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)

2017 FINAL RESULTS ANNOUNCEMENT

FINANCIAL HIGHLIGHTS

- Revenue was RMB1,385.6 million, a decrease of 32.2% as compared to RMB2,042.5 million in 2016.
- Comprehensive loss attributable to shareholders of the Company was RMB81.6 million, a significant decrease as compared to the comprehensive loss attributable to shareholders of the Company of RMB207.1 million in 2016.
- Basic loss per share was RMB0.037 as compared to basic loss per share of RMB0.094 in 2016.
- The Board does not recommend any payment of final dividend, which is the same as in 2016.

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 2017 (the "**Reporting Year**").

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
Revenue	3	**1,385,642**	2,042,488
Less: Cost of sales	3	**(1,187,983)**	(1,947,809)
Taxes and surcharges		**(29,794)**	(23,315)
Selling and distribution expenses		**(26,124)**	(37,938)
General and administrative expenses		**(104,454)**	(133,047)
Financial expenses – net	5	**(120,665)**	(202,145)
Assets impairment losses	4(c)	**(9,623)**	(17,589)
Losses on the changes in fair value	4(d)	**(2,896)**	(2,244)
Add: Investment income	4(e)	**8,003**	62,489
Including: Share of losses of joint-venture		**(2,658)**	(10,381)
Gains on disposals of assets		**90**	67
Other income		**5,254**	–
Operating loss		**(82,550)**	(259,043)
Add: Non-operating income	4(a)	**1,276**	3,726
Less: Non-operating expenses	4(b)	**(5,408)**	(2,441)
Total loss	4	**(86,682)**	(257,758)
Less: Income tax expenses	6	**3,822**	21,414
Net loss		**(82,860)**	(236,344)
Classified by continuity			
Net loss from continuing operations		**(82,860)**	(236,344)
Net loss from discontinued operations		**–**	–
Classified by ownership of the equity			
Attributable to shareholders of the Company		**(81,587)**	(207,068)
Non-controlling interests		**(1,273)**	(29,276)

	Notes	**2017** *RMB'000*	2016 *RMB'000*
Other comprehensive income		**–**	–
Total comprehensive loss		**(82,860)**	(236,344)
Total comprehensive loss attributable to the Company		**(81,587)**	(207,068)
Total comprehensive loss attributable to non-controlling interests		**(1,273)**	(29,276)
Loss per share			
Basic loss per share *(RMB)*	7	**(0.037)**	(0.094)
Diluted loss per share *(RMB)*	7	**(0.037)**	(0.094)

CONSOLIDATED BALANCE SHEET

As at 31 December 2017

	Notes	31 December 2017 RMB'000	31 December 2016 RMB'000
ASSETS			
Current assets			
Cash at bank and on hand		**416,682**	153,014
Notes receivable	9	**100,361**	190,672
Accounts receivable	9	**105,475**	112,130
Advances to suppliers		**23,520**	24,006
Interest receivable		**212**	–
Other receivables		**100,453**	106,105
Inventories		**1,428,791**	1,385,291
Other current assets		**143,428**	628,859
Total current assets		**2,318,922**	2,600,077
Non-current assets			
Long-term equity investments		**144,504**	130,802
Fixed assets		**2,949,828**	2,799,958
Construction in progress		**1,244,797**	1,411,717
Construction materials		**643**	643
Intangible assets		**944,699**	963,990
Goodwill		**28,087**	28,087
Long-term prepaid expenses		**9**	58
Deferred tax assets		**132,627**	130,951
Other non-current assets		**15,800**	22,000
Total non-current assets		**5,460,994**	5,488,206
TOTAL ASSETS		**7,779,916**	8,088,283

	Notes	**31 December 2017** *RMB'000*	31 December 2016 *RMB'000*
LIABILITIES AND OWNERS' EQUITY			
Current liabilities			
Short-term borrowings		**770,000**	420,000
Financial liabilities at fair value through profit or loss		**183,556**	137,693
Notes payable		**278,400**	101,250
Accounts payable	10	**271,749**	302,861
Advances from customers		**26,495**	24,337
Employee benefits payable		**64,444**	55,117
Taxes payable		**19,350**	11,137
Interest payable		**8,292**	40,943
Other payables		**214,181**	251,254
Current portion of non-current liabilities		**840,000**	662,000
Total current liabilities		**2,676,467**	2,006,592
Non-current liabilities			
Long-term borrowings		**35,000**	75,000
Bond payable		**–**	800,000
Long-term payable		**–**	59,978
Payables for specific projects		**13,194**	–
Provisions		**8,654**	8,249
Deferred income		**33,078**	33,563
Deferred income tax liabilities		**148,295**	150,480
Other non-current liabilities		**502,709**	502,709
Total non-current liabilities		**740,930**	1,629,979
Total liabilities		**3,417,397**	3,636,571

	Notes	**31 December 2017** **RMB'000**	31 December 2016 RMB'000
Owners' equity			
Share capital		**552,500**	552,500
Capital surplus		**4,258,570**	4,263,592
Specific reserve		**232**	1,543
Surplus reserve		**249,626**	249,626
Accumulated losses		**(772,972)**	(691,385)
Total equity attributable to shareholders of the Company		**4,287,956**	4,375,876
Non-controlling interests		**74,563**	75,836
Total owners' equity		**4,362,519**	4,451,712
TOTAL LIABILITIES AND OWNERS' EQUITY		**7,779,916**	8,088,283

NOTES TO CONSOLIDATED FINANCIAL INFORMATION

For the year ended 31 December 2017

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 accounting standards and other relevant regulations issued by the Ministry of Finance on and after 15 February 2006 (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.

For the year ended 31 December 2017, the Group's net losses were RMB82,860 thousand, the operation cash inflow was RMB487,171 thousand; and the Group's net current liabilities were RMB357,545 thousand at 31 December 2017. The directors believe that the Group will generate sufficient cash inflow from future operating cash inflow, the use of current banking facility and the renewal of existing loans to enable its going concern, therefore the consolidated financial statements are prepared on going concern basis.

The new Hong Kong Companies Ordinance went into effect in 2015. Some of the disclosures in the financial statements have been adjusted according to the requirements of Hong Kong Companies Ordinance.

Significant changes in accounting policies

In 2017, the Ministry of Finance released the "*Accounting Standard for Business Enterprises No. 42 – Non-current Assets or Disposal Groups Held for Sale and Discontinued Operations*", revised "*Accounting Standard for Business Enterprises No. 16 – Government Grants*" and the "*Circular on Amendment to Formats of Financial Statements of General Industry*" and its interpretation (Cai Kuai [2017] 30). The financial statements for 2017 are prepared in accordance with the above standards and circular, and impacts are as follows:

The nature and the reasons of the changes in accounting policies	The line items affected	The amounts affected *RMB'000*
		2016
The Group recorded the government grants related to operations in other income for the year ended 31 December 2017. The comparatives were not restated for the year ended 31 December 2016.	Non-operating income Other income	Not applicable
		2016
The Group recorded the gains or losses on disposals of fixed assets occurred for the year ended 31 December 2017 in gains/(losses) on disposals of assets. The comparatives for the year ended 31 December 2016 were restated accordingly.	Gains on disposals of assets Non-operating income	67 (67)

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 2016.

2 SEGMENT INFORMATION

The Group is mainly engaged in the mining, ore processing, smelting, refining of nickel and copper, and the processing 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 2017 and 2016, the Group's sales were conducted in China and the Group's assets and liabilities were in China.

For the Reporting Year, revenue of the top three customers of the Group accounted for 41%, 13% and 6% of the total revenue of the Group respectively (2016: 41%, 14% and 7%).

3 REVENUE AND COST OF SALES

Revenue and cost of sales recognised during each of the years ended 31 December 2017 and 2016 are analysed as follows:

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Revenue from main operation		
Nickel cathode	**768,722**	1,354,090
Copper cathode	**305,698**	437,678
Others	**290,225**	170,204
	1,364,645	1,961,972
Revenue from other operation	**20,997**	80,516
	1,385,642	2,042,488

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Cost of sales from main operation		
Nickel cathode	**753,713**	1,313,479
Copper cathode	**231,108**	435,384
Others	**196,035**	124,682
	1,180,856	1,873,545
Cost of sales from other operation	**7,127**	74,264
	1,187,983	1,947,809

4 TOTAL LOSS

Total loss has been arrived at after charging/(crediting) the following:

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Depreciation	**198,165**	198,383
Amortisation of intangible assets	**18,000**	18,321
Directors' remuneration	**1,096**	1,067
Government grants *(Note (a))*	**(5,464)**	(3,104)
Gains on disposal of assets	**(90)**	(67)
Donations *(Note (b))*	**100**	604
Losses on disposal of fixed assets *(Note (b))*	**2,047**	27
Assets impairment losses *(Note (c))*	**9,623**	17,589
Losses on the changes in fair value *(Note (d))*	**2,896**	2,244
Investment income *(Note (e))*	**(8,003)**	(62,489)
Auditors' remuneration	**2,020**	2,270
Including: non-audit service fees	**–**	250

(a) The government grants of RMB5,254 thousand were recorded in "other income", amount of RMB210 thousand were recorded in "non-operating income".

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*

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

(c) Assets impairment losses

Provision for decline in value of inventories	**7,468**	38,437
Reversal of provision for decline in value of inventories	**(2,837)**	(23,591)
Provision for bad debts for accounts receivable and other receivables	**4,992**	2,936
Reversal of provision for bad debts for account receivables	**–**	(193)
	9,623	17,589

(d) Losses on the changes in fair value

Losses on changes in fair value of the gold lease and the corresponding futures contract	**2,896**	2,244

(e) Investment income

Net losses from a joint-venture under equity method	**2,657**	10,381
Unrealised net profit/(loss) between the joint-venture and the Group	**3,641**	(6,970)
Losses resulted from closing out of future contracts	**–**	29
Investment income from disposal of available-for-sale financial assets	**(14,301)**	(7,973)
Gains from disposal of long-term equity investment	**–**	(57,956)
	(8,003)	(62,489)

Investment income were all from non-listed investments.

5 FINANCIAL EXPENSES – NET

	2017	2016
	RMB'000	*RMB'000*
Interest expense	**134,649**	222,416
Less: Capitalised interest	**(18,285)**	(24,599)
Interest expense	**116,364**	197,817
Interest income	**(1,416)**	(4,748)
Unwinding of discount – net	**404**	3,501
Interest on notes receivable discounted	**–**	881
Bank charges	**5,313**	4,788
Foreign exchange gains or losses	**–**	(95)
	120,665	202,144

6 INCOME TAX EXPENSES

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Current income tax	**39**	214
Deferred income tax	**(3,861)**	(21,628)
	(3,822)	(21,414)

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

The rate of income tax applicable to the Group and the relevant approval documents are set out below:

(a) On 6 April 2012, the State Administration of Taxation announced about carrying out the Western Development Strategy on the issue of corporate income tax, and the Company has obtained the recognition that its business is within the catalogue of encouraged industries from the Committee of Economics and Information of Xinjiang Uygur Autonomous Region. The Company calculated and paid corporate income tax using the preferential rate of 15% for the year ended 31 December 2017 after communication with local tax authorities (2016: 15%).

(b) The applicable income tax rate of Shanghai sales branch of the Company is 25% in 2017 (2016: 25%).

(c) The subsidiary, Xinjiang Yakesi Resource Development Co., Ltd. (hereafter "**Xinjiang Yakesi**") has obtained the recognition that its business is within the catalogue of encouraged industries from the Committee of Economics and Information of Xinjiang Uygur Autonomous Region. Xinjiang Yakesi calculated and paid corporate income tax using the preferential rate of 15% for the year ended 31 December 2017 after communication with local tax authorities (2016: 15%).

(d) The subsidiary, Hami Jubao Resource Development Co., Ltd. (hereafter "**Hami Jubao**") has obtained the recognition that its business is within the catalogue of encouraged industries from the Committee of Economics and Information of Xinjiang Uygur Autonomous Region. Hami Jubao calculated and paid corporate income tax using the preferential rate of 15% for the year ended 31 December 2017 after communication with local tax authorities (2016: 15%).

(e) The subsidiary, Xinjiang Kalatongke Mining Industry Co., Ltd. (hereafter "**Kalatongke Mining**") has obtained the recognition that its business is within the catalogue of encouraged industries from the Committee of Economics and Information of Xinjiang Uygur Autonomous Region. Kalatongke Mining calculated and paid corporate income tax using the preferential rate of 15% for the year ended 31 December 2017 after communication with local tax authorities (2016:15%).

(f) The subsidiary, Xinjiang Mengxi Mining Co., Ltd. (hereafter "**Mengxi Mining**"), applied the Small-Scaled Minimal Profit Enterprise income tax preferential policy announced by the State Administration of Taxation. Mengxi Mining calculated and paid corporate income tax for the preferential taxable income using the preferential rate of 20% for the year ended 31 December 2017 after communication with local tax authorities (2016: 20%).

(g) Other subsidiaries, including Xinjiang Zhongxin Mining Industry Co., Ltd. (hereafter "**Zhongxin Mining**"), Beijing Xinding Shunze High Technology Co., Ltd. (hereafter "**Beijing Xinding**") and Shaanxi Xinxin Mining Co., Ltd. (hereafter "**Shaanxi Xinxin**"), are subject to corporate income tax rate of 25% in 2017 (2016: 25%).

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

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Consolidated total loss	**(86,682)**	(257,758)
Income tax expenses calculated at applicable tax rate of 25%	**(21,671)**	(64,439)
Effect of tax reductions	**2,219**	16,031
Income not subject to tax	**(60)**	(67)
Expenses not deductible for tax purposes	**3,346**	2,484
Deductible temporary differences and deductible losses for which no deferred tax assets were recognised	**12,342**	24,390
Clearance differences in respect of prior years	**2**	187
Income tax expenses	**(3,822)**	(21,414)

7 LOSS PER SHARE

	Year ended 31 December	
	2017	2016
Consolidated net loss attributable to shareholders of the Company *(RMB'000)*	**(81,587)**	(207,068)
Weighted average number of ordinary shares in issue of the Company *(in thousand)*	**2,210,000**	2,210,000
Basic and diluted loss per share *(RMB)*	**(0.037)**	(0.094)

Diluted loss per share is equal to basic loss per share as there was no dilutive potential share in issue for all years presented.

8 PROPOSED FINAL DIVIDENDS

The Board does not recommend any payment of final dividend by the Company for the Reporting Year and such proposal will be subject to the approval by the shareholders of the Company at the annual general meeting of the Company to be held on 25 May 2018 ("**AGM**").

	Year ended 31 December	
	2017	2016
Proposed final dividend	**Nil**	Nil

9 ACCOUNTS RECEIVABLE AND NOTES RECEIVABLE

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Accounts receivable *(Note (a), (b))*	**109,246**	115,894
Less: provision for bad debts *(Note (d))*	**(3,771)**	(3,764)
	105,475	112,130
Notes receivable *(Note (c))*	**100,361**	190,673

Notes:

(a) Accounts receivable by categories are analysed as follows:

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Accounts receivable		
– Related parties	**42,073**	53,559
– Third parties	**67,173**	62,335
Accounts receivable, gross	**109,246**	115,894

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

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Within one year	**69,429**	81,623
One to two years	**11,463**	19,695
Two to three years	**18,935**	10,639
Three to four years	**5,639**	74
Four to five years	**74**	75
Over five years	**3,706**	3,788
	109,246	115,894

As at 31 December 2017, accounts receivable of RMB36,053 thousand (31 December 2016:RMB36,008 thousand) were past due. However, based on the analysis of the customer's financial positions and credit records, the Group considered that this portion of accounts receivable could be recovered and were not impaired, thus, no provision for bad debts was provided individually. The ageing of such accounts receivable past due is analysed as follows:

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Within one year	**–**	5,501
One to two years	**11,463**	19,695
Two to three years	**18,935**	10,638
Three to four years	**5,639**	–
Four to five years	**–**	75
Over five years	**16**	99
	36,053	36,008

(b) The credit terms of accounts receivable are generally not exceeding 180 days. At year end, management of the Group assessed the recoverability of accounts receivable on individual customer and ageing basis and made adequate provision for impairment accordingly.

(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:

	2017	2016
	RMB'000	*RMB'000*
At 1 January	**3,763**	3,926
Provision for bad debts	**8**	30
Reversal of provision for bad debts	**–**	(193)
At 31 December	**3,771**	3,763

The provision and reversal thereof for bad debts of accounts receivable have been included in "assets impairment losses" in the consolidated income statement.

(e) The carrying amounts of accounts and notes receivable approximate to their fair values.

(f) All accounts and notes receivable are denominated in RMB.

10 ACCOUNTS PAYABLE

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Accounts payable		
– Related parties	**41,894**	90,960
– Third parties	**229,855**	211,901
	271,749	302,861

Ageing analysis of accounts payable at the respective balance sheet dates based on their recording dates is as follows:

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Within three months	**186,303**	163,941
Three to six months	**33,855**	82,779
Over six months	**51,592**	56,141
	271,750	302,861

11 NET CURRENT (LIABILITIES)/ASSETS

	31 December 2017	31 December 2016
	RMB'000	*RMB'000*
Current assets	**2,318,922**	2,600,077
Less: Current liabilities	**(2,676,467)**	(2,006,592)
Net current (liabilities)/assets	**(357,545)**	593,485

12 TOTAL ASSETS LESS CURRENT LIABILITIES

	31 December 2017	31 December 2016
	RMB'000	*RMB'000*
Total assets	**7,779,916**	8,088,283
Less: Current liabilities	**(2,676,467)**	(2,006,592)
Total assets less current liabilities	**5,103,449**	6,081,691

MARKET OVERVIEW

For the Reporting Year, the average three-month future price of nickel cathode in London Metal Exchange was US$10,465 per tonne, representing an increase of 8.6% as compared to that in 2016, and the average three-month future price of copper cathode was US$6,197 per tonne, representing an increase of 27.2% as compared to that in 2016.

For the Reporting Year, the average spot price (including tax) of nickel cathode in Shanghai Yangtze River Non-ferrous Metals Spot Market was RMB85,649 per tonne, representing an increase of 12.8% as compared to that in 2016, and the average spot price (including tax) of copper cathode was RMB49,197 per tonne, representing an increase of 29.2% as compared to that in 2016.

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

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 Reporting Year amounted to 202,600 tonnes, representing a decrease of 7.5% as compared to that in 2016. With an output of 10,024 tonnes of nickel cathode for the Reporting Year, the Group remains the second largest domestic manufacturer of nickel cathode produced with nickel sulfide resources.

BUSINESS REVIEW

Production and Operation

For the Reporting Year, in order to cope with the adverse impact on enterprises caused by the relatively lower prices of nickel cathode in both international and domestic market and the rising procurement prices of raw materials, the Group took 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, adjusting internal operation structure, optimizing the technical and economic indicators of production processes, strictly controlling non-productive expenditures, conducting production safety governance and environmental protection facilities management, improving technological renovation and capacity expansion 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 analysis and research of products market, and adopted the marketing strategies of pricing sales combining spot and futures, which in turn achieved the goal to realize the sales of major products of the Group with a relatively higher market price and enhance the economic efficiency.

For the Reporting Year, the Group recorded a total nickel cathode output of 10,024 tonnes, representing a decrease of 15.1% as compared to that in 2016; and a total copper cathode output of 8,021 tonnes, representing a decrease of 35.8% as compared to that in 2016. Such decrease was mainly due to the fact that the Group conducted production safety governance and environmental protection facilities management according to the relevant requirements of the State and Xinjiang government regarding production safety and environmental protection improvement, resulting in decreased production and operating time. As the Company finished transferring all the 66% equity interest it held in Xinjiang Wuxin Copper Company Limited ("**Wuxin Copper**") ("**Transfer of Wuxin Copper**") in June 2016, the copper cathode output of Wuxin Copper amounting to 2,485 tonnes was therefore aggregated into the consolidated statement of the Group for the year of 2016.

For the Reporting Year, the Group recorded total nickel cathode sales of 10,014 tonnes, representing a decrease of 48.1% as compared to that in 2016. Total copper cathode sales was 7,344 tonnes, representing a decrease of 48.1% as compared to that in 2016.

For the Reporting Year, the Group recorded an average selling price of nickel cathode (tax exclusive) of RMB76,767 per tonne, representing an increase of 9.4% as compared to that in 2016. Average selling price of copper cathode (tax exclusive) amounted to RMB41,623 per tonne, representing an increase of 34.6% as compared to that in 2016.

For the Reporting Year, the Group recorded an average cost of sales of nickel cathode of RMB75,268 per tonne, representing an increase of 10.5% as compared to that in 2016. Average cost of sales of copper cathode amounted to RMB31,467 per tonne, representing an increase of 2.3% as compared to that in 2016.

For the Reporting Year, the Group achieved a revenue of RMB1,385.6 million, representing a decrease of 32.2% as compared to that in 2016, and a net loss of RMB82.9 million, as compared to a net loss of RMB236.3 million in 2016, representing a decrease of RMB153.4 million; a comprehensive loss attributable to shareholders of the Company amounted to RMB81.6 million, as compared to a comprehensive loss attributable to shareholders of the Company of RMB207.1 million in 2016, and a loss per share (basic and diluted) of RMB0.037 as compared to a loss per share (basic and diluted) of RMB0.094 in 2016.

Sales: For the Reporting Year, the Group achieved revenue from principal businesses of RMB1,364.6 million in total, which comprised RMB768.7 million of sales revenue from nickel cathode, accounting for 56.3% of the revenue from principal businesses of the Group; RMB305.7 million of sales revenue from copper cathode, accounting for 22.4% of the revenue from principal businesses of the Group; and RMB290.2 million of sales revenue from other products (including copper concentrate, electrolytic cobalt, gold, silver, platinum and palladium), representing 21.3% of the revenue from principal businesses of the Group.

For the Reporting Year, the Group conducted production safety governance and environmental protection facilities management according to the relevant requirements of the State and Xinjiang government regarding production safety and environmental protection improvement, resulting in decreased production and operating time, therefore the output of nickel cathode and copper cathode decreased as compared to that in 2016. Save as disclosed above, in 2017, the overall production and operation of the Group were stable, with no other material operation difficulties or operational problems.

Progress of Technological Renovation and Capacity Expansion Projects and Infrastructure Projects

In 2017, the technological renovation and capacity expansion projects carried out by the Group mainly included: the technological renovation and capacity expansion project involving the enhancement of the mining, ore processing and smelting capacities and environmental protection improvement of Kalatongke Mining, the technological renovation and capacity expansion project of Fukang Refinery involving the enhancement of the auxiliary facilities to improve the refining capacities of nickel cathode and copper cathode and environmental protection improvement, and the technological renovation and capacity expansion project for the addition of the mining and ore processing capacities of Xinjiang Yakesi. The major technological renovation and capacity expansion projects of the Group proceeded smoothly as a whole in 2017 and the required progress of works was achieved on time during the Reporting Year. The investment on each technological renovation project is as follows:

In 2017, a total of RMB39.2 million was invested in the further enhancement of the technological renovation and capacity expansion project involving the daily mining capacity of 3,400 tonnes, daily ore processing capacity of 3,000 tonnes, annual production capacity of water hardening and nickel matte of 8,000 tonnes as well as environmental protection improvement of Kalatongke Mining.

In 2017, a total of RMB45.2 million was invested in the further enhancement of the technological renovation and capacity expansion project of Fukang Refinery involving the enhancement of the auxiliary facilities to improve the refining capacities of nickel cathode and copper cathode, as well as environmental protection improvement.

As for the technological renovation and capacity expansion project of Xinjiang Yakesi and Hami Jubao in relation to the addition of the daily mining and ore processing capacities of 4,000 tonnes, a total investment of RMB44.6 million was made in 2017.

EQUITY INVESTMENTS AND DISPOSAL

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

FINANCIAL REVIEW

Operating Results

In 2017, the revenue of the Group amounted to RMB1,385.6 million, representing a decrease of 32.2% as compared to RMB2,042.5 million in 2016; the comprehensive loss of the Group amounted to RMB82.9 million, as compared to the comprehensive loss of the Group amounted to RMB236.3 million in 2016; the comprehensive loss attributable to shareholders of the Company amounting to RMB81.6 million, as compared to the comprehensive loss attributable to shareholders of the Company amounting to RMB207.1 million in 2016. The significant decrease in the comprehensive loss in 2017 was primarily because the market price of the main products of the Company including nickel cathode, copper cathode and electrolytic cobalt recovered and rose in different degrees; and meanwhile, the Company took measures to reduce production costs and expenses and adopted the marketing strategies of pricing option combining spot and futures for the purpose of increasing the selling price of products, thereby enhancing the economic efficiency of the Company.

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 2017 and 31 December 2016:

	For the year ended 31 December 2017			For the year ended 31 December 2016			
Product Name	**Sales volume** *Tonnes*	**Amount** *RMB'000*	**% to Revenue**	Sales volume *Tonnes*	Amount *RMB'000*	% to Revenue	Growth rate in amount +/(-)
Nickel cathode	**10,014**	**768,722**	**56.3%**	19,291	1,354,090	69.0%	(43.2%)
Copper cathode	**7,344**	**305,698**	**22.4%**	14,157	437,678	22.3%	(30.2%)
Of which:							
Fukang Refinery	**7,344**	**305,698**	**22.4%**	10,075	313,428	16.0%	(2.5%)
Wuxin Copper	**–**	**–**	**–**	4,082	124,250	6.3%	(100%)
Copper concentrate	**8,687**	**78,121**	**5.7%**	8,160	58,534	3.0%	33.5%
Other products	**–**	**212,104**	**15.6%**	–	111,670	5.7%	89.9%
Of which:							
Electrolytic cobalt	**503**	**172,405**	**12.6%**	76	12,920	0.7%	123.4%
Total revenue from main operation		**1,364,645**	**100.0%**		1,961,972	100.0%	(30.4%)
Cost of sales from main operation		**(1,180,856)**	**86.5%**		(1,873,545)	95.5%	(37.0%)
Gross profit		**183,789**	**13.5%**		88,427	4.5%	

In 2017, the revenue of nickel cathode of the Group amounted to RMB768.7 million, representing a decrease of 43.2% as compared to that in 2016, mainly attributable to the significant decrease in the sales volume of nickel cathode. The average selling price of the Group's nickel cathode in 2017 amounted to RMB76,767 per tonne, representing an increase of 9.4% as compared to RMB70,194 per tonne in 2016. In 2017, the Group's sales volume of nickel cathode was 10,014 tonnes, representing a decrease of 48.1% as compared to 19,291 tonnes in 2016. The decrease in sales volume was mainly because the Group conducted production safety governance and environmental protection facilities management according to the relevant requirements of the State and Xinjiang government regarding production safety and improvement of environmental standards, resulting in decreased production and operating time, therefore the output decreased, as well as the Group sold out the inventories brought forward from previous years in 2016, which caused a bigger sales base in 2016.

In 2017, the revenue of copper cathode of the Group amounted to RMB305.7 million, representing a decrease of 30.2% as compared to that in 2016, mainly due to the decrease in the sales volume of copper cathode. The average selling price of copper cathode of the Group in 2017 was RMB41,623 per tonne, representing an increase of 34.6% as compared to RMB30,917 per tonne in 2016. The sales volume of copper cathode of the Group in 2017 was 7,344 tonnes, representing a decrease of 48.1% as compared to 14,157 tonnes in 2016. The decrease in the sales volume was mainly because the Group conducted production safety governance and environmental protection facilities management according to the relevant requirements of the State and Xinjiang government regarding production safety and improvement of environmental standards, resulting in decreased production and operating time, therefore the output decreased, as well as the Transfer of Wuxin Copper caused a lower consolidated amount.

In 2017, the revenue of copper concentrate of the Group was RMB78.1 million, representing an increase of 33.5% as compared to that in 2016. The average selling price of copper concentrate of the Group in 2017 was RMB8,993 per tonne, representing an increase of 25.4% as compared to RMB7,173 per tonne in 2016. The sales volume of copper concentrate of the Group in 2017 was 8,687 tonnes, representing an increase of 6.5% as compared to 8,160 tonnes in 2016.

In 2017, the revenue of other products of the Group amounted to RMB212.1 million, representing an increase of 89.9% as compared to that in 2016, which was mainly because the Group seized the opportunities of significant price rise of cobalt products in both international and domestic markets and made endeavour to sell out all the inventory of electrolytic cobalt products brought forward from previous years.

In 2017, the gross profit from the Group's principal business amounted to RMB183.8 million, representing an increase of RMB95.4 million as compared to the gross profit of RMB88.4 million in 2016. The gross profit margin was 13.5% in 2017, representing an increase of 9.0 percentage points as compared to the gross profit margin of 4.5% in 2016.

SELLING EXPENSES

In 2017, selling expenses incurred by the Group decreased by 31.1% to RMB26.1 million, as compared to RMB37.9 million in 2016, mainly due to part of the transportation costs incurred by the Group were borne by the buyers during the current year, leading to the decreases in the loading and transportation costs of products.

GENERAL AND ADMINISTRATIVE EXPENSES

In 2017, general and administrative expenses incurred by the Group decreased by 21.4% to RMB104.5 million, as compared to RMB133.0 million in 2016. The decrease in expenses was primarily due to the decrease of general and administrative expenses in the scope of consolidation caused by the Transfer of Wuxin Copper by the Group on 15 June 2016.

FINANCE EXPENSES – NET

In 2017, net finance expense incurred by the Group amounted to RMB120.7 million, representing a decrease in finance expense of RMB81.4 million as compared to RMB202.1 million of net finance expense in 2016, primarily due to the decrease of finance expense in the scope of consolidation caused by the Transfer of Wuxin Copper by the Group on 15 June 2016.

FINANCIAL POSITION

Shareholders' equity decreased from RMB4,451.7 million to RMB4,362.5 million in 2017, primarily due to the losses in 2017; total assets decreased by 3.8% to RMB7,779.9 million, primarily due to the losses in 2017. In 2017, the net cash inflow generated from the Group's operating activities amounted to RMB487.2 million, representing a decrease in the inflow of RMB40.0 million, as compared to the net cash inflow of RMB527.2 million in 2016, primarily due to the the decreased sales volume of its main products and the Transfer of Wuxin Copper in 2016. The net cash inflow generated from investing activities was RMB330.1 million, the cash inflow from investing activities was mainly attributable to the sales of available-for-sale financial assets by the Group, and the cash outflow from investing activities was mainly attributable to the equipment spending for and the construction costs of the Group's various technology renovation, expansion projects and purchase of available-for-sale financial assets. The net cash outflow used in financing activities amounted to RMB571.3 million, the cash inflow was mainly attributable to the bank loans and other interest-bearing borrowings received by the Group of RMB1,100.8 million, and the cash outflow was mainly attributable to the Group's repayment of bank loans, medium-term notes and other liabilities and interest of RMB1,672.1 million.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2017, the Group had total cash and cash equivalents amounting to RMB346.3 million (2016: RMB100.4 million), and the total borrowings of the Group amounted to RMB2,331.3 million (2016: RMB2,657.4 million). As such, the net debts of the Group (total borrowings minus cash and cash equivalents) amounted to RMB1,985.0 million (2016: 2,557.0 million) and the gearing ratio (net debts divided by total capital*) was 31.27% (2016: 36.48%).

	As at 31 December 2017	As at 31 December 2016
Current ratio *(times)*	**0.9**	1.3
Gearing ratio *(net debts/total capital*)*	**31.27%**	36.48%

* Total Capital: net debts + total equity

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.

FOREIGN EXCHANGE RATE FLUCTUATIONS

The Company's businesses are conducted in RMB. The fluctuations of foreign exchange rate may impact the prices of the international and domestic non-ferrous products, and thus the operating results of the Group. RMB is not a freely convertible currency, and the rates of exchange between RMB and a basket of currencies may fluctuate. Given that the Chinese government may adopt further actions and measures against the free trade conducted in RMB, fluctuations in foreign exchange rate have an adverse effect on the Group's net assets, earnings and any dividend declared, which shall be converted or translated into Hong Kong dollars.

ENVIRONMENTAL RISK

The Chinese economy has shifted from a fast-growing period to a high-quality development phase where emphasis is placed on the optimisation of economic structure and transformation of development patterns. The government environmental supervision will increase the volatility of output of enterprises to some extent. The Group will strengthen the upgrading of our major production processes to cater for the optimisation of domestic economic structure, changes in development patterns and the requirements of the State and Xinjiang government for production safety and improvement of environmental protection standards.

TAX RISK

The tax risk of the Group mainly arises from the collection of environmental tax. The change in environmental tax burden mainly depends on the specific environmental tax rate determined by the local government according to authorisation. Since Xinjiang government has not formulated clear implementing rules regarding the collection of environmental tax at present, the Group can not estimate the impact of the environmental tax on enterprises. Taking into consideration that the monitoring of the pollutant discharge of enterprises will be enhanced as a result of the imposition of environmental tax, the Group will be required to strengthen pollution prevention and control to meet the pollutants emission standards, including by making more investments in facilities such as automatic pollutant monitoring equipment and increasing the operating costs of pollutant discharge reduction facilities. Meanwhile, the Group will strengthen its environmental and tax management to ensure the accuracy and authenticity of tax declaration and reduce the tax risk arising from inadequate management.

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 2017, the Group's interest-bearing debts were mainly floating rate borrowings, fixed rate borrowings and interest-bearing bonds payable denominated in RMB, which totaled RMB2,331.3 million (2016: RMB2,597.4 million). The Group has no interest rate swap arrangement.

CHARGE ON ASSETS

As at 31 December 2017, included in cash at bank and on hand of the Group was restricted cash at bank amounting to RMB70.4 million set aside as the security for issuing bank acceptance notes and other purposes. Save as disclosed above, the Group did not have any other charges or pledges over its assets as at 31 December 2017.

CONTINGENT LIABILITIES

The Company and the joint venture partner provided guarantees for the bank borrowing by Hexin Mining, in which the Company provided a corporate guarantee to the related lender of Hexin Mining in the amount of RMB104.5 million. Such corporate guarantee remained in force as at 31 December 2017. Save as disclosed above, the Group did not have any other material contingent liabilities as at 31 December 2017.

COMMITMENTS

(1) Capital commitments

As at 31 December 2017 and 31 December 2016, the Group had no capital expenditures commitments contracted for but not yet necessary to be recognised in the financial statements.

(2) Operating lease commitments

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

	31 December 2017	31 December 2016
	RMB'000	*RMB'000*
Within one year	**818**	818
Between one and two years	**–**	818
	818	1,636

EVENTS AFTER THE BALANCE SHEET DATE

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

OUTLOOK

Operating Environment

For the year of 2018, although the global economy remains in a recovery stage, and there are many uncertainties affecting the recovery of global economy, the Chinese economy has shifted from a fast-growing period to a high-quality development phase where emphasis is placed on the optimisation of economic structure and transformation of development patterns, and will still maintain moderate and robust growth (the PRC government forecasts China's GDP growth rate target for the year 2018 to be around 6.5%). In this regard, the Group expects the consumption volume of nickel cathode and copper cathode in the domestic non-ferrous metal market to keep on growing in 2018.

Operational objectives

For the year of 2018, the Group plans to produce 11,500 tonnes of nickel cathode and 10,561 tonnes of copper cathode. Please be cautioned that because of quite a number of uncertainties in metal prices, domestic raw materials market and production environment, 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**"). Save as disclosed below, the Company has fully complied with all the code provisions under the CG Code in the financial year of 2017. As a result of the resignation of one independent non-executive Director, the Company did not comply the requirements as set out in Rule 3.10(1) of the Listing Rules to appoint at least three independent Directors during the period from 30 August 2017 to 13 October 2017, during which the Company did not convene any board meeting. The Company appointed three independent non-executive Directors on 14 October 2017.

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 the Directors and Supervisors, all the Directors and Supervisors have complied with the required standards as set out in the Model Code for the Reporting Year.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") comprises one non-executive Director, Mr. Hu Chengye, and two independent non-executive Directors, Mr. Hu Benyuan and Mr. Li Wing Sum, Steven. Mr. Hu Benyuan 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 holds meetings on a regular basis and convened two meetings during the Reporting Year. The averaged attendance rate was 100%. The 2017 audit plan and the 2017 interim results report of the Company were reviewed at the meetings. The Audit Committee has reviewed the annual results for the Reporting Year.

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 early April 2018 and will be despatched to shareholders of the Company in early April 2018.

DIVIDEND

At the meeting of the Board held on 23 March 2018, the Board proposed no payment of final dividend for the Reporting Year to be made by the Company, which is subject to the approval of the Company's shareholders at the AGM.

CLOSURE OF REGISTER FOR AGM

The register of members of the Company will be closed from 25 April 2018 to 25 May 2018 (both days inclusive), during which time no share transfers will be registered. In order to be eligible to attend the 2017 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 24 April 2018.

By Order of the Board
Xinjiang Xinxin Mining Industry Co., Ltd.*
Zhang Guohua
Chairman

Xinjiang, the PRC, 23 March 2018

As at the date of this announcement, the executive Directors are Mr. Guo Quan and Mr. Liu Jun; the non-executive Directors are Mr. Zhang Guohua, Mr. Shi Wenfeng, Mr. Zhou Chuanyou and Mr. Hu Chengye; and the independent non-executive Directors are Mr. Hu Benyuan, Mr. Wang Lijin and Mr. Li Wing Sum Steven.

* *For identification purposes only*