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)

2012 FINAL RESULTS ANNOUNCEMENT

FINANCIAL HIGHLIGHTS

- Revenue was RMB1,529.2 million, an increase of 5.1% as compared to RMB1,454.6 million in 2011
- Comprehensive income attributable to shareholders of the Company was RMB21.8 million, a decrease of 88.6% as compared to RMB191.3 million in 2011
- Basic earnings per share was RMB0.010 (2011: RMB0.087)
- The Board does not recommend any payment of final dividend (2011: RMB0.03)

The board of directors (the "**Board**") of Xinjiang Xinxin Mining Industry Co., Ltd. (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2012 (the "**Reporting Year**").

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
Revenue	3	**1,529,212**	1,454,643
Less: Cost of sales	3	**(1,313,792)**	(1,059,898)
Taxes and surcharges		**(11,689)**	(6,803)
Selling and distribution expenses		**(15,665)**	(11,835)
General and administrative expenses		**(169,787)**	(135,734)
Finance (expense)/income -net	5	**(3,015)**	14,526
Asset impairment losses		**(4,859)**	(13,344)
Investment (losses)/income		**(173)**	5,007
Including: Share of (losses)/profit of associate and joint-venture		**(173)**	5,007
Operating profit		**10,232**	246,562
Add: Non-operating income	4(a)	**3,725**	9,123
Less: Non-operating expenses	4(b)	**(1,144)**	(4,719)
Including: Losses on disposal of non-current assets		**(17)**	(1,865)
Total profit	4	**12,813**	250,966
Less: Income tax expenses	6	**(2,605)**	(60,551)
Net profit		**10,208**	190,415
Attributable to equity holders of the Company		**21,823**	191,266
Minority interests		**(11,615)**	(851)
Earnings per share			
Basic earnings per share *(RMB)*	7	**0.010**	0.087
Diluted earnings per share *(RMB)*	7	**0.010**	0.087
Other comprehensive income		**—**	—
Total comprehensive income		**10,208**	190,415
Attributable to equity holders of the Company		**21,823**	191,266
Minority interests		**(11,615)**	(851)
Proposed final dividends	8	**—**	66,300
Per share *(RMB)*	8	**—**	0.03

CONSOLIDATED BALANCE SHEET

As at 31 December 2012

	Notes	31 December 2012 RMB'000	31 December 2011 RMB'000
ASSETS			
Current assets			
Cash at bank and on hand		**482,972**	611,498
Notes receivable	*9*	**456,808**	293,054
Interest receivable		**88**	211
Accounts receivable	*9*	**45,663**	75,015
Advances to suppliers		**101,831**	67,113
Other receivables		**20,318**	17,463
Inventories		**804,677**	688,100
Other current assets		**122,003**	53,055
Total current assets		**2,034,360**	1,805,509
Non-current assets			
Long-term equity investments		**151,256**	151,429
Fixed assets		**1,635,932**	1,428,032
Construction materials		**1,641**	14,094
Construction in progress		**3,490,268**	2,667,773
Intangible assets		**1,025,987**	969,755
Goodwill		**28,088**	28,088
Long-term prepaid expenses		**372**	566
Deferred tax assets		**25,980**	19,043
Other non-current assets		**86,619**	159,898
Total non-current assets		**6,446,143**	5,438,678
TOTAL ASSETS		**8,480,503**	7,244,187

CONSOLIDATED BALANCE SHEET

As at 31 December 2012

	Notes	31 December 2012 RMB'000	31 December 2011 RMB'000
LIABILITIES AND OWNERS' EQUITY			
Current liabilities			
Short-term loans		**845,000**	250,000
Notes payable		**100**	54,534
Accounts payable	*10*	**161,932**	94,355
Advances from customers		**11,005**	12,337
Employee benefits payable		**54,741**	52,609
Taxes payable		**12,213**	32,245
Interest payable		**470**	—
Other payables		**384,432**	287,114
Current portion of non-current liabilities		**30,000**	—
Total current liabilities		**1,499,893**	783,194
Non-current liabilities			
Provisions		**5,989**	6,118
Long-term loans		**690,000**	569,000
Long-term payable		**455,000**	—
Deferred tax liabilities		**138,608**	150,863
Other non-current liabilities		**51,856**	39,763
Total non-current liabilities		**1,341,453**	765,744
Total liabilities		**2,841,346**	1,548,938

CONSOLIDATED BALANCE SHEET

As at 31 December 2012

	Notes	**31 December 2012 RMB'000**	31 December 2011 RMB'000
Owners' equity			
Share capital		**552,500**	552,500
Capital surplus		**4,254,755**	4,254,755
Surplus reserve		**225,379**	217,193
Undistributed profits		**261,710**	314,373
Total equity attributable to equity holders of the Company		**5,294,344**	5,338,821
Minority interests		**344,813**	356,428
Total owners' equity		**5,639,157**	5,695,249
TOTAL LIABILITIES AND OWNERS' EQUITY		**8,480,503**	7,244,187

1 BASIS OF PREPARATION

Adoption of the Financial Statements Prepared in Accordance with CAS (as defined below) for the Purpose of Compliance of the Disclosure and Listing Requirements of The Stock Exchange.

The H Shares of the Company are listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Up to the financial years ended 31 December 2010, the consolidated financial statements of the Group were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") for Stock Exchange disclosure purposes. According to the "Consultation Conclusions on Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong" published by the Stock Exchange in December 2010, with effect from the financial year of 2011, the Company decided to use its financial statements as prepared in accordance with the "Accounting Standards for Business Enterprises" and other related regulations issued by the China Ministry of Finance (collectively referred as the "CAS") for the purpose of compliance of the disclosure and listing requirements of the Stock Exchange. As the Company is a PRC incorporated company, the Board believes that it is in the best interests of the Company that the financial statements of the Group as prepared in conformity with the CAS are used for the purpose of compliance of the disclosure and listing requirements of the Stock Exchange.

There are no 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 2011.

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.

3 REVENUE AND COST OF SALES

Revenue and cost of sales recognised during each of the years ended 31 December 2011 and 2012 are analysed as follows:

	Year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
Revenue from main operation *(Note (a))*	**1,492,603**	1,408,819
Revenue from other operation	**36,609**	45,824
	1,529,212	1,454,643
Cost of sales from main operation	**1,290,318**	1,035,949
Cost of sales from other operation	**23,474**	23,949
	1,313,792	1,059,898

(a) Revenue from main operation

	Year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
Nickel cathode	**1,096,752**	1,060,176
Copper cathode	**355,817**	279,117
Copper concentrate	**16,114**	36,773
Others	**23,920**	32,753
	1,492,603	1,408,819

4 TOTAL PROFIT

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

	Year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
Depreciation	**98,425**	86,166
Amortisation	**17,479**	17,230
Directors' remuneration	**2,354**	2,374
Provision for diminution in value of inventories	**5,222**	13,054
Provision for bad debts (written back of bad debt provision)	**(363)**	290
Government grants *(Note (a))*	**(2,842)**	(7,309)
Gains on disposal of fixed assets *(Note (a))*	**(2)**	(220)
Donations *(Note (b))*	**211**	2,020
Losses on disposal of fixed assets *(Note (b))*	**17**	1,865
Auditors' remuneration	**2,180**	1,980
Mineral resource compensation fees	**15,547**	18,863

(a) The items were included under non-operating income.

(b) The items were included under non-operating expense.

5 FINANCIAL (EXPENSE)/INCOME -NET

	2012	2011
Interest income on bank deposits	**7,033**	17,106
Discount interest income	**128**	702
Interest expense on bank borrowings	**(9,067)**	(5,423)
Notes discounted	**(1,158)**	—
Bank charges	**(261)**	(195)
Foreign exchange (loss)/gains	**(132)**	1,894
Loan interest income from an associate	**442**	442
	(3,015)	14,526

For each of the years ended 31 December 2011 and 2012, all the Group's interest expense was related to the bank borrowings, and the last payment date of these borrowings is within five years.

6 INCOME TAX EXPENSES

	Year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
Current income tax	**21,797**	50,914
Deferred income tax	**(19,192)**	9,637
	2,605	60,551

The National People's Congress passed the PRC Corporate Income Tax Law (the "New Income Tax Law") on 16 March 2007. This New Income Tax Law came effective since 1 January 2008. The Group's applicable corporate income tax rate has been adjusted from 33% to 25% since 1 January 2008.

In 2012, the Company and certain of its subsidiaries obtained preferential treatment and the recognition that its business are within the category of Encouraged Industries by the Committee of Economics and Information in the local region of Xinjiang, and its applicable rates for corporate income tax, after communication with local tax authorities, are as follows:

(a) The Company, including branch Kalatongke Copper-nickel Mine* and branch Fukang Refinery* calculated and paid corporate income tax using the preferential rate of 15% for the year ended 31 December 2012 (2011: 25%).

(b) Xinjiang Yakesi* calculated and paid income tax using the preferential rate of 15% for the year ended 31 December 2012 (2011: 15%).

(c) Hami Jubao* calculated and paid income tax using the preferential rate of 15% for the year ended 31 December 2012 (2011: 7.5%).

* *As defined in Business Review below*

Other subsidiaries and Shanghai Branch of the Group are subject to corporate income tax rate of 25% in 2012 (2011: 25%).

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

	Year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
Total profit	**12,813**	250,966
Income tax expenses calculated at applicable tax rate of 25%	**3,203**	62,741
Effect of tax exemptions/reductions	**(13,733)**	(6,057)
Effect of change in the tax rates	**779**	—
Income not subject to tax identification	**—**	(1,252)
Expenses not deductible for tax purposes	**5,508**	4,394
Current year temporary differences not recognised for deferred tax assets	**5,929**	725
Previous year loss differences caused by tax identification	**919**	—
Income tax expenses	**2,605**	60,551

7 EARNINGS PER SHARE

	Year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
Consolidated net profit attributable to ordinary shareholders of the Company (RMB'000)	**21,823**	191,266
Weighted average number of ordinary shares in issue of the Company (in thousand)	**2,210,000**	2,210,000
Basic earnings per share/Diluted earnings per share *(RMB)*	**0.010**	0.087

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

8 PROPOSED FINAL DIVIDENDS

Final dividend in respect of the year ended 31 December 2011 of RMB66,300,000 (RMB0.03 per share) was paid by the Company during 2012. The Board does not recommend any payment of a final dividend by the Company for the year ended 31 December 2012 which will be submitted at the annual general meeting on 24 May 2013 for approval.

	Year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
Proposed final dividend (2011: RMB0.03 per share)	**Nil**	66,300

9 ACCOUNTS RECEIVABLE AND NOTES RECEIVABLE

	As at 31 December	
	2012	2011
	RMB'000	*RMB'000*
Accounts receivable *(Note (a),(b))*	**48,220**	78,025
Less: provision for bad debts *(Note (d))*	**(2,557)**	(3,010)
	45,663	75,015
Notes receivable *(Note (c))*	**456,808**	293,054

Notes:

(a) Accounts receivable are analysed as follows:

	As at 31 December	
	2012	2011
	RMB'000	*RMB'000*
Accounts receivables		
— Related parties	**2,183**	2,082
— Third parties	**46,037**	75,943
Accounts receivable, gross	**48,220**	78,025

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

	As at 31 December	
	2012	2011
	RMB'000	*RMB'000*
Within one year	**43,524**	74,205
One to two years	**1,560**	770
Two to three years	**193**	501
Three to four years	**395**	324
Four to five years	**324**	—
Over five years	**2,224**	2,225
	48,220	78,025

(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 a customer by customer basis and made bad debt provision accordingly, and there were no significant past due but not provided for accounts receivable balances.

(c) Notes receivable are all bank acceptance notes, and the ageing of notes receivable are all within 180 days.

(d) The movements of provision for bad debts are as follows:

	2012	2011
	RMB'000	*RMB'000*
At 1 January	**3,010**	2,720
Provision for bad debts	**—**	290
Written back of bad debt provision	**(453)**	—
At 31 December	**2,557**	3,010

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	
	2012	2011
	RMB'000	*RMB'000*
Accounts payable		
— Related parties	**22,961**	11,171
— Third parties	**138,971**	83,184
	161,932	94,355

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

	As at 31 December	
	2012	2011
	RMB'000	*RMB'000*
Within three months	**136,855**	87,237
Three to six months	**8,760**	2,260
Over six months	**16,317**	4,858
	161,932	94,355

MARKET OVERVIEW

As known to everyone, due to the effects of the debt crisis in Europe, the global economic recovery was tardy in 2012, and although the Chinese economy continued to achieve robust growth, the pace of the growth has slowed down. As affected by the above factors, the market situation was that the international and domestic prices of nickel and copper metal lingered at low levels and fluctuated throughout 2012.

In 2012, the average three-month future price of nickel cathode in London Metal Exchange ("LME") was US$17,599 per tonne, representing a decrease of 23.3% as compared to 2011, and the average three month future price of copper cathode was US$7,946 per tonne, representing a decrease of 10.1% as compared to 2011.

In 2012, the average spot price (including tax) of nickel cathode in Shanghai Yangtze River Non-ferrous Metals Spot Market was RMB126,140 per tonne, representing a decrease of 26.5% as compared to 2011, and the average spot price (including tax) of copper cathode was RMB57,278 per tonne, representing a decrease of 13.6% as compared to 2011.

The domestic price trends of nickel cathode and copper cathode were basically in line with the international market in 2012.

In 2012, the Group recorded an average selling price (excluding tax) of nickel cathode of RMB106,812 per tonne, representing a decrease of 22.0% as compared to 2011, and an average selling price (excluding tax) of copper cathode of RMB48,873 per tonne, representing a decrease of 9.6% as compared to 2011.

For the year of 2012, although the recovery of the global economy had been slowed down under the effects of the debt crisis in Europe, the economy of China continued to grow at a fast pace and there existed relative shortage in supply of nickel and copper resources. Consequently, the supply of nickel cathode and copper cathode products of the domestic manufacturers was unable to meet the consumption demand and this shortage required substantial import, which caused active trading and an increase in the transaction volume in the domestic market of nickel cathode and copper cathode.

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 2012 was 229,200 tonnes, representing an increase of 23.8% as compared to 2011. With an output of 10,150 tonnes of nickel cathode for the year of 2012, the Group has become the second largest domestic manufacturer of nickel cathode produced with nickel sulfide resources.

Resources and Reserves

The resources and reserves estimates for the deposits of four nickel-copper mines in Kalatongke, Huangshandong, Huangshan and Xiangshan as at 31 December 2012 are set out in the following tables:

	Ore contents	Grade		Metal contents	
		Cu	Ni	Cu	Ni
	(t)	*(%)*	*(%)*	*(t)*	*(t)*
Resources as at 31 December 2012					
Kalatongke nickel-copper mine	33,099,949	1.01	0.56	333,134	186,359
Three nickel-copper mines in Huangshandong, Huangshan, Xiangshan	84,116,266	0.27	0.45	228,845	376,634
Total	117,216,215			561,979	562,993
Reserves as at 31 December 2012					
Kalatongke nickel-copper mine	19,135,491	1.03	0.62	197,537	118,736
Three nickel-copper mines in Huangshandong, Huangshan, Xiangshan	33,465,376	0.30	0.49	101,615	165,038
Total	52,600,867			299,152	283,774

Note: The resources and reserves estimates for the deposits at Kalatongke nickel-copper mine were based on the 2007 estimates as per the independent technical review report as shown in the Company's Prospectus dated 27 September 2007. The resources and reserves estimates for the deposits at three nickel-copper mines in Huangshandong, Huangshan and Xiangshan mines were based on the 2008 estimates of resources and reserves as approved for record by the Department of Land and Resources of the PRC. The increases and decreases due to mining consumption and exploration during the period were confirmed by internal experts.

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

The resources estimates for the deposits of two vanadium mines in Xianghe Street and Mujia River as at 31 December 2012 are set out in the following table:

	Ore contents *(t)*	V_2O_5 Grade *(%)*	V_2O_5 contents *(t)*
Resources as at 31 December 2012			
Xianghe Street vanadium mine	10,159,400	0.95	96,300
Mujia River vanadium mine	29,295,500	0.88	257,800
Total	39,454,900		354,100

Note: The resources estimates for the deposits at two vanadium mines in Xianghe Street and Mujia River were based on the 2012 estimates of resources as approved for record by the Land and Resources Bureau of Shaanxi Province.

BUSINESS REVIEW

Production and Operation

During 2012, the Group endeavoured to enhance its overall economic benefits through major measures such as lifting its technical and economic indicators through well performing the trial run and commissioning of technological renovation and expansion projects in order to fulfill planned production volume and attain stated targets as soon as possible, enhancing fundamental management to lower the production cost and increasing the outside purchase volume of raw materials to increase the production volume of nickel cathode.

For the year of 2012, the Group recorded a total nickel cathode output of 10,150 tonnes, representing an increase of 24.9% as compared to 2011. Total copper cathode output was 7,547 tonnes, representing an increase of 41.4% as compared to 2011.

For the year of 2012, the Group recorded total nickel cathode sales of 10,268 tonnes, representing an increase of 32.6% as compared to 2011. Total copper cathode sales was 7,280 tonnes, which increased by 41.1% as compared to 2011.

In the year of 2012, while the production volume and sales volume of the Group increased as compared with 2011, and the average production cost decreased as compared with 2011, the European debt crisis as well as the slowdown in Chinese economy had nonetheless driven the prices of nickel and copper metal to decrease continuously in recent years, and maintained at low positions in a fluctuating manner in 2012. As a result, the operating results of the Group in 2012 decreased significantly as compared to 2011.

In the year of 2012, the Group achieved revenue of RMB1,529.2 million, representing an increase of 5.1% as compared to 2011, with comprehensive income attributable to shareholders of the Company of RMB21.8 million, representing a decrease of 88.6% as compared to 2011, and the earnings per share (basic and diluted earnings per share) was RMB0.010, representing a decrease of 88.5% as compared to 2011.

In respect of mineral exploration, for the year of 2012, Xinjiang Kalatongke Mining Industry Company Limited ("Kalatongke Mining") mainly completed mineral exploration projects such as 9.5 km^2 of 1:10000 magnetic survey, 98 km of 1:2000 heavily magnetic precise surveying and profiling (重磁精測剖面), 14.6 km of 1:1000 heavily magnetic precise surveying and profiling, 1,721 meters of logging, 1,751 meters of surface drilling and 17,375 meters of drilling in pit. Xinjiang Yakesi Resources Co. Ltd. ("Xinjiang Yakesi") and Hami Jubao Resources Co. Ltd. ("Hami Jubao") mainly completed mineral exploration projects such as 394 meters of tunnel exploration, 17,212 meters of drilling in pit, 1,903 meters of surface drilling and three-component magnetic survey of 195 spots. In 2012, the total amount of expenditure that the Group expended on mineral exploration was approximately RMB11.4 million.

In respect of mining development: in 2012, Kalatongke Mining mainly completed mining development projects such as the construction of main chutes of low-grade ores of No.1 ore bodies from 770 mid-segment to 410-mid segment, the laying of the major transportation drive for the footwall at the 770 mid-segment as well as the rails and wires along the western strike drive at the 590 mid-segment, the construction of, and installation of facilities of, the trackless maintenance room of 530 mid-segment of No.2 ore body, the construction of the main chutes of high-grade ores from 590 mid-segment to 410 mid-segment, the installation of ladder compartment at the bore of No.2 wind well, the concreting work of the pumping room and substation mine chamber at 260 mid-segment; as well as mining development construction such as the excavation of 1,436 meters at 530 mid-segment filling return airway of No.3 ore body, excavation of 581 meters of the horizontal tunnel at 410 mid-segment, as well as slope supporting of 30 meters. Xinjiang Yakesi and Hami Jubao mainly completed mining development construction such as the main body construction of the tower of the well with a height of 82.8 meters for the main well construction, the auxiliary facilities construction at the entrance of the well in the auxiliary well construction, the upgrade system installation thereof, as well as the main body construction of the crushing system of ore pass, the excavation of 4,320 meters of the tunnel of 350 mid-segment, 350 mid-segment and 530 mid-segment, the slope supporting of 1,153 meters and the excavation of 308 meters of raise bore and ore passes. In 2012, the Group's total expenditure for mining development amounted to approximately RMB310.8 million.

Expenditure on the ore mining operation business: in 2012, Kalatongke Mining produced 624,078 tonnes of ore, while Xinjiang Yakesi and Hami Jubao produced 760,503 tonnes of ore. In 2012, the aggregate expenditure of the ore mining operation of the Group was approximately RMB246.1 million.

Ore processing operations: in 2012, Kalatongke Mining produced 72,555 tonnes of nickel-copper combined concentrate, while Xinjiang Yakesi and Hami Jubao produced 19,094 tonnes of nickel concentrate, 1,987 tonnes of copper concentrate and 18,332 tonnes of nickel-cooper combined concentrate.

In respect of smelting and refining processing operation: for the year 2012, Kalatongke Mining produced 15,328 tonnes of water hardening and nickel matte. Xinjiang Zhongxin Mining Company Limited (''Hami Zhongxin'') produced 9,792 tonnes of water hardening and nickel matte. Fukang Refinery of Xinjiang Xinxin Mining Industry Co., Ltd. ("Fukang Refinery") manufactured 10,150 tonnes of nickel cathode and 7,547 tonnes of copper cathode.

Progress of Technological Renovation and Expansion Projects and Infrastructure Projects

In 2012, the main technological renovation and expansion projects and infrastructure project carried out by the Group mainly included the four technological renovation and infrastructure projects for the enhancement in mining, ore processing and smelting capacity of Kalatongke Mining, the technological renovation and expansion project for refining the auxiliary facilities of Fukang Refinery to enhance the refining capacity of nickel cathode and copper cathode, the technological renovation and expansion project of adding new mining and ore processing capacity to Xinjiang Yakesi, as well as the infrastructure project of Xinjiang Wuxin Copper Company Limited ("Wuxin Copper") with an annual output of 100,000 tonnes of copper cathode. The technological renovation and expansion projects and the infrastructure projects of the Group proceeded smoothly as a whole in 2012 and the required progress of works was achieved on time during the Year. A total investment of RMB1,110.8 million has been made, including:

in 2012, a total of RMB195.1 million was invested in the further improvement of 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 2012, a total of 90.6 million was invested in the further improvement of the technological renovation and capacity expansion project of enhancing the refining capacities of nickel cathode and cooper cathode of the auxiliary facilities of Fukang Refinery, as well as for the purpose of laying the preliminary groundwork for the technological renovation and capacity expansion project of enhancing additional nickel cathode production capacity to 15,000 tonnes.

As for the technological renovation and expansion projects of Xinjiang Yakesi in relation to the addition of daily mining and ore processing capacity of 4,000 tonnes, a total investment of RMB291.7 million was made in 2012.

With respect to the infrastructure projects of Wuxin Copper with an annual output of 100,000 tonnes of copper cathode, a total investment of RMB533.4 million was made during 2012.

EQUITY INVESTMENTS

In 2012, the Group did not conduct equity investments and businesses relating to mergers and acquisitions of enterprises.

Business Restructuring

On 28 March 2012, the Company completed the restructuring of Kalatongke Copper-nickel Mine under Xinjiang Xinxin Mining Industry Co., Ltd, being the branch of the Company, by way of injecting all assets, business and staff into Kalatongke Mining, being a wholly-owned subsidiary of the Company.

FINANCIAL REVIEW

Operating Results

In 2012, the revenue of the Group amounted to RMB1,529.2 million, representing an increase of 5.1% as compared to RMB1,454.6 million in 2011; the comprehensive income of the Group amounted to RMB10.2 million, representing a decrease of 94.6% as compared to RMB190.4 million in 2011; the comprehensive income attributable to shareholders of the Company amounted to RMB21.8 million, representing a decrease of 88.6% as compared to RMB191.3 million in 2011.

In 2012, the revenue of the Group increased as compared to 2011, which was primarily due to the increased volume of production and sale of our products; the main reason for the decrease in comprehensive income of the Group as compared with 2011 was that the annual average selling prices of nickel cathode and copper cathode, which are the major products of the Group, declined as compared to 2011.

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 2012 and 31 December 2011:

Product Name	**For the year ended 31 December 2012**			For the year ended 31 December 2011			
	Sales Volume	**Amount**	**% to**	Sales Volume	Amount	% to	Amount
	Tonnes	***RMB'000***	***Revenue***	*Tonnes*	*RMB'000*	*Revenue*	*+/(-)*
Nickel cathode	**10,268**	**1,096,752**	**73.5%**	7,745	1,060,176	75.3%	3.5%
Copper cathode	**7,280**	**355,817**	**23.8%**	5,161	279,117	19.8%	27.5%
Copper concentrate	**2,063**	**16,114**	**1.1%**	2,884	36,773	2.6%	(56.2%)
Other Products		**23,920**	**1.6%**		32,753	2.3%	(27.0%)
Total revenue of the principal businesses		**1,492,603**	**100.0%**		1,408,819	100.0%	5.9%
Cost of the principal businesses		**(1,290,318)**	**86.5%**		(1,035,949)	73.5%	24.6%
Gross profit		**202,285**	**13.5%**		372,870	26.5%	(45.8%)

In 2012, the revenue of nickel cathode of the Group amounted to RMB1,096.8 million, representing an increase of 3.5% as compared to 2011, mainly attributable to the increase in the production and sales of nickel cathode. This increase was partly set-off by the decrease in price. The average selling price of the Group's nickel cathode in 2012 amounted to RMB106,812 per tonne, representing a decrease of 22% as compared to the average selling price of RMB136,887 per tonne in 2011; the Group's sales volume of nickel cathode was 10,268 tonnes, representing an increase of 32.6% as compared to 7,745 tonnes in 2011.

In 2012, the revenue of copper cathode of the Group amounted to RMB355.8 million, representing an increase of 27.5% as compared to 2011, primarily attributable to the increase in production and sale of copper cathode. This increase was partly set-off by the decrease in price. The average selling price of the Group's copper cathode in 2012 amounted to RMB48,873 per tonne, representing a decrease of 9.6% as compared to the average selling price of RMB54,086 per tonne in 2011; the sales volume of copper cathode of the Group was 7,280 tonnes, representing an increase of 41.1% as compared to 5,161 tonnes in 2011.

In 2012, the revenue of copper concentrate of the Group amounted to RMB16.1 million, representing an decrease of 56.2% as compared to 2011, mainly due to the decrease in selling price and sales of copper concentrate. The average selling price of copper concentrate of the Group in 2012 was RMB7,814 per tonne, representing a decrease of 38.7% as compared to the average selling price of RMB12,753 per tonne in 2011; the sales volume of copper concentrate of the Group was 2,063 tonnes, representing a decrease of 28.5% as compared to 2,884 tonnes in 2011.

In 2012, the revenue of other products of the Group amounted to RMB23.9 million, representing a decrease of 27% as compared to 2011, mainly resulting from the sales of silver, platinum and palladium at the end of 2012.

In 2012, gross profits of the Group decreased by 45.8% from RMB372.9 million in 2011 to RMB202.3 million in 2011; the gross profit margin recorded was 13.5%, representing a decrease of 13.0 percentage points as compared with 26.5% in 2011. The main reason for the decrease in gross profit margin was: the Group's annual average selling price of nickel cathode and copper cathode in 2012 decreased as compared to 2011.

SELLING AND DISTRIBUTION EXPENSES

In 2012, selling and distribution expenses incurred by the Group increased by 32.4% to RMB15.7 million, as compared to RMB11.8 million in 2011, mainly due to the increase in the Group's sales of nickel cathode and copper cathode in 2012, which also led to the corresponding increase in the loading fees as well as transportation fees of products.

GENERAL AND ADMINISTRATIVE EXPENSES

In 2012, general and administrative expenses incurred by the Group increased by 25.1% to RMB169.8 million, as compared to RMB135.7 million in 2011. The increase in expenses was primarily due to the increase in employee benefits and the amortisation of exploration costs.

FINANCE EXPENSES – NET

In 2012, finance expenses incurred by the Group increased by RMB17.5 million to net finance expenses of RMB3.0 million from net finance income of RMB14.5 million in 2011, primarily due to the decline in interest income as a result of lower average balance of bank deposits than the corresponding period in 2011, and the increase in interest expenses on bank borrowing as a result of higher bank borrowing in 2012 comparing to previous year.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2012, the Group had total cash and cash equivalents amounting to RMB470.2 million (2011: RMB568.5 million), and the interest-bearing borrowings of the Group amounted to RMB2,020.0 million (2011: RMB819.0 million).

	As at 31 December 2012	As at 31 December 2011
Current ratio *(times)*	**1.4**	2.3
Gearing ratio *(borrowings/total assets)*	**23.8%**	11.3%

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 did not engage in nor enter into trading contracts and pricing arrangements to hedge the risk of volatility of non-ferrous metal prices.

RISK OF FLUCTUATIONS IN EXCHANGE RATE

The transactions of the Group are all denominated in Renminbi. Fluctuations in exchange rates may affect the international and domestic non-ferrous commodity prices, which impact the Group's results of operation. Renminbi is not a freely convertible currency, and the conversion of Renminbi into a basket of currencies may involve fluctuations. In light of further actions and measures adopted for free transactions of Renminbi by the PRC government, fluctuations in exchange rates may adversely affect the value, translated or converted into Hong Kong dollars, of the Group's net assets, earnings and any dividends declared.

INTEREST RATE RISK

The Group's interest rate risk arises mainly from bank loans, interest-bearing long-term borrowings and bank deposits. Bank deposits and loans at variable rate expose the Group to cash flow interest rate risk. The Group adjusts the relative proportion of contracts at fixed rate and contracts at floating rate based on market situation. As at 31 December 2012, the Group's interest bearing borrowings were mainly at floating rates and denominated in RMB, which totalled RMB2,020.0 million (2011: RMB819.0 million). Any increase in the interest rate will cause an increase in the cost of debt financing of the Company. The Group did not execute any form of interest rate agreement or derivative to hedge against the fluctuation in interest rate.

CHARGE ON ASSETS

As at 31 December 2012, included in cash at bank and on hand of the Group was restricted cash at banks amounted to RMB12.8 million set aside as the security for issuing bank acceptance notes and other purposes. Save as disclosed, the Group did not have any other charges or pledges of its assets as at 31 December 2012.

CONTINGENT LIABILITIES

Each of the Company and the joint venture partner has issued corporate guarantees of RMB243.0 million in favour of Hexin Mining's bank borrowing of RMB386.0 million and financial lease of RMB100.0 million (the outstanding payment for the financial lease was RMB19.9 million as at 31 December 2012). Such corporate guarantees remained in force as at 31 December 2012. Save as disclosed, the Group did not have any other contingent liabilities as at 31 December 2012.

COMMITMENTS

(1) Capital commitments

The budgets of the capital expenditures, which are contracted or approved by the management but not necessarily be recognized in the financial statement, on the balance sheet date are: the amount for buildings, machinery, and equipment of RMB889.4 million.

(2) Operating lease commitments

The future minimum lease payments due under the signed irrevocable operating leases contracts on the balance sheet date are RMB4.9 million.

EVENTS AFTER THE BALANCE SHEET DATE

The Group has no events after the balance sheet date to be disclosed or adjusted.

OUTLOOK

Operating Environment

In the year of 2013, even the global economy remains in a slow recovery stage, and there are more uncertainties affecting the recovery of global economy, the Chinese economy still maintains robust growth, but the pace of growth has slowed down (the PRC government forecasts China's GDP growth rate target for the year 2013 to be around 7.5%). 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 2013. Due to the comparative shortage in the supply of nickel and copper resources, nickel cathode and copper cathode products from domestic manufacturers are still unable to satisfy the domestic consumption demand in 2013 and substantial import is required to ease the shortage in supply from the domestic market. In 2013, transactions will remain active in the domestic market of nickel cathode and copper cathode.

The Group expects the annual average domestic market prices of nickel cathode and copper cathode for the year of 2013 to rise slightly subject to fluctuation on the basis of the average spot prices in Shanghai Yangtze River Non-ferrous Metals Spot Market for the year of 2012.

Operational Objectives

For the year of 2013, the Group plans to produce 10,500 tonnes of nickel cathode and 7,100 tonnes of copper cathode. 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 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 Company and its subsidiaries as it believes that effective corporate governance practices are fundamental to safeguarding the interests of shareholders and other stakeholders and enhancing shareholder value.

The Stock Exchange made various amendments to the Code on Corporate Governance Practices (the "Old Code") contained in Appendix 14 to the Listing Rules and renamed it the Corporate Governance Code and Corporate Governance Report (the "CG Code"). The CG Code took effect on 1 April 2012.

The Company has fully complied with all code provisions of the Old Code during the period from 1 January 2012 to 31 March 2012. It has also fully complied with the CG Code during the period from 1 April 2012 to 31 December 2012, other than code provision A.1.8 of the CG Code.

Code provision A.1.8 of the CG Code provides that an issuer should arrange appropriate insurance cover in respect of legal action against its directors. During the Year, the Company did not have applicable insurance cover in respect of legal action against its directors until 1 August 2012 as the Company required ample time to obtain appropriate insurance coverage from appropriate services provider in the PRC.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiry of all Directors, all Directors and Supervisors have complied with the required standards as set out in the Model Code for the year ended 31 December 2012.

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. Niu Xuetao. Mr. Chen Jianguo serves as the chairman of the Audit Committee. The Board believes that members of the Audit Committee have sufficient knowledge and expertise in accounting and financial management to enable them to perform their duties.

The Audit Committee has held meetings on a regular basis and convened two meetings during the Reporting Year. Attendance rates were 100%. The 2012 audit plan of the Company and the 2012 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 2012.

PUBLICATION OF THE RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the Company's website at www.xjxxky.com.cn or kunlun.wsfg.hk and the website of the Stock Exchange. The annual report of the Company will also be available at the Company's and the Stock Exchange's website in March 2013 and will be despatched to shareholders of the Company in March 2013.

DIVIDEND

At the meeting of Board held on 22 March 2013, the Board proposed no payment of a final dividend for the year ended 31 December 2012 by the Company, which is subject to the approval of the Company's shareholders in the 2012 annual general meeting ("AGM") of the Company to be held on 24 May 2013.

CLOSURE OF REGISTER FOR AGM

The register of members of the Company will be closed from 24 April 2013 to 24 May 2013 (both days inclusive), during which time no share transfers will be registered. In order to be eligible to attend the 2012 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 23 April 2013.

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

PRC, Xinjiang, 22 March 2013

As at the date of this announcement, the executive Directors are Mr. Yuan Ze, Mr. Shi Wenfeng, Mr. Zhang Guohua and Mr. Liu Jun; the non-executive Directors are Mr. Zhou Chuanyou and Mr. Niu Xuetao; and the independent non-executive Directors are Mr. Chen Jianguo, Mr. Wang Lijin and Mr. Li Wing Sum, Steven.

* *For identification purpose only*