Company, the legal adviser opined that given the discovery of the loss significant assets of QHFSMI, the Board is no longer in the position of maintaining controls over QHFSMI and IMFSMI by the Company. Due to the above reasons, the directors considered that the Group no longer has the power to exercise its rights as the sole shareholder and thus has lost its controls over the assets and operations or is unable to exercise control over the financial and operating policy decisions of QHFSMI and IMFSMI. Accordingly, the directors of the Company consider that it is inappropriate to consolidate the financial results of QHFSMI and IMFSMI into the Group and these two wholly-owned subsidiaries are de-consolidated and classified as discontinued operations during the six months ended 30 June 2010.

5. REVENUE AND OTHER INCOME

Revenue, which is also the Group's turnover, represents net invoiced value of goods sold after allowances for returns and trade discounts.

An analysis of the Group's revenue and other income are as follows:

	Unaudited Six months ended 30 June	
	2010 ***HK$'000***	2009 *HK$'000* (Restated)
Revenue		
Sale of goods	**–**	3,733
Other income		
Interest income from loan receivables	**–**	862
Sundry income	**51**	25
Gain on disposals of subsidiaries	**–**	736
	51	1,623

6. SEGMENT INFORMATION

The Group has identified its operating segments and prepared segment information based on the regular internal financial information reported to management of the Group for their decisions about resources allocation to the Group's business components and review of these components' performance. The business components in the internal reporting to management of the Group are determined following the Group's major product and service lines. The Group has identified the trading of carpets segment represents the trading of carpets of renowned brand names as reportable segment.

Due to the recent discovery of the loss of the exploration licence, it is the Board's current intention to suspend the Group's exploration and mining business until the Group regains controls of QHFSMI and IMFSMI and the Group repossesses the exploration licence.

	Unaudited Trading of carpets Six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
Reportable segment revenue:		
From external customers	**–**	3,733
Reportable segment loss	**(981)**	(847)
Gain on disposals of subsidiaries	**–**	33
Reportable segment assets	**429**	3,772
Reportable segment liabilities	**3**	3,416

7. FINANCE COSTS

	Unaudited Six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
Interest on other borrowing due within one year	**–**	54
Finance leases	**–**	4
Imputed interest on convertible bonds *(note 15)*	**1,028**	5,204
	1,028	5,262

8. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging/(crediting) the following:

	Unaudited Continuing operations Six months ended 30 June		**Unaudited Discontinued operations Six months ended 30 June**		**Unaudited Consolidated Six months ended 30 June**	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	*HK$'000* (Restated)	***HK$'000***	*HK$'000* (Restated)	***HK$'000***	*HK$'000* (Restated)
Charging/(crediting):						
Cost of inventories recognised as expense	**–**	3,617	**–**	–	**–**	3,617
Depreciation	**63**	623	**–**	–	**63**	623
Staff costs, including directors' emoluments	**2,479**	2,531	**–**	–	**2,479**	2,531
Loss on de-consolidating subsidiaries *(note 16)*	**–**	–	**348,966**	–	**348,966**	–
Gain on disposals of subsidiaries	**–**	(736)	**–**	(8,342)	**–**	(9,078)

9. INCOME TAX EXPENSE

No Hong Kong profits tax has been provided as the Group had no estimated assessable profits arising in or derived from Hong Kong for both periods. PRC foreign enterprise income tax has not been provided as the PRC subsidiaries incurred a loss for taxation purposes for both periods.

10. DIVIDEND

The Board do not recommend any payment of interim dividend for the six months ended 30 June 2010 (Six months ended 30 June 2009: Nil).

11. DISCONTINUED OPERATIONS

Save as disclosed in notes 3 and 4 to the financial statements, the board of directors of the Company consider that it is appropriate to de-consolidate QHFSMI and IMFSMI with effect from 1 January 2010. Details of the assets and liabilities disposed of, and the calculation of the loss on de-consolidating subsidiaries, are disclosed in note 16.

The business of carpet manufacturing was carried out by its subsidiaries, namely Hui Zhou Orient Carpet Manufacturing Co., Ltd and Tang Shan Win Alliance Wealthy Unit Carpet Limited (collectively referred to as the "Carpet Manufacturing Group") whilst the business of goods trading was carried out by the Group's other subsidiaries, namely Wise Mount Management Limited and Win Alliance Development Limited (collectively referred to as the "Goods Trading Business Group").

As these two business segments had been suffering persistent losses, on 4 December 2008, the Group entered into two separate sale and purchase agreements to dispose of the Carpet Manufacturing Group and the Goods Trading Business Group. The Carpet Manufacturing Group and the Goods Trading Business Group are collectively referred to as the 2009 Discontinued Operations.

The disposals of the 2009 Discontinued Operations were completed in March and February 2009 respectively and were presented as discontinued operations in accordance with HKFRS 5.

An analysis of the results and cash flows of the discontinued operations included in the condensed consolidated income statement and the condensed consolidated statement of cash flows was as follows:

	Unaudited Six months ended 30 June 2010		Unaudited Six months ended 30 June 2009	
	Exploration of mine *HK\$'000*	**The 2009 Discontinued Operations** *HK\$'000*	Exploration of mine *HK\$'000*	The 2009 Discontinued Operations *HK\$'000*
Revenue	**–**	**–**	–	–
Other income	**–**	**–**	–	–
Expenses	**–**	**–**	–	–
	–	**–**	–	–
Income tax expense	**–**	**–**	–	–
Loss on de-consolidating subsidiaries *(note 16)*	**(348,966)**	**–**	–	–
Gain on disposals of subsidiaries	**–**	**–**	–	8,342
(Loss)/Profit for the period from discontinued operations	**(348,966)**	**–**	–	8,342
Operating cash flows	**–**	**–**	–	–
Investing cash flows	**(75)**	**–**	–	–
Total cash flows	**(75)**	**–**	–	–

12. LOSS PER SHARE

The calculation of basic loss per share attributable to the owners of the Company are based on the following data:

	Unaudited Six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
Loss		
Loss for the period attributable to the owners of the Company for the purpose of basic loss per share	**(359,583)**	(2,144)

	Unaudited Six months ended 30 June	
	2010	2009
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**7,364,077**	3,722,123

No diluted loss per share attributable to the owners of the Company is presented for the six months ended 30 June 2010 and 2009 as the potential ordinary shares have anti-dilutive effect.

From continuing operations

The calculation of basic loss per share from continuing operations attributable to the owners of the Company are based on the following data:

	Unaudited Six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
Loss for the period attributable to the owners of the Company for the purpose of basic loss per share	**(359,583)**	(2,144)
Loss/(Profit) for the period attributable to the owners of the Company from discontinued operations	**348,966**	(8,342)
Loss for the period attributable to the owners of the Company for the purpose of basic loss per share from continuing operations	**(10,617)**	(10,486)

No diluted loss per share from continuing operations attributable to the owners of the Company is presented for the six months ended 30 June 2010 and 2009 as the potential ordinary shares have anti-dilutive effect.

From discontinued operations

Basic loss per share attributable to the owners of the Company from discontinued operations of HK4.74 cents (2009: basic earnings of HK0.22 cent per share (restated)), based on the loss for the period attributable to the owners of the Company from discontinued operations of approximately HK$348,966,000 (2009: profit of approximately HK$8,342,000) and the weighted average number of ordinary shares in issue as set out above.

13. GOODWILL

Save as disclosed in notes 3 and 4 to the financial statements, the board of directors of the Company considers that it is appropriate to de-consolidate QHFSMI and IMFSMI with effect from 1 January 2010. Details of the assets and liabilities disposed of, and the calculation of the loss on de-consolidating subsidiaries, are disclosed in note 16.

	Unaudited 30 June 2010 ***HK$'000***	Audited 31 December 2009 *HK$'000*
At 1 January		
Gross carrying amount	**1,021,644**	1,021,644
Accumulated impairment	**(694,012)**	(325,611)
Net carrying amount	**327,632**	696,033
Opening net carrying amount	**327,632**	696,033
Impairment loss during the period/year	**–**	(368,401)
Loss on de-consolidating subsidiaries *(note 16)*	**(327,632)**	–
Closing net carrying amount	**–**	327,632
At the end of reporting date		
Gross carrying amount	**–**	1,021,644
Accumulated impairment	**–**	(694,012)
Net carrying amount	**–**	327,632

14. DEPOSITS FOR ACQUISITIONS OF SUBSIDIARIES

On 25 September 2009, the Group entered into an agreement with the vendor, Greater Finance Limited ("Greater Finance") to acquire the entire equity interests in China International Energy Investments (Hong Kong) Limited (together with its subsidiaries collectively referred to as the "China International Group") for a consideration of HK$1,500,000,000 (subject to adjustments). The China International Group is principally investing in oil and gas business. As at 30 June 2010, the refundable deposit of HK$150,000,000 was paid to the vendor by the Company and the acquisition has not yet been completed.

On 5 November 2009, the Group entered into an agreement with the vendor, Maycrown Capital Limited ("Maycrown Capital") to acquire the entire equity interests in Sunlight Rise Limited (together with its subsidiaries collectively referred to as the "Sunlight Group") for a consideration of HK$350,860,000. The Sunlight Group is engaged in the business of generating and supplying electricity and heat by using coke oven gas in the PRC. As at 30 June 2010, the refundable deposit of HK$35,000,000 was paid to the vendor by the Company. This acquisition was completed on 10 August 2010, details of which are set out in note 17.

15. CONVERTIBLE BONDS

In November 2007, the Company issued zero coupon convertible bonds (the "CB1") in the principal amount of HK$365,000,000 as a part of the consideration for the acquisition of 51% equity interests in Kanson Development Limited ("Kanson"). The CB1 bear no interest with a maturity date on 4 November 2012 and are convertible into shares of the Company at the conversion price of HK$0.60 per share (subject to the standard adjustment clauses relating to share sub-division, share consolidation, capitalisation issues and rights issues) at any time after the issue date. Details of the CB1 are set out in the Company's circular dated 15 October 2007.

In July 2008, the Company issued zero coupon convertible bonds (the "CB3") in the principal amount of HK$580,000,000 as the consideration for the acquisition of the remaining 49% equity interests in Kanson. The CB3 bear no interest with maturity date on 2 July 2013 and are convertible into shares of the Company at the conversion price of HK$0.25 per share (subject to the standard adjustment clauses relating to share sub-division, share consolidation, capitalisation issues and rights issues) at any time after the issue date. Details of the CB3 are set out in the Company's circular dated 6 June 2008.

The fair value of the liability components, included in the CB1 and CB3, was calculated using a market interest rate for an equivalent non-convertible bond. The residual amount, representing the value of the equity conversion component, is included in the convertible bond equity reserve in the owners' equity.

The CB1 and CB3 recognised in the statement of financial position are calculated as follows:

	CB1	**CB3**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Face value of convertible bonds issued	365,000	580,000	945,000
Proceeds of issue (fair value on initial recognition)	365,467	363,506	728,973
Equity component	(189,421)	(103,438)	(292,859)
Liability component	176,046	260,068	436,114

Movement of liability component

Movements of liability component for the six months ended 30 June 2010 and for the year ended 31 December 2009 are as follows:

		Unaudited 30 June 2010	
	CB1	**CB3**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
At 1 January 2010	**19,001**	**278**	**19,279**
Exercise of the convertible bonds	**(1,139)**	**–**	**(1,139)**
Imputed interest expenses *(note 7)*	**1,010**	**18**	**1,028**
At 30 June 2010	**18,872**	**296**	**19,168**

		Audited 31 December 2009	
	CB1	CB3	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2009	88,414	104,248	192,662
Exercise of the convertible bonds	(73,243)	(106,537)	(179,780)
Imputed interest expenses	3,830	2,567	6,397
At 31 December 2009	19,001	278	19,279

Movement of equity component

Movements of equity component for the six months ended 30 June 2010 and for the year ended 31 December 2009 are as follows:

		Unaudited 30 June 2010	
	CB1	**CB3**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
At 1 January 2010	**15,849**	**55**	**15,904**
Issue of shares on conversion	**(945)**	**–**	**(945)**
At 30 June 2010	**14,904**	**55**	**14,959**

		Audited 31 December 2009	
	CB1	CB3	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2009	81,872	38,500	120,372
Issue of shares on conversion	(66,023)	(38,445)	(104,468)
At 31 December 2009	15,849	55	15,904

The fair value of the liability components of CB1 and CB3 at the dates of issue amounted to approximately HK$176 million and HK$260 million respectively.

Interest expense on the bonds is calculated using the effective interest rate method by applying interest rate of 15.7% and 17.4% per annum to the liability components of CB1 and CB3 respectively.

During the six months ended 30 June 2010, 3,543,000 ordinary shares were issued in aggregate, at the conversion price of HK$0.508 (as adjusted) per share, to the bond holders upon the conversion of the CB1. The conversion price was adjusted to HK$0.508 as a result of the open offer. Details of the result of open offer and the adjustment to the conversion price of the convertible bonds are set out in the Company's announcement dated 7 October 2009. As a result, there was an increase in the share capital and share premium of HK$36,000 and HK$2,048,000 respectively.

Subsequent to the reporting date, no ordinary share was issued to the bond holders upon the conversion of CB1 and CB3 respectively.

According to the sale and purchase agreements dated on 8 July 2007 and 8 April 2008, another zero-coupon convertible bonds with face value of HK$400,000,000 (the "CB2") and HK$380,780,000 (the "CB4") would be issued to Ms. Leung on the fifth business day following the date of receipt of mining license in respect of the underlying mine. The CB2 and CB4 are convertible into shares of the Company at the conversion price of HK$0.60 and HK$0.25 per share respectively. As at 30 June 2010, the CB2 and CB4 have not been issued and have not included the purchase consideration of acquisition in Kanson.

16. DE-CONSOLIDATING SUBSIDIARIES

As explained in notes 3, 5 and 11, the board of directors of the Company considers that the Group no longer has the power to exercise its rights as the sole shareholder and thus has lost its controls over the assets and operations or is unable to exercise control over the financial and operating policy decisions of QHFSMI and IMFSMI. Base on its financial statements of QHFMSI and IMFSMI as at 31 December 2009, in light of the latest management accounts of the two subsidiaries available to the directors of the Company. Accordingly, the Group recorded a loss on de-consolidating QHFSMI and IMFSMI of approximately HK$348,966,000.

Details of net assets attributable to QHFSMI and IMFSMI as at 1 January 2010 are set out below:

	(Unaudited) *HK$'000*
Net assets disposed of:	
Property, plant and equipment	**3,578**
Exploration and evaluation assets	**38,562**
Prepayments, deposits and other receivables	**71**
Cash and cash equivalents	**75**
Deposits received, other payables and accruals	**(19,980)**
	22,306
Attributable goodwill *(note 13)*	**327,632**
	349,938
Exchange loss arising from de-consolidation	**(972)**
Net loss on de-consolidating subsidiaries	**348,966**
Analysis of net outflow of cash and cash equivalents arising from deconsolidating subsidiaries	**(75)**

17. EVENTS AFTER THE REPORTING DATE

The Group had the following significant events after the reporting date:

Precious New Limited ("Precious New"), a wholly owned subsidiary of the Company and the Company entered into a supplemental agreement with Maycrown Capital and Ms. Ho Mee Kuen Karen (the "Guarantor") to vary the provisions of the sale and purchase agreement dated 5 November 2009 (the "Agreement") regarding the further deposit payable by Precious New (the "Supplemental Agreement"). According to the provisions of the Agreement, Precious New should pay to Maycrown Capital HK$35,000,000 as a further refundable deposit in cash within three business days after the completion of the due diligence investigation to be conducted by Precious New and its advisers on the target group and conditional upon certain conditions being fulfilled and/or waived by the Precious New.

Following discussions between the parties to the Agreement and considering that the Company had paid HK$80,000,000 to Ontop Finance Limited for paying up the registered capital of Shanxi Zhong Kai Group Lingshi Heat and Power Company Limited, the parties entered into the Supplemental Agreement on 10 August 2010, pursuant to which the payable amount of the HK$35,000,000 by Precious New has been postponed to on or before 31 July 2011 and Precious New shall pay interest charged on the HK$35,000,000 at the rate of 3% per annum. The interest shall accrue from day to day, shall be calculated on the basis of the actual number of days elapsed and a 365-day year, including the date of completion and ending on the date of actual payment by Precious New, provided that if such balance of HK$35,000,000 is paid in full on or before 11 February 2011, no interest shall be payable on such amount. The details are set out in the Company's announcement dated 10 August 2010.

The Company agree that all conditions precedent set out in the Agreement as varied by the Supplemental Agreement have been fulfilled and the completion of the Agreement (as amended) took place on 10 August 2010. The Company has issued the consideration shares of HK$140,430,000 and the convertible notes of HK$140,430,000 to Maycrown Capital in accordance with the terms of the Agreement as varied by the Supplemental Agreement. Sunlight Group has accordingly been became the subsidiaries of the Company on 10 August 2010.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

For the six months ended 30 June 2010 (the "**Period**"), no revenue is recorded from its continuing operations by the Group (2009: HK$3.7 million) and operating loss from its continuing operations were approximately HK$9.6 million (2009: HK$5.2 million (restated)). The operating loss of the Group from its continuing operations was substantially increased by approximately HK$4.4 million as compared to the corresponding period of last year due to the administrative expenses was increased by HK$2.6 million. The finance costs were reduced by HK$4.2 million as the imputed interest on convertible bonds was decreased. Loss on de-consolidating subsidiaries HK$349 million incurred for the Period from discontinued operations (2009: profit of HK$8.3 million (restated)). The details are set out in the notes 3, 4 and 16.

CARPET TRADING

The market environment of carpet trading continued to be extremely competitive. During the Period, no revenue is recorded by the Group and incurred a loss HK$981,000 in carpets trading business. The Group will take more effort to source more orders from both new and existing customers to improve the results and the Group have got some sale orders in second half year.

ELECTRICITY AND HEAT BUSINESS

On 5 November 2009, Precious New Limited, a wholly owned subsidiary of the Company, entered into a conditional agreement with Maycrown Capital Limited ("**Maycrown Capital**"), pursuant to which Precious New Limited has agreed to purchase and Maycrown Capital has agreed to sell the entire issued share capital of Sunlight Rise Limited ("**Sunlight Rise**") at an aggregate consideration of HK$350.86 million, and to assume the obligation of contributing to and paying up the remaining balance of the registered capital of Shanxi Zhong Kai Group Lingshi Heat & Power Company Limited（山西中凱集團靈石熱電有限公司）("**Shanxi Zhong Kai**") in the sum of approximately RMB69.55 million (the "**Electricity and Heat Acquisition**"). The sole asset of Sunlight Rise and its subsidiaries is its holding of a 60% equity interest in Shanxi Zhong Kai. Details of the Electricity and Heat Acquisition are set out in the Company's announcement and circular dated 23 November 2009 and 28 June 2010 respectively.

As per the Company's announcement dated 10 August 2010, (i) Precious New Limited injected HK$80,000,000 into the bank account of a subsidiary of Sunlight Rise for paying up the remaining registered capital of Shanxi Zhong Kai of approximately RMB69.55 million on 3 August 2010; (ii) Precious New Limited entered into a supplemental agreement with Maycrown Capital to postpone the payment of a refundable deposit of HK$35,000,000 to a date on or before 31 July 2011; and (iii) the Electricity and Heat Acquisition was completed on 10 August 2010. After the completion, Shanxi Zhong Kai became a 60% owned subsidiary of the Company and the Group could broaden its source of income by expanding its business to the power generation industry in China.

EXPLORATION AND MINING BUSINESS

As per the Company's announcements dated 26 and 27 August 2010, the Board, to its astonishment, recently found out that as from 31 January 2010 the exploration licence held by Qinghai Forest Source Mining Industry Developing Company Limited ("Qinghai Subsidiary"), an indirect wholly-owned subsidiary of the Company incorporated in the People's Republic of China ("PRC"), had been transferred to a company known as 內蒙古小紅山源森礦業有限公司 (in English, for identification purpose only, Inner Mongolia Xian Hong Shan Yuen Xian Mining Industry Company Limited) ("Yuen Xian Company") without the Company's knowledge, consent or approval.

Based on the searches conducted by the Company's legal advisers, the Company further found out that:

1. Yuen Xian Company is a wholly foreign owned enterprise established in the PRC on 21 October 2009 and is wholly-owned by a company known as "Yuenxian Mining Industry Holding Company Limited" ("HK Yuenxian"). Ms. Margaret Lai Ching LEUNG ("Ms. Leung") is one of the directors and the legal representative of Yuen Xian Company.

2. HK Yuenxian (previously known as Forest Source Mining Industry Holding Company Limited) is a company incorporated in Hong Kong and is wholly-owned by Ms. Leung. Ms. Leung is also the sole director of HK Yuenxian.

Control of the PRC subsidiaries

Ms. Leung was a director and legal representative of the Qinghai Subsidiary and Inner Mongolia Forest Source Mining Industry Developing Company Limited ("Inner Mongolia Subsidiary"). On 10 September 2009, the board of directors of the sole shareholder of the Qinghai Subsidiary and the Inner Mongolia Subsidiary (namely, Hong Kong Forest Source Mining Industry Holding Company Limited) had resolved to remove Ms. Leung as director and legal representative of the Qinghai Subsidiary and the Inner Mongolia Subsidiary with immediate effect. As disclosed in the Company's circular dated 28 June 2010, the respective members of the board of directors and legal representatives of the Qinghai Subsidiary and the Inner Mongolia Subsidiary have yet to be officially changed as the procedure for changing and updating the official records at the relevant PRC government authority is taking longer than expected as Ms. Leung, being the previous legal representative, was not cooperative and failed to provide the requested documents and corporate seals. Based on the advice of the Company's legal adviser as to PRC laws, the Directors were of the view that the Company had maintained control on the Qinghai Subsidiary and the Inner Subsidiary despite the fact that the respective members of the board of directors and legal representatives of the Qinghai Subsidiary and the Inner Mongolia Subsidiary have yet to be officially changed, although the directors and legal representatives were removed on 10 September 2009.

Exploration licence

The Company acquired the Qinghai Subsidiary from Ms. Leung. The Qinghai Subsidiary was the holder of an exploration licence which conferred the Qinghai Subsidiary the right to conduct exploration work for the mineral resources containing iron, vanadium and titanium in the titanium mine located at Xiao Hong Shan in Inner Mongolia, the PRC. Based on the search recently conducted by the Company's legal adviser, the exploration licence was transferred to Yuen Xian Company on 31 January 2010. Such action by Ms. Leung was totally unexpected in view of the interim injunction order obtained by the Company from the Hong Kong Court. Without the exploration licence, the Qinghai Subsidiary will no longer have the right to, among other things, carry out exploration of the mineral resources of the titanium mine, access the titanium mine and neighbouring areas and have the priority in obtaining the mining rights of the titanium mine.

Due to the recent discovery of the loss of the exploration licence, it is the Board's current intention to suspend the Group's exploration and mining business until the Group regains control of the Qinghai Subsidiary and the exploration licence. The Company will continue to seek advice from its legal advisers and legal counsel as to what further action the Company shall take in respect of the loss of the Qinghai Subsidiary's exploration licence and the procedure for regaining the exploration licence. Further announcement(s) will be issued by the Company as and when necessary to comply with the requirements of the Listing Rules.

FUTURE PLAN AND PROSPECTS

Proposed acquisition of Oil and gas business

On 25 September 2009, Cheerful Dragon Limited, a wholly owned subsidiary of the Company, entered into a conditional agreement with Greater Finance Limited ("**Greater Finance**"), pursuant to which Cheerful Dragon Limited has agreed to purchase and Greater Finance has agreed to sell the entire issued share capital of China International Energy Investments (Hong Kong) Limited ("**China International Energy**") at an aggregate consideration of HK$1,500 million (subject to the adjustment). The principal asset in China International Energy and its subsidiaries is its participating interest in Target Oil Field pursuant to the Cooperation Contract with China National Petroleum Corporation ("**CNPC**"). The details of the proposed acquisition are set out in the Company's announcement dated 22 October 2009. As at the date of this announcement, the proposed acquisition is still not yet completed and the Company is still finalising the information to be included in the circular.

The Company takes initiative in identifying investment opportunities that will broaden its revenue sources. The acquisition represents a good opportunity for the Company to diversify its business into the Petroleum Businesses in cooperation with CNPC, one of the leading state-owned petroleum enterprise in the People's Republic of China (the "**PRC**"). With the anticipated continued growth of the PRC economy which will fuel the demand for oil as basis of the acquisition cost, the Board believes that the oil business under the proposed acquisition is beneficial to the Group's profile.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2010, the net assets value of the Group is approximately HK$268 million (31 December 2009: approximately HK$628 million) and the total cash and bank balance is approximately HK$105 million (31 December 2009: approximately HK$113 million). As at 30 June 2010, the Group had total current assets of approximately HK$105.8 million (31 December 2009: approximately HK$114.8 million) and total current liabilities of approximately HK$3.8 million (31 December 2009: approximately HK$22.6 million).

CURRENT AND GEARING RATIO

As at 30 June 2010, the Group had total assets of approximately HK$291 million (31 December 2009: approximately HK$670 million), total liabilities of approximately HK$23 million (31 December 2009: approximately HK$42 million), indicating a gearing ratio of 0.08 (31 December 2009: 0.06) on the basis of total liabilities over total assets. The current ratio of the Group for the Period was 27.8 (31 December 2009: 5.09).

FOREIGN CURRENCY EXPOSURE

The Group did not have any significant exposure to and did not hedge against risks associated with foreign currency fluctuation.

CHARGES ON ASSETS

As at 30 June 2010, the Group had no interest-bearing bank borrowings and assets pledged.

CONTINGENT LIABILITIES

As at 30 June 2010, the Group did not have any significant contingent liabilities.

EMPLOYEE INFORMATION

As at 30 June 2010, the Group employed approximately 6 full-time employees (2009: 29). The substantial drop in number of employees is mainly due to QHFSMI was de-consolidated during the Period. The details are set out in note 16. The Group's emolument policies are formulated on the performance of individual employees and are reviewed annually in line with industry practice. The Group also provides provident fund schemes (as the case may be) to its employees depending on the location of such employees.

INTERIM DIVIDEND

The Board do not recommend the payment of an interim dividend for the six months ended 30 June 2010 (six months ended 30 June 2009: Nil).

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the Period.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code for the purposes of reviewing the Group's financial reporting process and internal controls. The Audit Committee comprises the three independent non-executive directors of the Company. The members of the Audit Committee have reviewed the unaudited financial statements of the Group for the six months ended 30 June 2010 and are of the opinion that such statements comply the applicable accounting standards and the Listing Rules and that adequate disclosures have been made.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Company and the Board have applied the principles in the code provisions of the Code on Corporate Governance Practices (the "**Code**") contained in Appendix 14 to the Listing Rules on the Stock Exchange by adopting the code provisions of the Code.

During the six months ended 30 June 2010, the Board has adopted and complied with the code provisions of the Code in so far they are applicable with the exception of the deviation from the code provision A.2.1 (i.e. the vacancy of chairman of the Company).

Following the retirement of Mr. Tam Owen ("**Mr. Tam**") at the 2009 annual general meeting of the Company, Mr. Tam ceased to act as chairman, executive director, chairman of remuneration committee and nomination committee and authorized representative of the Company with effect from 2 June 2009. The Company is still looking for a suitable candidate to fill the vacancy of chairman and further announcement will be made by the Company upon fulfillment of this requirement under the Listing Rules.

The Board will review the management structure of the Group from time to time and will adopt appropriate measures as may be desirable for future development of the operating activities or business of the Group.

COMPLIANCE WITH MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors by Listed Issuers (the "**Model Code**") set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all directors, all directors have confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended 30 June 2010.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is available for viewing on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.irasia.com/listco/hk/xianyuen). The interim report of the Company for 2010 containing all the information required by the Listing Rules will be despatched to shareholders and made available on the above websites in due course.

APPRECIATION

I take this opportunity to express our gratitude to the shareholders of the Company for their continued support and our Directors and our staff for their contribution to the Company.

By order of the board
Xian Yuen Titanium Resources Holdings Limited
Law Fei Shing
Chief Executive Officer and Executive Director

Hong Kong, 31 August 2010

As at the date of this announcement, the executive Directors are Mr. Law Fei Shing (chief executive officer), Mr. Chan Sung Wai, Mr. Chan Kwok Wing, Mr. Zhao Guoqiang and Mr. Wang Donghai; the non-executive Director is Mr. Zhang Zhenming; and the independent non-executive Directors are Mr. Lum Pak Sum, Mr. Sun Tak Keung and Mr. Chow Pui Fung.