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Xinjiang Xinxin Mining Industry Co., Ltd.*

新疆新鑫礦業股份有限公司

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock code: 3833)

2015 FINAL RESULTS ANNOUNCEMENT

FINANCIAL HIGHLIGHTS

- Revenue was RMB2,685.9 million, a decrease of 20.8% as compared to RMB3,392.4 million in 2014
- Comprehensive loss attributable to shareholders of the Company was RMB741.0 million, as compared to comprehensive income of RMB77.8 million in 2014
- Basic loss per share was RMB0.335 as compared to basic earnings per share of RMB0.035 in 2014
- The Board does not recommend any payment of final dividend, which is the same as in 2014

The board of directors (the “**Board**”) of Xinjiang Xinxin Mining Industry Co., Ltd. (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2015 (the “**Reporting Year**”).

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
Revenue	3	2,685,877	3,392,424
Less: Cost of sales	3	(2,891,578)	(2,982,011)
Taxes and surcharges		(8,102)	(12,951)
Selling and distribution expenses		(66,268)	(42,738)
General and administrative expenses		(184,576)	(157,941)
Financial expenses – net	5	(240,646)	(167,254)
Assets impairment(losses)/reversal	4(c)	(298,203)	1,874
Add: (Losses)/Gains on the changes in fair value	4(d)	(1,275)	7,460
Investment losses	4(e)	(14)	(13,273)
Including: Share of (losses)/profit of joint-venture		(13,792)	7,589
Operating (loss)/profit		(1,004,785)	25,590
Add: Non-operating income	4(a)	7,291	8,247
Including: Gains on disposal of non-current assets		85	272
Less: Non-operating expenses	4(b)	(1,916)	(1,990)
Including: Losses on disposal of non-current assets		(94)	(573)
Total (loss)/profit	4	(999,410)	31,847
Less: Income tax credit/(expenses)	6	56,280	(19,099)
Net (loss)/profit		(943,130)	12,748
Net (loss)/profit attributable to equity holders of the Company		(741,029)	77,762
Non-controlling interests		(202,101)	(65,014)
Other comprehensive income/(loss)		–	–
Total comprehensive (loss)/income		(943,130)	12,748
Comprehensive (loss)/income attributable to equity holders of the Company		(741,029)	77,762
Non-controlling interests		(202,101)	(65,014)
(Loss)/earnings per share			
Basic (loss)/earnings per share (RMB)	7	(0.335)	0.035
Diluted (loss)/earnings per share (RMB)	7	(0.335)	0.035
Proposed final dividends	8	–	–

CONSOLIDATED BALANCE SHEET

As at 31 December 2015

		31 December 2015	31 December
	<i>Notes</i>	RMB'000	2014
			<i>RMB'000</i>
ASSETS			
Current assets			
Cash at bank and on hand		762,293	737,213
Notes receivable	9	47,574	228,981
Accounts receivable	9	115,328	87,259
Other receivables		106,660	55,937
Advances to suppliers		48,641	97,617
Inventories		2,684,878	2,646,365
Other current assets		431,267	382,510
		<hr/>	<hr/>
Total current assets		4,196,641	4,235,882
		<hr/>	<hr/>
Non-current assets			
Long-term equity investments		134,213	156,008
Fixed assets		4,995,061	5,063,292
Construction materials		1,252	1,821
Construction in progress		1,345,171	1,252,643
Intangible assets		1,033,221	1,013,815
Goodwill		28,088	28,088
Long-term prepaid expenses		193	133
Deferred tax assets		101,828	44,045
Other non-current assets		67,500	90,110
		<hr/>	<hr/>
Total non-current assets		7,706,527	7,649,955
		<hr/>	<hr/>
TOTAL ASSETS		11,903,168	11,885,837
		<hr/> <hr/>	<hr/> <hr/>

	31 December 2015	31 December 2014
<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
LIABILITIES AND OWNERS' EQUITY		
Current liabilities		
Short-term loans	1,500,000	1,116,500
Financial liabilities at fair value and its changes through profit or loss	404,216	651,244
Notes payable	748,410	536,676
Accounts payable	582,629	514,076
Advances from customers	29,474	18,646
Employee benefits payable	58,388	52,353
Taxes payable	8,699	10,889
Interest payable	41,947	36,414
Other payables	638,350	466,781
Current portion of non-current liabilities	576,000	502,020
Total current liabilities	4,588,113	3,905,599
Non-current liabilities		
Provisions	8,384	7,022
Long-term loans	1,068,760	1,635,464
Bond payable	1,300,000	500,000
Long-term payable	76,342	45,816
Deferred income	54,263	52,585
Deferred tax liabilities	142,985	140,510
Total non-current liabilities	2,650,734	2,381,397
Total liabilities	7,238,847	6,286,996
Owners' equity		
Share capital	552,500	552,500
Capital surplus	4,263,592	4,254,755
Specific reserve	–	227
Surplus reserve	249,626	249,626
(Accumulated losses)/undistributed profits	(484,317)	256,712
Total equity attributable to equity holders of the Company	4,581,401	5,313,820
Non-controlling interests	82,920	285,021
Total owners' equity	4,664,321	5,598,841
TOTAL LIABILITIES AND OWNERS' EQUITY	11,903,168	11,885,837

NOTES TO CONSOLIDATED FINANCIAL INFORMATION

For the year ended 31 December 2015

1 BASIS OF PREPARATION AND CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared according to the Basic Standard of the Accounting Standards for Business Enterprises, the specific standards and other relevant regulations issued by the Ministry of Finance on and after 15 February 2006, thereafter (hereafter collectively referred to as “the Accounting Standard for Business Enterprises” or “CAS”), the Compilation Rules for Information Disclosure by Companies Offering Securities to the Public No. 15 – the General Provisions of Financial Reports issued by the China Securities and Regulatory Commission.

During the year ended 31 December 2015, the Group reported a net loss of RMB943.1 million, while its net loss attributable to owners and operating cash outflows amounted to RMB741.0 million and RMB146.0 million respectively. As at the same date, the Group’s current liabilities exceeded its current assets by RMB391.5 million. Its current liabilities mainly included short-term bank loans and other borrowings of RMB1,904.1 million and long-term loan due within one year of RMB576.0 million. Meanwhile, the Group’s cash and cash equivalents and restricted bank balances amounted to RMB506.1 million and RMB256.2 million respectively. The Group’s financial performance and operating results for year ended 31 December 2015 was due to the sluggish market for nickel and copper which resulted in a huge loss of a significant subsidiary, Xinjiang Wuxin Copper Mining Co., Ltd. (“**Wuxin Copper**”). For the year ended 31 December 2015, the net loss of Wuxin Copper amounted to RMB593.1 million, while its current liabilities exceeded its current assets by RMB1,361.3 million as at the same date.

All of the above conditions indicate the existence of material uncertainties that may cast significant doubt over the Group’s ability to continue as a going concern.

In view of such circumstances, the directors of the Company and the Group's management have given due and careful consideration of the future liquidity and performance of the Group and its available sources of financing in the next twelve months from 31 December 2015 to assess whether the Group will have sufficient financial resources to continue operating as a going concern. The Group has implemented a number of measures to improve its financial position and alleviate its liquidity pressure, including:

- (i) As at 31 December 2015, the Group obtained a continuing financial support letter from its parent company, Xinjiang Non-ferrous Metal Industry (Group) Ltd. ("**Non-ferrous Group**") which indicates that it will provide financial supports to the Group as and when necessary in the coming twelve months;
- (ii) In March 2016, the Group has reached a binding agreement with Non-ferrous Group to dispose of all the Group's 66% equity interests in Wuxin Copper at a consideration of the higher of RMB12 million or the value based on the audited net assets of Wuxin Copper as at 31 December 2015. Such a disposal is subject to the approvals of the shareholders of the Company at the shareholders' meeting. The management believes that the disposal of Wuxin Copper will be completed latest by the second half of 2016;
- (iii) Subsequent to 31 December 2015, the Group has secured new borrowings of RMB570.5 million. Furthermore, the Group is in the progress of negotiation with banks or other financial institutions to extend the existing short term-loans and seek new loans. As the Group is an important enterprise in Xinjiang and has good credit history, the management believes that the Group will be able to obtain new bank and other borrowings when necessary; and
- (iv) The Group will enhance its inventory management by further reducing its inventory level of nickel and copper, and strengthen its collection of debtors to meet its cash flow demand. In addition, the Group will further control its operating expenses and capital expenditures.

The directors of the Company have reviewed the Group's cash flow projections prepared by management, which covered a period of not less than twelve months from 31 December 2015. In the opinion of the directors, in light of the above, the Group will have sufficient working capital to meet its working capital requirements for operation and repayment of debts as and when they fall due in the coming twelve months from 31 December 2015. Accordingly, the directors consider that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether the Group is able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon whether: (i) Non-ferrous Group has sufficient financial resources to provide financial supports to the Group as and when needed; (ii) The disposal of the Group's equity interests in Wuxin Copper will be approved by the shareholders of the Company at the shareholders' meeting, and completed latest by the second half of 2016; (iii) The Group will be able to timely renew its existing bank borrowings and secure new bank and other borrowings at terms acceptable to the Group; and (iv) The Group will be able to successfully generate sufficient working capital by way of reducing inventory, collecting debtors and controlling its operating expenses and capital expenditures. Should the Group be unable to operate as a going concern, adjustments would have to be made to reduce the carrying values of the Group's assets to their recoverable amounts, to provide for financial liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities. The effect of these adjustments has not been reflected in the consolidated financial statements.

New Hong Kong Companies Ordinance (Cap. 622)

The requirements of Part 9 "Accounts and Audit" of the new Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes correspondingly to presentation and disclosures of certain information in the consolidated financial statements.

The financial information relating to the years ended 31 December 2015 and 2014 included in the preliminary announcement of annual results 2015 do not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2014 to the Registrar of Companies as required by section 622(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance (Cap. 622) and will deliver the financial statements for the year ended 31 December 2015 in due course. The Company's auditor has reported on the financial statements of the Group for both years. The opinion of auditor's report for year ended 31 December 2014 and 2015 was unqualified and unqualified with emphasis of matter respectively, and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

Except as disclosed above, there are no other significant changes in the accounting policies adopted for the preparation of these financial statements comparing with those adopted for the preparation of the financial statements for the year ended 31 December 2014.

2 SEGMENT INFORMATION

The Group are engaged in the mining, ore processing, smelting, refining and sales of nickel, copper and other non-ferrous metal products. Based on the Group's internal organisational structure, management requirements, internal reporting policies, and the segment reporting requirements stipulated by No. 3 Interpretation of CAS, management of the Group considers the Group itself is one operating segment.

For each of the years ended 31 December 2015 and 2014, the Group's sales were conducted in China and the Group's assets and liabilities were in China.

For the year ended 31 December 2015, revenue of top three customers of the Group accounted for 22%, 15% and 8% of the total revenue of the Group respectively (2014: 12%, 11% and 8%).

3 REVENUE AND COST OF SALES

Revenue and cost of sales recognised during each of the years ended 31 December 2014 and 2015 are analysed as follows:

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Revenue from main operation (<i>Note (a)</i>)	2,602,435	3,326,318
Revenue from other operation	83,442	66,106
	<u>2,685,877</u>	<u>3,392,424</u>
Cost of sales from main operation	2,849,366	2,945,721
Cost of sales from other operation	42,212	36,290
	<u>2,891,578</u>	<u>2,982,011</u>

(a) Revenue from main operation

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Nickel cathode	160,761	1,541,849
Copper cathode	2,096,137	1,554,838
Others	345,537	229,631
	<u>2,602,435</u>	<u>3,326,318</u>

4 TOTAL PROFIT/(LOSS)

The following items have been charged/(credited) to the total profit/(loss):

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Depreciation	288,755	192,849
Amortisation	18,535	18,095
Directors' remuneration	2,161	1,966
Government grants (<i>Note (a)</i>)	(4,809)	(6,228)
Gains on disposal of fixed assets (<i>Note (a)</i>)	(85)	(272)
Donations (<i>Note (b)</i>)	514	162
Losses on disposal of fixed assets (<i>Note (b)</i>)	94	573
Assets impairment losses/(reversal) (<i>Note (c)</i>)	298,203	(1,874)
Losses/(Gains) on the changes in fair value (<i>Note (d)</i>)	1,275	(7,460)
Investment losses (<i>Note (e)</i>)	14	13,273
Auditors' remuneration	2,210	2,180
Including: non-audit services	30	–
Mineral resource compensation fees	11,982	14,510
	<u>298,203</u>	<u>(1,874)</u>
(a) The items were included under non-operating income.		
(b) The items were included under non-operating expense.		
(c) Asset impairment losses/(reversal)		
Provision for decline in value of inventories	298,180	11,293
Reversal of provision in value of inventories	–	(13,497)
Provision for bad debts – net	23	330
	<u>298,203</u>	<u>(1,874)</u>

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
(d) Losses/(Gains) on the changes in fair value		
Losses on changes in fair value of the gold lease and the corresponding futures contract	1,182	–
Losses/(Gains) on changes in fair value of futures contract	93	(7,460)
	1,275	(7,460)
(e) Investment losses		
Losses/(Income) from a joint-venture under equity method	13,792	(7,589)
Unrealised net loss between the joint-venture and the Group	(6,685)	(2,278)
(Income)/Losses resulted from closing out of future contracts	(7,093)	23,140
	14	13,273

Investment (income)/losses were all from non-listed investments.

5 FINANCIAL EXPENSES – NET

	2015	2014
	RMB'000	RMB'000
Interest expense	261,494	294,351
Less: Capitalised interest expenses	(27,912)	(126,097)
Less: Interest income on bank deposits	(16,745)	(9,614)
Unwinding of discount – net	8,670	3,420
Interest on bills discounted	5,847	4,079
Bank charges	8,243	3,800
Foreign exchange gains	1,049	(2,684)
	240,646	167,254

6 INCOME TAX (CREDIT)/EXPENSES

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Current income tax	(972)	19,449
Deferred income tax	(55,308)	(350)
	<u>(56,280)</u>	<u>19,099</u>

The Group applies the PRC Corporate Income Tax Law as passed by the National People's Congress on 16 March 2007. The corporate income tax rate is 25%.

In 2015, the Company and certain of its subsidiaries obtained preferential treatment and the recognition that their business are within the category of Encouraged Industries by the Committee of Economics and Information in the local region of Xinjiang, and their applicable rates for corporate income tax, after communication with local tax authorities, are as follows:

- (a) The Company, including Fukang Refinery Branch* calculated and paid corporate income tax using the preferential rate of 15% (2014: 15%).
- (b) Xinjiang Yakesi* calculated and paid income tax using the preferential rate of 15% (2014: 15%).
- (c) Hami Jubao* calculated and paid income tax using the preferential rate of 15% (2014: 15%).
- (d) Kalatongke Mining* calculated and paid income tax using the preferential rate of 15% (2014: 15%).
- (e) Pursuant to the Circular on Granting Tax Credit and Exemption relating to Enterprise Income Tax on the Small-Scaled Minimal Profit Enterprise issued by the State Administration of Taxation, from 1 January 2015 to 31 December 2017, the taxable income of Xinjiang Mengxi Mining Company Limited is reduced to 50% of its total income, and the applicable enterprise income tax rate is 20% (2014: 25%).

* As defined in Business Review below

Other subsidiaries and Shanghai Sales Branch of the Company are subject to corporate income tax rate of 25% in 2015 (2014: 25%).

The reconciliation from income tax calculated based on the applicable tax rates and total (loss)/profit presented in the consolidated income statements to the income tax expenses is listed below:

	Year ended 31 December	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Total consolidated (loss)/profit	<u>(999,410)</u>	<u>31,847</u>
Income tax expenses calculated at applicable tax rate of 25%	(249,852)	7,962
Effect of tax reductions	39,005	(25,594)
Effect of change in the tax rates	–	(15,164)
Income not subject to tax	(4)	(1,525)
Expenses not deductible for tax purposes	2,931	2,285
Deductible temporary differences and deductible losses for which no deferred tax assets were recognised	148,803	47,502
Clearance differences in respect of prior years	<u>2,837</u>	<u>3,633</u>
Income tax expenses	<u>(56,280)</u>	<u>19,099</u>

7 (LOSS)/EARNINGS PER SHARE

	Year ended 31 December	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Consolidated net (loss)/profit attributable to equity holders of the Company (<i>RMB'000</i>)	(741,029)	77,762
Weighted average number of ordinary shares in issue of the Company (<i>in thousand</i>)	<u>2,210,000</u>	<u>2,210,000</u>
Basic and diluted (loss)/earnings per share (<i>RMB</i>)	<u>(0.335)</u>	<u>0.035</u>

Diluted (loss)/earnings per share is equal to basic (loss)/earnings per share as there was no dilutive potential share outstanding for all years presented.

8 PROPOSED FINAL DIVIDENDS

The Board does not recommend any payment of a final dividend by the Company for the year ended 31 December 2015 which will be submitted at the Annual General Meeting on 27 May 2016 for approval.

	Year ended 31 December	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Proposed final dividend	<u>Nil</u>	<u>Nil</u>

9 ACCOUNTS RECEIVABLE AND NOTES RECEIVABLE

	As at 31 December	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Accounts receivable (<i>Note (a), (b)</i>)	119,254	91,164
Less: provision for bad debts (<i>Note (d)</i>)	<u>(3,926)</u>	<u>(3,905)</u>
	<u>115,328</u>	<u>87,259</u>
Notes receivable (<i>Note (c)</i>)	<u>47,574</u>	<u>228,981</u>

Notes:

(a) Accounts receivable are analysed as follows:

	As at 31 December	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Accounts receivables		
– Related parties	1,489	3,437
– Third parties	<u>117,765</u>	<u>87,727</u>
Accounts receivable, gross	<u>119,254</u>	<u>91,164</u>

Ageing analysis of the gross accounts receivable at the respective balance sheet dates is as follows:

	As at 31 December	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	112,183	86,102
One to two years	2,909	203
Two to three years	107	721
Three to four years	75	1,025
Four to five years	867	193
Over five years	3,113	2,920
	119,254	91,164

- (b) The credit terms of accounts receivable are not exceeding 180 days. At year end, management of the Group assessed the recoverability of accounts receivable on individual customer basis and made adequate bad debt provision accordingly. As at 31 December 2015, accounts receivable of RMB32,623 thousand (31 December 2014: RMB331 thousand) were past due but not impaired.
- (c) Notes receivable are all bank acceptance notes, and all the notes receivable will be matured within 180 days.
- (d) The movements of provision for bad debts of accounts receivable are as follows:

	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January	3,904	3,575
Provision for bad debts	22	329
At 31 December	3,926	3,904

The provision for bad debts of accounts receivable have been included under “asset impairment losses” in the consolidated income statement.

- (e) The carrying amounts of accounts and notes receivable approximate their fair values.
- (f) All accounts and notes receivable are denominated in RMB.

10 ACCOUNTS PAYABLE

	As at 31 December	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Accounts payable		
– Related parties	102,334	53,841
– Third parties	480,295	460,235
	<u>582,629</u>	<u>514,076</u>

Aging analysis of accounts payable at the respective balance sheet dates is as follows:

	As at 31 December	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Within three months	479,816	456,440
Three to six months	56,584	26,704
Over six months	46,229	30,932
	<u>582,629</u>	<u>514,076</u>

11 NET CURRENT (LIABILITIES)/ASSETS

	31 December	31 December
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Current assets	4,196,641	4,235,882
Less: Current liabilities	(4,588,113)	(3,905,599)
Net current (liabilities)/assets	<u>(391,472)</u>	<u>330,283</u>

12 TOTAL ASSETS LESS CURRENT LIABILITIES

	31 December 2015	31 December 2014
	<i>RMB'000</i>	<i>RMB'000</i>
Total assets	11,903,168	11,885,837
Less: Current liabilities	<u>(4,588,113)</u>	<u>(3,905,599)</u>
Total assets less current liabilities	<u>7,315,055</u>	<u>7,980,238</u>

EXTRACT OF INDEPENDENT AUDITOR'S REPORT ON THE GROUP'S CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

“Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and company's financial position of the Company as at 31 December 2015, and their financial performance and cash flows for the year then ended in accordance with the requirements of Accounting Standards for Business Enterprises.

Emphasis of matter

We draw your attention to Note 2 (1) to the consolidated financial statements, which states that the Company and its subsidiaries (hereinafter “the Group”) reported a net loss of RMB943,130,017.53 and operating cash outflows of RMB146,044,612.02 during the year ended 31 December 2015. As at the same date, the Group's current liabilities exceeded its current assets by RMB391,472,438.49. Such conditions, along with other matters as described in Note 2 (1) to the consolidated financial statements, indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.”

MARKET OVERVIEW

As generally known, under the influence of economic structural adjustments and the slowdown of the growth in the PRC and the weak global economic recovery, in 2015, international and domestic nickel cathode and copper cathode were oversupplied with an increasing inventory in a market condition which the prices were swinging lower and constantly decreasing.

In 2015, the average three-month future price of nickel cathode in London Metal Exchange (“LME”) was US\$11,867 per tonne, representing a decrease of 30.0% as compared to 2014, and the average three-month future price of copper cathode was US\$5,482 per tonne, representing a decrease of 19.6% as compared to that in 2014.

In 2015, the average spot price (including tax) of nickel cathode in Shanghai Yangtze River Non-ferrous Metals Spot Market was RMB89,455 per tonne, representing a decrease of 22.6% as compared to that in 2014, and the average spot price (including tax) of copper cathode was RMB40,852 per tonne, representing a decrease of 16.9% as compared to that in 2014.

The trends of domestic price of nickel cathode and copper cathode were generally in line with the international market in 2015.

INDUSTRY POSITION

The Group is a mining company principally engaged in the mining, ore processing, smelting and refining of nickel cathode products and other non-ferrous metals, (namely, copper, cobalt, gold, silver, platinum and palladium). According to the statistics of China Non-ferrous Metals Industry Association, the total domestic output of nickel for the year of 2015 amounted to 232,100 tonnes, representing a decrease of 6.0% as compared to that in 2014. With an output of 11,618 tonnes of nickel cathode for the year of 2015, the Group remains the second largest domestic manufacturer of nickel cathode produced with nickel sulfide resources.

BUSINESS REVIEW

Production and Operation

For the year of 2015, in order to cope with the adverse influence on enterprises caused by the swinging lower and continuously decreased market prices of international and domestic nickel cathode and copper cathode, the Group has taken a series of measures to lower product costs and expenditures as well as improve overall operation efficiency of the Company. Such measures included enhancing fundamentals of the corporate management, lifting technical-economic indicators in the production process, strictly controlling non-productive expenditures, improving infrastructure and technological renovation projects as well as fulfilling planned production volume and attaining stated targets through performing the craftsmanship adjustment and testing and commissioning as soon as possible. In the meantime, the Group intensified marketing analysis and research, and adopted marketing strategies of increasing inventory of finished products and controlling the sales volume of nickel cathode, which in turn achieved the goal to realize the sales of nickel cathode products with a relatively higher market price and enhanced the economic efficiency of the Group.

For the year of 2015, the Group recorded a total nickel cathode output of 11,618 tonnes, representing an increase of 4.0% as compared to that in 2014. Total copper cathode output was 60,439 tonnes (among which, 10,001 tonnes of copper cathode was produced by Fukang Refinery of Xinjiang Xinxin Mining Industry Co., Ltd. (“**Fukang Refinery**”), 50,438 tonnes of copper cathode was produced by Wuxin Copper, representing an increase of 52.9% as compared to that in 2014.

For the year of 2015, the Group recorded total nickel cathode sales of 2,067 tonnes, representing a decrease of 86.2% as compared to that in 2014. Total copper cathode output was 60,532 tonnes, representing an increase of 62.0% as compared to that in 2014.

For the year of 2015, the Group recorded an average selling price of nickel cathode (tax exclusive) of RMB77,782 per tonne, representing a decrease of 24.2% as compared to 2014. Average selling price of copper cathode (tax exclusive) amounted to RMB34,629 per tonne, representing a decrease of 16.8% as compared to that in 2014.

For the year of 2015, the Group recorded an average cost of sales of nickel cathode of RMB86,180 per tonne, representing an increase of 6.8% as compared to that in 2014. The average cost of sales of copper cathode was RMB37,603 per tonne, representing a decrease of 5.9% as compared to that in 2014, of which Fukang Refinery recorded an average cost of sales for copper cathode of RMB27,234 per tonne, representing a decrease of 11.4% as compared to that in 2014, and Wuxin Copper recorded an average cost of sales for copper cathode of RMB39,917 per tonne representing a decrease of 4.7% as compared to that in 2014.

For the year of 2015, the Group achieved an operating revenue of RMB2,685.9 million, representing a decrease of 20.8% as compared to that in 2014, with a net loss of RMB943.1 million, as compared to a net profit of RMB12.7 million in 2014; a comprehensive loss attributable to shareholders of the Company amounted to RMB741.0 million, as compared to a consolidated profit attributable to shareholders of the Company of RMB77.8 million in 2014, and a loss per share (basic and diluted) of RMB0.335 as compared to an earnings per share (basic and diluted) of RMB0.035 in 2014.

Sales: For the year of 2015, the Group achieved revenue from principal businesses of RMB2,602.4 million, which comprised RMB160.8 million of sales revenue from nickel cathode, accounting for 6.2% of the revenue from principal businesses of the Group, and RMB2,096.1 million of sales revenue from copper cathode, accounting for 80.5% of the revenue from principal businesses of the Group. Other products (including copper concentrate, anode slime, electrolytic cobalt, gold, silver, platinum and palladium) achieved a sales revenue of RMB345.5 million, representing 13.3% anode laud, of the revenue from principal businesses of the Group.

The infrastructure projects of Wuxin Copper with an annual output of 100,000 tonnes of copper cathode was completed in June 2014 and put into trial production since then, but currently, the productivity and targets are yet to be achieved. Due to low efficiency of production process, rather high production costs and constant drop of market price of major products, a substantial loss was incurred to Wuxin Copper and net loss of RMB593.1 million was recorded for the year. In addition, under the adverse influence of the swinging lower and continuously decreased market prices of international and domestic nickel cathode and copper cathode, the operating capital of the Group, especially Wuxin Copper, was relatively insufficient and it was more difficult to carry out financing. Saved as the above, in 2015, the overall production and operation of the Group were stable, with no other material operation difficulties or operational problems.

Progress of Technological Renovation and Expansion Projects and Infrastructure Projects

In 2015, the technological renovation and expansion projects and infrastructure projects carried out by the Group mainly included four technological renovation and infrastructure projects: the technological renovation and expansion project involving the enhancement of the mining, ore processing and smelting capacity of Kalatongke Mining, the technological renovation and expansion project involving the enhancement of the auxiliary facilities in Fukang Refinery to increase the refining capacity of nickel cathode and copper cathode and an additional production capacity of nickel cathode to 15,000 tonnes per year, the technological renovation and expansion project involving the additional mining and ore processing capacity of Xinjiang Yakesi, and the infrastructure project of Wuxin Copper involving an annual output of copper cathode of 100,000 tonnes. The technological renovation and expansion projects and the infrastructure projects of the Group proceeded smoothly as a whole in 2015 and the required progress of works was achieved on time during the Reporting Year. A total investment of RMB221.8 million has been made, mainly including:

In 2015, a total of RMB17.0 million was invested in the further enhancement of the technological renovation and capacity expansion project involving the daily mining of 3,400 tonnes, daily processing capacity of 3,000 tonnes as well as annual production capacity of water hardening and nickel matte of 8,000 tonnes of Kalatongke Mining.

In 2015, a total of RMB18.2 million was invested in the further enhancement of the technological renovation and capacity expansion project of enhancing the refining capacities of nickel cathode and copper cathode of the auxiliary facilities of Fukang Refinery, as well as for the preliminary works of the technological renovation and capacity expansion project of enhancing additional nickel cathode production capacity to 15,000 tonnes.

As for the technological renovation and capacity expansion projects of Xinjiang Yakesi and Hami Jubao in relation to the addition of daily mining and ore processing capacity of 4,000 tonnes, a total investment of RMB128.8 million was made in 2015.

A total investment of RMB57.8 million was made in 2015 for the use on the enhancement of infrastructure project of Wuxin Copper with an annual output of 100,000 tonnes of copper cathode.

EQUITY INVESTMENTS AND DISPOSAL

During the Year, there were no asset acquisition or disposal, merger or equity investments of the Company.

FINANCIAL REVIEW

Operating Results

In 2015, the revenue of the Group amounted to RMB2,685.9 million, representing a decrease of 20.8% as compared to RMB3,392.4 million in 2014; the comprehensive loss of the Group amounted to RMB943.1 million, as compared to the comprehensive income of the Group amounted to RMB12.7 million in 2014; the comprehensive loss attributable to shareholders of the Company amounted to RMB741.0 million, as compared to the comprehensive income attributable to shareholders of the Company amounted to RMB77.8 million in 2014. The significant decrease in the operating results in 2015 was primarily because (1) impacted by the continuous decrease in the international and Chinese market prices of nickel cathode and copper cathode, the average selling prices of the Group's primary products, nickel cathode and copper cathode, decreased by 24.2% and 16.8 % respectively, as compared to those in 2014; (2) the 100,000 tonnes of copper smelting operation of Wuxin Copper was established and commenced production in June 2014, but currently the quantity and quality of production were yet to be up to standard, the operating procedures of production was not efficient enough, and the production cost was still relatively high. (3) The making of provision for decline in value amounted to RMB298.2 million in 2015.

Revenue and gross profit of the principal businesses

The following table illustrates the details of sales by products of the Group for the two years ended 31 December 2015 and 31 December 2014:

Product Name	For the year ended 31 December 2015			For the year ended 31 December 2014			Amount of growth rate +/(%)
	Sales volume Tonnes	Amount RMB'000	% to Revenue	Sales Volume Tonnes	Amount RMB'000	% to Revenue	
Nickel cathode	2,067	160,761	6.2%	15,029	1,541,849	46.4%	(89.6%)
Copper cathode	60,531	2,096,137	80.5%	37,368	1,554,838	46.7%	34.8%
Of which: Fukang Refinery	11,041	379,847	14.6%	6,213	258,770	7.8%	46.8%
Wuxin Copper	49,490	1,716,290	65.9%	31,155	1,296,068	38.9%	32.4%
Copper concentrate		-	0.0%	1,065.63	9,980	0.3%	(100%)
Other products		345,537	13.3%		219,651	6.6%	57.3%
Of which: Anode slime	301	303,154	11.6%	115.6	168,468	5.1%	79.9%
Total revenue from main operation		2,602,435	100%		3,326,318	100%	(21.8%)
Cost of sales from main operation		(2,849,366)	109.5%		(2,945,721)	88.6%	(3.3%)
Gross (loss)/profit		<u>(246,931)</u>	(9.5%)		<u>380,597</u>	11.4%	(165.3%)

In 2015, the revenue of nickel cathode of the Group amounted to RMB160.8 million, representing a decrease of 89.6% as compared to that in 2014, mainly attributable to the decreases in the sales volume and selling prices of nickel cathode. The average selling price of the Group's nickel cathode in 2015 amounted to RMB77,782 per tonne, representing a decrease of 24.2% as compared to RMB102,595 per tonne in 2014. In 2015, the Group's sales volume of nickel cathode was 2,067 tonnes, representing a decrease of 86.2% as compared to 15,029 tonnes in 2014, mainly attributable to the Group's strategies of expanding the inventories and controlling the sales volume of nickel cathode, in order to sell nickel cathode stock at a higher market price, which in turn enhanced the economic benefits of the Group in 2015.

In 2015, the revenue of copper cathode of the Group amounted to RMB2,096.1 million, representing an increase of 34.8% as compared to that in 2014, mainly due to the increase in the sales volume of copper cathode, which was partly offset by the decrease in the selling price. The average selling price of copper cathode of the Group in 2015 was RMB34,629 per tonne, representing a decrease of 16.8% as compared to RMB41,608 per tonne in 2014; the sales volume of copper cathode of the Group was 60,531 tonnes, representing an increase of 62.0% as compared to 37,368 tonnes in 2014. The increase in the sales volume was mainly attributable to the significant increase in the Group's production.

In 2015, the copper concentrate of the Group was not for sales, all of the supply was used by Wuxin Copper to produce copper cathode. In 2014, The revenue of copper concentrate of the Group amounted to RMB10.0 million, with the sales volume of 1,065 tonnes.

In 2015, the revenue of other products of the Group amounted to RMB345.5 million, representing a significant increase as compared to that in 2014, which was mainly attributable to the increases in sales of anode slime of Wuxin Copper.

In 2015, the gross loss from the Group's principal business amounted to RMB246.9 million, representing a decrease of RMB627.5 million as compared to the gross profit of RMB380.6 million in 2014. The gross loss margin in 2015 was 9.5%, representing a decrease of 20.9 percentage points as compared to the gross profit margin of 11.4% in 2014. The decrease in the gross profit was mainly due to the significant decrease in selling prices of nickel cathode and copper cathode, and the unstable production of Wuxin Copper, which in turn caused a relatively high production cost of copper cathode.

SELLING AND DISTRIBUTION EXPENSES

In 2015, selling and distribution expenses incurred by the Group increased by 55.1% to RMB66.3 million, as compared to RMB42.7 million in 2014, mainly due to the increase in the Group's sales of copper cathode in 2015, which also led to the corresponding increase in the loading and transportation costs of products.

GENERAL AND ADMINISTRATIVE EXPENSES

In 2015, general and administrative expenses incurred by the Group increased by 16.9% to RMB184.6 million, as compared to RMB157.9 million in 2014. The increase in expenses was primarily due to the increase in employee's salaries, taxes, depreciation and amortisation resulting from the production of Yakesi plants and Huangshandong copper mine and the official production of Wuxin Copper.

FINANCE EXPENSES – NET

In 2015, net finance expense incurred by the Group amounted to RMB240.6 million, representing an increase of finance expense of RMB73.3 million as compared to RMB167.3 million of net finance expense in 2014, primarily due to the interest of borrowings of Yakesi plants, Huangshandong copper mine and Wuxin Copper were expensed after their official production.

FINANCIAL POSITION

Shareholders' equity decreased from RMB5,598.8 million to RMB4,664.3 million in 2015, primarily due to the operating loss and the making of provision for decline in value of RMB298.2 million in 2015; total assets increased by 0.1% to RMB11,903.2 million.

In 2015, the net cash outflow generated by the Group's operating activities amounted to RMB146.0 million. As compared to the net cash outflow of RMB672.3 million in 2014, there was an increase in the outflow of RMB818.3 million, primarily due to the decrease in sales of nickel cathode in 2015; the cash obtained from selling products significantly decreased; the net cash outflow used in investment activities was RMB346.1 million, which was mainly used in the purchasing of equipment for and as the construction costs of the Group's various technology renovation and expansion projects; and the net cash inflow used in financing activities amounted to RMB439.6 million. The cash inflow mainly came from bank loans and other interest-bearing borrowings received by the Group of RMB2,996.0 million. The cash outflow was mainly attributable to the Group's repayment of bank loans and interest of RMB2,556.4 million.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2015, the Group had total cash and cash equivalents amounting to RMB506.1 million (2014: RMB558.6 million), and the interest-bearing borrowings and other financial liabilities of the Group amounted to RMB4,847.6 million (2014: RMB4,405.2 million).

	As at 31 December 2015	As at 31 December 2014
Current ratio (<i>times</i>)	0.9	1.1
Gearing ratio (<i>borrowings/total assets</i>)	40.7%	37.1%

COMMODITY PRICE RISK

The prices of the Group's products are influenced by international and domestic market prices and changes in global supply and demand for such products. Price volatility of non-ferrous metals is also affected by the global and PRC economic cycles as well as the fluctuations of the global currency markets. Both the international and domestic market prices of non-ferrous metals as well as the volatility of their supply and demand are beyond the control of the Company. Therefore, the volatility of commodity prices may materially affect the turnover and the comprehensive income of the Group. The Group has not entered into any trading contracts nor made any pricing arrangement to hedge against the risk arising from fluctuations in the price of nonferrous products.

INTEREST RATE RISK

The Group's interest rate risk mainly arises from bank loans and interest-bearing long-term borrowings. Bank deposits and loans at variable rate expose the Group to cash flow interest rate risk, while fixed rate interest-bearing financial liabilities of the Group are subject to the risk of the fair value of interest. The Group adjusts the relative proportion of contracts at fixed rate and contracts at floating rate based on market situation. As at 31 December 2015, the Group's interest-bearing debts were mainly floating rate borrowings, fixed rates borrowings and interest-bearing bond payable denominated in RMB, which totaled RMB4,847.6 million (31 December 2014: RMB4,405.2 million). The Group has no interest rate swap arrangement.

CHARGE ON ASSETS

As at 31 December 2015, included in cash at bank and on hand of the Group was restricted cash at banks amounted to RMB256.2 million set aside as the security for issuing bank acceptance notes and other purposes. Wuxin Copper Mining, a subsidiary of the Company, entered into a pledge contract with a bank in respect of copper concentrate inventories to obtain bank loan which amounted to RMB185.0 million as at 31 December 2015. These inventories were also pledged to the bank to obtain the gold lease contract of RMB95.2 million. During the period, Wuxin Copper Mining entered into a pledge contract with the bank in respect of the pledged fixed assets and land use right amounting to RMB1,264.0 million. As at 31 December 2015, balance of loan of RMB220.0 million was obtained. In addition, Kalatongke Mining discounted to the bank commercial acceptance bills receivable from the Company, obtaining loans of RMB180.0 million. Save as disclosed above, the Group did not have any other charges or pledges of its assets as at 31 December 2015.

CONTINGENT LIABILITIES

The Company and the joint venture partner provided guarantees for the bank borrowing by Hexin Mining, in which the Company provided corporate guarantees to the related lender of Hexin Mining in the amount of RMB167.8 million. Such corporate guarantees remained in force as at 31 December 2015. Save as disclosed above, the Group did not have any other material contingent liabilities as at 31 December 2015.

COMMITMENTS

(1) Capital commitments

As at 31 December 2015 and 31 December 2014, the Group has no capital expenditures contracted for but not yet necessary to be recognised on the balance sheet.

(2) Operating lease commitments

The future minimum lease payments due under the signed irrevocable operating leases contracts are summarised as follows:

	31 December 2015 RMB'000	31 December 2014 RMB'000
Within one year	1,636	1,636
Between one and two years	1,636	–
Between two and three years	1,636	–
	4,908	1,636

EVENTS AFTER THE BALANCE SHEET DATE

On 28 March 2016, the Company signed the Equity Transfer Agreement with Non-ferrous Group in respect of the Disposal of 66% equity interest in Wuxin Copper at a consideration of the higher of RMB12 million or the value based on the audited net assets of Wuxin Copper as at 31 December 2015. For details, please refer to the Company's announcement of the Major Transaction and Connected Transaction dated 29 March 2016.

Apart from the above, the Group has no other events after the balance sheet date which need to be disclosed or adjusted.

OUTLOOK

Operating Environment

For the year of 2016, even the global economy remains in a recovery stage, and there are many uncertainties affecting the recovery of global economy, the Chinese economy still maintains moderate and robust growth. However, more attention has to be paid to the structural adjustments and the changes in the mode of growth, and the pace of growth has slowed down (the PRC government forecasts China's GDP growth rate target for the year 2016 to be 6.5% to 7.0%). Therefore, the Group expects the consumption volume of nickel cathode and copper cathode in the domestic non-ferrous metal market to keep on growing in 2016.

Operational Objectives

For the year of 2016, the Group plans to produce 11,800 tonnes of nickel cathode and 10,000 tonnes of copper cathode (excluding copper cathode produced by Wuxin Copper). Please be cautioned that because of quite a number of uncertainties in metal prices and the domestic raw materials market, the above plan has been made merely on the basis of the current market situation and the existing conditions of the Group. The Board may adjust the relevant production plan according to the changes of situation.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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 attain and maintain relatively high standards of corporate governance best suited to the needs and interests of the Group as it believes that effective corporate governance practices are fundamental to safeguarding the interests of shareholders and other stakeholders and enhancing shareholder value.

The Board has adopted the Corporate Governance Code and Corporate Governance Report (the “**CG Code**”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). The Group has fully complied with all the code provisions under the CG Code in the financial year of 2015.

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 to the Listing Rules as its own code of conduct for securities transactions by the directors of the Company (the “**Directors**”) and the supervisors of the Company (the “**Supervisors**”). Having made specific enquiry to all Directors and Supervisors, all Directors and Supervisors have complied with the required standards as set out in the Model Code for the year ended 31 December 2015.

AUDIT COMMITTEE

The Audit Committee comprises two independent non-executive Directors, Mr. Chen Jianguo and Mr. Li Wing Sum, Steven, and one non-executive Director, Mr. Hu Chengye. 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. The averaged attendance rates were 83%. The 2015 audit plan of the Company and the 2015 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 2015.

PUBLICATION OF THE RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the Company's website at 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 websites in late March 2016 and will be despatched to shareholders of the Company in early April 2016.

DIVIDEND

At the meeting of Board held on 30 March 2016, the Board proposed no payment of a final dividend for the year ended 31 December 2015 to be made by the Company, which is subject to the approval of the Company's shareholders in the 2015 annual general meeting ("AGM") of the Company to be held on 27 May 2016.

CLOSURE OF REGISTER FOR AGM

The register of members of the Company will be closed from 27 April 2016 to 27 May 2016 (both days inclusive), during which time no share transfers will be registered. In order to be eligible to attend the 2015 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 26 April 2016.

By Order of the Board
Xinjiang Xinxin Mining Industry Co., Ltd.*
Guo Haitang
Chairman

PRC, Xinjiang, 30 March 2016

As at the date of this announcement, the executive Directors are Mr. Guo Quan and Mr. Lu Xiaoping; the non-executive Directors are Mr. Guo Haitang, Mr. Shi Wenfeng, Mr. Zhou Chuanyou and Mr. Hu Chengye; and the independent non-executive Directors are Mr. Chen Jianguo, Mr. Wang Lijin and Mr. Li Wing Sum Steven.

* For identification purposes only