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)

2019 FINAL RESULTS ANNOUNCEMENT

FINANCIAL HIGHLIGHTS

- Revenue was RMB1,657.5 million, a decrease of 5.3% as compared to RMB1,750.0 million in 2018.
- Comprehensive profit attributable to shareholders of the Company was RMB27.4 million, as compared to the comprehensive loss attributable to shareholders of the Company of RMB54.2 million in 2018.
- Basic earnings per share was RMB0.012 as compared to basic loss per share of RMB0.025 in 2018.
- The Board does not recommend any payment of final dividend, which is the same as in 2018.

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 2019 (the "**Reporting Year**").

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2019

		Notes	2019 RMB'000	2018 RMB'000
Revenue		3	**1,657,509**	1,749,978
Less:	Cost of sales	3	**(1,346,319)**	(1,439,539)
	Taxes and surcharges		**(33,177)**	(38,716)
	Selling and distribution expenses		**(47,585)**	(31,962)
	General and administrative expenses		**(122,154)**	(102,253)
	Financial expenses – net	5	**(95,580)**	(133,494)
	Assets impairment losses	4(c)	**(1,030)**	(1,433)
	Credit impairment losses	4(d)	**(477)**	(123)
	Losses on the changes in fair value	4(e)	**–**	(895)
Add:	Investment income	4(f)	**21,172**	19,269
	Including: Share of gain of joint-venture		**24,606**	5,158
	Other income		**4,355**	5,022
	Gains on disposals of assets		**(393)**	10
Operating profit			**36,321**	25,865
Add: Non-operating income		4(a)	**644**	1,529
Less: Non-operating expenses		4(b)	**(2,860)**	(162,932)
Total profit/(loss)		4	**34,105**	(135,538)
Less: Income tax expenses		6	**(9,262)**	1,405
Net profit/(loss)			**24,843**	(134,133)
Classified by continuity of operations				
Net profit/(loss) from continuing operations			**24,843**	(134,133)
Net profit/(loss) from discontinued operations			**–**	–
Classified by ownership of the equity				
Net profit/(loss) attributable to shareholders of the Company			**27,421**	(54,194)
Profit or loss attributable to non-controlling interests			**(2,578)**	(79,939)

	Notes	**2019** **RMB'000**	2018 *RMB'000*
Other comprehensive income after tax		**–**	–
Total comprehensive income/(loss)		**24,843**	(134,133)
Total comprehensive income/(loss) attributable to the Company		**27,421**	(54,194)
Total comprehensive loss attributable to non-controlling interests		**(2,578)**	(79,939)
Earnings/(Loss) per share			
Basic earnings/(loss) per share *(RMB)*	7	**0.012**	(0.025)
Diluted earnings/(loss) per share *(RMB)*	7	**0.012**	(0.025)

CONSOLIDATED BALANCE SHEET

As at 31 December 2019

	Notes	**31 December 2019** *RMB'000*	31 December 2018 *RMB'000*
ASSETS			
Current assets			
Cash at bank and on hand		**371,222**	570,015
Financial assets held for trading		**60,000**	186,500
Accounts receivable	9	**107,250**	234,196
Financing receivable	10	**51,994**	30,889
Advances to suppliers		**40,861**	60,976
Other receivables		**48,823**	39,147
Inventories		**1,451,735**	1,316,417
Other current assets		**260,249**	248,439
Total current assets		**2,392,134**	2,686,579
Non-current assets			
Long-term equity investments		**161,987**	145,069
Fixed assets		**2,830,389**	2,792,157
Construction in progress		**1,314,387**	1,369,134
Intangible assets		**693,684**	714,077
Goodwill		**27,833**	27,833
Deferred tax assets		**118,418**	128,659
Other non-current assets		**34,195**	38,511
Total non-current assets		**5,180,893**	5,215,440
TOTAL ASSETS		**7,573,027**	7,902,019

	Notes	**31 December 2019** **RMB'000**	31 December 2018 RMB'000
LIABILITIES AND OWNERS' EQUITY			
Current liabilities			
Short-term borrowings		**550,000**	1,240,000
Notes payable	11	**341,500**	316,612
Accounts payable	12	**296,699**	233,295
Contract liabilities		**55,792**	22,054
Employee benefits payable		**54,518**	61,928
Taxes payable		**18,312**	9,275
Other payables		**114,259**	198,441
Current portion of non-current liabilities		**531,000**	580,209
Provisions	13	**161,519**	161,559
Total current liabilities		**2,123,599**	2,823,373
Non-current liabilities			
Long-term borrowings		**1,003,500**	655,000
Long-term payable		**14,972**	13,194
Provisions		**8,914**	9,077
Deferred income		**28,597**	30,872
Deferred income tax liabilities		**140,448**	142,349
Total non-current liabilities		**1,196,431**	850,492
Total liabilities		**3,320,030**	3,673,865

	Notes	**31 December 2019** **RMB'000**	31 December 2018 RMB'000
Owners' equity			
Share capital		**552,500**	552,500
Capital surplus		**4,258,570**	4,258,570
Surplus reserve		**249,626**	249,626
Accumulated losses		**(799,745)**	(827,166)
Total equity attributable to shareholders of the Company		**4,260,951**	4,233,530
Non-controlling interests		**(7,954)**	(5,376)
Total owners' equity		**4,252,997**	4,228,154
TOTAL LIABILITIES AND OWNERS' EQUITY		**7,573,027**	7,902,019

NOTES TO CONSOLIDATED FINANCIAL INFORMATION

For the year ended 31 December 2019

1 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

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.

The consolidated financial statements are prepared on a going concern basis.

The new Hong Kong Companies Ordinance went into effect in 3 March 2014, some of the disclosures have been adjusted to the requirement of Hong Kong Companies Ordinance.

Significant changes in accounting policies

In 2018, the Ministry of Finance Issued "Accounting Standards for Business Enterprises No. 21 – Leases (the "**New Leases Standards**") and released the "Notice on revision and issuance of 2019 annual general corporate financial statement format" (Cai Kuai [2019]6) and the revised Accounting Standards for Business Enterprises No. 7 – Non-monetary Asset Exchange (the "**Non-Monetary Asset Exchange Standards**") and Accounting Standards for Business Enterprises No. 12 – Debt Restructuring (the "**Debt Restructuring Standards**") in 2019. The financial statements are prepared in accordance with the above standards and circular in 2019. The revised Non-Monetary Asset Exchange Standards, Debt Restructuring Standards and New Lease Standards have no significant impact on the Group and the Company, and other impacts on the financial statement of the Group and the Company are as follows:

(a) General Industry Formates Amendment

(i) Impact on the Consolidated balance sheet and income statement as follow:

The nature and the reasons of the changes in accounting policies	The line items affected	The amounts affected			
		31 December 2018		1 January 2018	
		The Group	The Company	The Group	The Company
The group separate notes receivable and accounts receivable into two account.	Accounts receivable	234,195,918.12	220,088,875.32	105,474,868.86	81,512,144.85
	Notes receivable	30,889,176.54	17,699,505.98	100,361,060.38	78,976,383.38
	Notes receivable and Accounts receivable	(265,085,094.66)	(237,788,381.30)	(205,835,929.24)	(160,488,528.23)
The Group separate notes payable and accounts payables into two account.	Accounts payable	233,295,512.43	67,238,331.57	271,749,952.15	65,903,125.71
	Notes payable	316,611,800.00	316,611,800.00	278,400,000.00	278,400,000.00
	Notes payable and Account payable	(549,907,312.43)	(383,850,131.57)	(550,149,952.15)	(344,303,125.71)
The group and the company reclassify notes receivable measured at fair measurement value with changes included in other comprehensive income from other current assets to financing receivables.	Financing receivable	30,889,176.54	17,699,505.98	100,361,060.38	78,976,383.38
	Notes receivable	(30,889,176.54)	(17,699,505.98)	(100,361,060.38)	(78,976,383.38)

Save 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 2018.

2 SEGMENT INFORMATION

The Group is mainly engaged in the mining, ore processing, smelting, refining of copper and nickel, and the processing and sales of copper, nickel 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 the two years ended 31 December 2018 and 2019, 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 42%, 11% and 9% of the total revenue of the Group, respectively (2018: 35%, 17% and 8%).

3 REVENUE AND COST OF SALES

Revenue and cost of sales recognised during each of the years ended 31 December 2019 and 2018 are analysed as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Revenue from principal businesses		
Nickel cathode	**1,173,110**	1,179,394
Copper cathode	**318,793**	412,488
Others	**149,395**	143,730
	1,641,298	1,735,612
Revenue from other operation	**16,211**	14,366
	1,657,509	1,749,978
Cost of sales from principal businesses		
Nickel cathode	**951,721**	957,103
Copper cathode	**282,532**	384,036
Others	**103,543**	92,933
	1,337,796	1,434,072
Cost of sales from other operation	**8,523**	5,467
	1,346,319	1,439,539

4 TOTAL PROFIT/(LOSS)

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

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Depreciation	**206,422**	201,537
Provision *(Note (13))*	**(40)**	161,559
Amortisation of intangible assets	**22,373**	22,383
Directors' remuneration	**1,393**	1,238
Government grants *(Note (a))*	**(4,565)**	(5,233)
Loss/(Gains) on disposal of assets	**393**	(10)
Donations *(Note (b))*	**–**	407
Losses on disposal of fixed assets *(Note (b))*	**71**	101
Assets impairment losses *(Note (c))*	**1,030**	1,433
Credit impairment losses *(Note (d))*	**477**	123
Losses on the changes in fair value *(Note (e))*	**–**	895
Investment income *(Note f))*	**(21,172)**	(19,269)
Auditors' remuneration	**2,400**	2,120
Including: non-audit service fees	**–**	–

(a) The government grants of RMB4,355 thousand were recorded in "other income", and amount of RMB210 thousand were recorded in "non-operating income".

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

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
(c) Assets impairment losses		
Provision for decline in value of inventories	**1,030**	1,178
Provision for decline in value of goodwill	**–**	255
	1,030	1,433

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
(d) Credit impairment losses		
Losses of bad debts for accounts receivable	**477**	123
(e) Losses on the changes in fair value		
Losses on changes in fair value of the gold lease and the corresponding futures contract	**–**	895
(f) Investment income		
Net profit from a joint-venture under equity method	**24,606**	5,158
Unrealised net profit between the joint-venture and the Group	**(7,688)**	(4,592)
Investment income from disposal of financial assets	**4,254**	18,703
	21,172	19,269

Investment income were all from non-listed investments.

5 FINANCIAL EXPENSES – NET

	2019	2018
	RMB'000	*RMB'000*
Interest expense	**113,183**	145,447
Less: Capitalised interest	**(12,076)**	(12,781)
Interest expense	**101,107**	132,666
Interest income	**(6,333)**	(4,444)
Bank charges	**968**	4,848
Unwinding of discount – net	**(162)**	424
	95,580	133,494

6 INCOME TAX EXPENSES

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Current income tax	**922**	573
Deferred income tax	**8,340**	(1,978)
	9,262	(1,405)

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) According to the 'Circular on Enterprise Income Tax Policy concerning Deductions for Equipment and Appliances' (Cai Shui [2018] No. 45) and relevant standards announced by the State Administration of Taxation, during the period from 1 January 2018 to 31 December 2020, newly purchased equipments of less than RMB5 million can be included in the current costs in the next month when the assets are put into use. The costs can be deducted from taxable income of current year at one time, instead of being included in annual depreciation.

(b) 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 2019 after communication with local tax authorities (2018: 15%).

(c) The applicable income tax rate of Shanghai Sales Branch of the Company is 25% in 2019 (2018: 25%).

(d) The subsidiary Xinjiang Yakesi Resource Development Co., Ltd (hereafter "**Xinjiang Yakesi**") as 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 2019 after communication with local tax authorities (2018: 15%).

(e) 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 2019 after communication with local tax authorities (2018: 15%).

(f) 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 15% he year ended 31 December 2019 after communication with local tax authorities (2018:15%).

(g) 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 2019 after communication with local tax authorities (2018: 20%).

(h) 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. ("**Shaanxi Xinxin**") are subject to corporate income tax rate of 25% in 2019 (2018: 25%).

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

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Consolidated total profit/(loss)	**34,105**	(135,538)
Income tax expenses calculated at applicable tax rate of 25%	**8,526**	(33,885)
Effect of tax reductions	**(5,125)**	(4,795)
Income not subject to tax	**(3,790)**	(873)
Expenses not deductible for tax purposes	**508**	29,347
Deductible temporary differences and deductible losses for which no deferred tax assets were recognised	**8,511**	8,264
Clearance differences in respect of prior years	**632**	537
Income tax expenses	**9,262**	1,405

7 EARNINGS/(LOSS) PER SHARE

	Year ended 31 December	
	2019	2018
Consolidated net profit/(loss) attributable to shareholders of the Company *(RMB'000)*	**27,421**	(54,194)
Weighted average number of ordinary shares in issue of the Company *(in thousand)*	**2,210,000**	2,210,000
Basic and diluted earnings/(loss) per share *(RMB)*	**0.012**	(0.025)

Diluted earnings/(loss) per share is equal to basic earnings/(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 5 June 2020 ("**AGM**").

	Year ended 31 December	
	2019	2018
Proposed final dividend	**Nil**	Nil

9 ACCOUNTS RECEIVABLE

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Accounts receivable *(Note (a), (b))*	**111,620**	238,090
Less: provision for bad debts *(Note (c))*	**(4,370)**	(3,894)
	107,250	234,196

Notes:

(a) 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	
	2019	2018
	RMB'000	*RMB'000*
Within one year	**88,595**	212,001
One to two years	**1,826**	2,272
Two to three years	**2,272**	11,463
Three to four years	**9,263**	5,336
Four to five years	**2,646**	3,238
Over five years	**7,018**	3,780
	111,620	238,090

(b) The Group conducted sales transactions mainly through cash on delivery, cash receipts in advance or bank acceptance notes. For other sales transactions, credit terms were granted not exceeding 180 days.

(c) The movements of provision for bad debts of accounts receivable are as follows:

	2019	2018
	RMB'000	*RMB'000*
At 1 January	**3,894**	3,771
Provision for bad debts	**476**	123
Reversal of provision for bad debts	**–**	–
At 31 December	**4,370**	3,894

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

(d) As at 31 December 2019 and 31 December 2018, there is no accounts receivable pledged as collaterals to bank for borrowings.

10 FINANCING RECEIVABLES

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Financing Receivables	**51,994**	30,889

The Group and its subsidiaries endorse most of the bank acceptance notes according to the needs of their daily fund management. Therefore, the bank acceptance notes are classified as financial asset measured at fair value and their changes are included in other comprehensive income, and listed as financing receivables.

There was no provision for the impairment of the bank acceptance notes assessed individually. The Group believes that the bank acceptance notes held by the bank do not have a significant credit risk, and will not cause significant losses due to bank default.

As at 31 December 2019, the Group has no pledged bank acceptance notes receivable listed as financing receivables.

11 NOTES PAYABLE

	2019	2018
	RMB'000	*RMB'000*
Bank acceptance notes	**341,500**	316,612

As at 31 December 2019 and 31 December 2018, all bank acceptance notes were due within 180 days.

12 ACCOUNTS PAYABLE

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Payable for purchase of materials	**223,645**	197,912
Payable for purchase of services	**61,241**	22,832
Payable for transportation fees	**9,928**	10,890
Others	**1,885**	1,661
	296,699	233,295

(a) As at 31 December 2019, accounts payable over one year with carrying amount of RMB16,314 thousand (31 December 2018: RMB29,092 thousand) were mainly payables for purchase of materials.

(b) The ageing of accounts payable based on their recording dates was analysed as follows:

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Within 3 months	**236,394**	154,339
3 to 6 months	**20,164**	34,008
Over 6 months	**40,141**	44,948
	296,699	233,295

13 PROVISION

	2019	2018
	RMB'000	*RMB'000*
As at 1 January	**161,559**	–
Increase for the year – pending litigation	**–**	161,559
Decrease for the year	**(40)**	–
As at 31 December	**161,519**	161,559

During the period from year 2014 to 2016, Shaanxi Mingtai Engineering Construction Co., Ltd. ("**Shaanxi Mingtai**"), a minority shareholder of Shaanxi Xinxin which is a subsidiary of the Group, obtained four bank loans aggregately amounting to RMB330 million and issued SME bonds amounting to RMB400 million, which were guaranteed by Xi An Investment Holding Co., Ltd. ("**Xi An Investment**"). Shaanxi Xinxin provided an unauthorised counter-guarantee in respect of the loans and bonds to Xi An Investment under an asset disposal entrustment agreements.

In 2018, as Shaanxi Mingtai was unable to repay the four loans, bonds and related interest when they fell due, Xi An Investment repaid the loans, bonds and related interest on behalf of Shaanxi Mingtai. Shaanxi Xinxin and the other respective counter-guarantors under the four loans are jointly and severally liable to Xi An Investment's claim in respect of the RMB330 million bank loan according to the 2018 court judgments. Shaanxi Xinxin applied to the court for retrial in June 2019 and was accepted. The court issued re-trial first instance judgments in December 2019, under which the court ruled that the conditional guarantee obligations under the asset disposal entrustment agreements are without legal effect vis-à-vis Shaanxi Xinxin, and accordingly Shaanxi Xinxin is no longer jointly and severally liable for the awarded amounts pertaining to the disputes of the guarantee obligations set out in the original 2018 court judgements. Xi'an Investment subsequently filed an appeal. As of the date of this announcement, the court has not yet held a second trial. In addition, Xi An Investment's claim in respect of the repayment of the RMB400 million SME bonds is still in progress. No judgment in respect of the claim has been handed down by the court. As of 31 December 2018 and 31 December 2019, the Group provided a provision of RMB161,599,000 and RMB161,519,000, respectively, based on the reliable estimate made of the amount of the obligation and all the non-current assets of Shaanxi Xinxin were reclassified to the other current assets.

14 NET CURRENT ASSETS/(LIABILITIES)

	31 December 2019 *RMB'000*	31 December 2018 *RMB'000*
Current assets	**2,392,134**	2,686,579
Less: current liabilities	**(2,123,599)**	(2,823,373)
Net current asset/(liabilities)	**268,535**	(136,794)

15 TOTAL ASSETS LESS CURRENT LIABILITIES

	31 December 2019 *RMB'000*	31 December 2018 *RMB'000*
Total assets	**7,573,027**	7,902,019
Less: Current liabilities	**(2,123,599)**	(2,823,373)
Total assets less current liabilities	**5,499,428**	5,078,646

MARKET OVERVIEW

In 2019, the average three-month future price of nickel cathode in London Metal Exchange was US$13,926 per tonne, representing an increase of 5.6% as compared to that in 2018, and the average three-month future price of copper cathode was US$6,028 per tonne, representing a decrease of 7.9% as compared to that in 2018.

In 2019, the average spot price (including tax) of nickel cathode in Shanghai Yangtze River Non-ferrous Metals Spot Market was RMB111,859 per tonne, representing an increase of 6.7% as compared to that in 2018, and the average spot price (including tax) of copper cathode was RMB47,786 per tonne, representing a decrease of 5.7% as compared to that in 2018.

The domestic price trends of nickel cathode and copper cathode were basically in line with the international market in 2019.

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). With an output of 11,082 tonnes of nickel cathode for the year of 2019, 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 2019, in order to cope with the adverse impact on enterprises caused by the relatively lower prices of nickel cathode in both international and domestic markets and the rising procurement prices of raw materials, and in accordance with the relevant requirements of the State and Xinjiang government regarding production safety and environmental protection improvement, 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 upgrading and transforming the production safety and environmental protection facilities and the major production processes, enhancing the Party Building work and other fundamentals of the corporate management, adjusting internal operation structure, optimizing the technical and economic indicators of production processes, strictly controlling non-production expenditures, 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 year of 2019, the Group recorded a total nickel cathode output of 11,082 tonnes, representing an increase of 9.4% as compared to that in 2018; and a total copper cathode output of 8,601 tonnes, representing an increase of 0.8% as compared to that in 2018.

For the year of 2019, the Group recorded total nickel cathode sales of 11,993 tonnes, representing a decrease of 2.5% as compared to that in 2018. Total copper cathode sales was 7,656 tonnes, representing a decrease of 21.1% as compared to that in 2018.

For the year of 2019, the Group recorded an average selling price of nickel cathode (tax exclusive) of RMB97,814 per tonne, representing an increase of 2.1% as compared to that in 2018. The average selling price of copper cathode (tax exclusive) amounted to RMB41,642 per tonne in 2019, representing a decrease of 2.0% as compared to that in 2018.

For the year of 2019, the Group recorded an average cost of sales of nickel cathode of RMB79,355 per tonne, representing an increase of 2.0% as compared to that in 2018. The average cost of sales of copper cathode amounted to RMB36,905 per tonne in 2019, representing a decrease of 6.7% as compared to that in 2018.

For the year of 2019, the Group achieved revenue of RMB1,657.5 million, representing a decrease of 5.3% as compared to that in 2018, and a profit of RMB24.8 million, as compared to a net loss of RMB134.1 million in 2017; a comprehensive profit attributable to shareholders of the Company amounted to RMB27.4 million, as compared to a comprehensive loss attributable to shareholders of the Company of RMB54.2 million for the year of 2018, and a profit per share (basic and diluted) of RMB0.012 as compared to a loss per share (basic and diluted) of RMB0.025 in 2018.

Progress of Technological Renovation and Capacity Expansion Projects and Infrastructure Projects

For the year of 2019, 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 2019 and the required progress of works was achieved on time during the Reporting Year. The investment on each technological renovation project is as follows:

For the year of 2019, a total of RMB49.0 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.

For the year of 2019, a total of RMB48.9 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 RMB41.0 million was made in 2019.

Safety and Environmental Protection

The Group adheres to the safety and environmental protection policies of "Safety First, Precaution Foremost" and "Equal Emphasis on Both Resources Development and Environmental Protection" earnestly to ensure its production safety and environmental protection. In 2019, the Group achieved its target of production safety. The environmental protection was stringently observed in compliance with the relevant laws and regulations.

SIGNIFICANT INVESTMENTS, ACQUISITION AND DISPOSAL

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

FINANCIAL REVIEW

Operating Results

In 2019, the revenue of the Group amounted to RMB1,657.5 million, representing a decrease of 5.3% as compared to RMB1,750.0 million in 2018; the comprehensive profit of the Group amounted to RMB24.8 million, as compared to the comprehensive loss of the Group amounted to RMB134.1 million in 2018; the comprehensive profit attributable to shareholders of the Company amounting to RMB27.4 million, as compared to the comprehensive loss attributable to shareholders of the Company amounting to RMB54.2 million in 2018. The increase in the comprehensive profit was primarily due to the market price of the main products of the Group including nickel cathode, copper cathode and electrolytic cobalt recovered and increased in different degrees. 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 2019 and 31 December 2018:

	For the year ended 31 December 2019			For the year ended 31 December 2018			Growth
Product Name	**Sales volume**	**Amount**	**% to Revenue**	Sales volume	Amount	% to Revenue	Rate in Amount
	Tonnes	***RMB'000***		*Tonnes*	*RMB'000*		+/(–)
Nickel cathode	**11,993**	**1,173,110**	**71.5%**	12,305	1,179,394	68.0%	(0.5)%
Copper cathode	**7,656**	**318,793**	**19.4%**	9,709	412,488	23.8%	(22.7)%
Copper concentrate	**8,342**	**69,333**	**4.2%**	9,743	92,386	5.3%	(25.0)%
Other products		**80,062**	**4.9%**		51,344	2.9%	55.9%
Of which:							
Electrolytic cobalt	**31**	**6,978**	**0.4%**	32	16,077	0.9%	(56.6)%
Total revenue from main operation		**1,641,298**	**100.0%**		1,735,612	100.0%	(5.4)%
Cost of sales from main operation		**(1,337,796)**	**81.5%**		(1,434,072)	82.6%	(6.7)%
Gross profit/ Gross margin		**303,502**	**18.5%**		301,540	17.4%	

In 2019 the revenue of nickel cathode of the Group amounted to RMB1,173.1 million, representing a decrease of 0.5% as compared to that in 2018, mainly attributable to the decrease in the sales volume of nickel cathode. In 2019, the Group's sales volume of nickel cathode was 11,993 tonnes, representing a decrease of 2.6% as compared to 12,305 tonnes in 2018. The average selling price of the Group's nickel cathode in 2019 amounted to RMB97,814 per tonne (tax exclusive), representing an increase of 2.1% as compared to RMB95,844 per tonne (tax exclusive) in 2018.

In 2019, the revenue of copper cathode of the Group amounted to RMB318.8 million, representing a decrease of 22.7% as compared to that in 2018, mainly due to the decrease in the sales volume and selling price of copper cathode. The average selling price of copper cathode of the Group in 2019 was RMB41,642 per tonne (tax exclusive), representing a decrease of 2.0% as compared to RMB42,487 per tonne (tax exclusive) in 2018. The sales volume of copper cathode of the Group in 2019 was 7.656 tonnes, representing a decrease of 21.1% as compared to 9,709 tonnes in 2018.

In 2019, the revenue of copper concentrate of the Group was RMB69.3 million, representing a decrease of 25.0% as compared to that in 2018. The average selling price of copper concentrate of the Group in 2019 was RMB8,311 per tonne (tax exclusive), representing a decrease of 12.3% as compared to RMB9,482 per tonne (tax exclusive) in 2018. The sales volume of copper concentrate of the Group in 2019 was 8,342 tonnes, representing a decrease of 14.4% as compared to 9,743 tonnes in 2018.

In 2019, the revenue of other products of the Group amounted to RMB80.1 million, representing an increase of 55.9% as compared to that in 2018, which was mainly due to the increase in the selling price of silver in 2019 and the significant increase in sales volume compared to 2018 as a result of the sales of inventory products from previous years.

In 2019, the gross profit from the Group's principal business amounted to RMB303.5 million, representing an increase of RMB2.0 million as compared to RMB301.5 million in 2018. The gross profit margin of the operation was 18.5% in 2019, representing an increase of 1.1 percentage points as compared to 17.4% in 2018.

SELLING EXPENSES

In 2019, selling expenses incurred by the Group increased by 48.8% to RMB47.6 million, as compared to RMB32.0 million in 2018, mainly due to the increase in the transportation costs of products arising from the increase in the sale volume of sulphulic acid.

GENERAL AND ADMINISTRATIVE EXPENSES

In 2019, general and administrative expenses incurred by the Group increased by 19.5% to RMB122.2 million, as compared to RMB102.3 million in 2018, which was mainly attributable to the legal fees paid in relation to the legal proceedings against Shaanxi Xinxin.

FINANCE EXPENSES – NET

In 2019, net finance expense incurred by the Group amounted to RMB95.6 million, representing a decrease in finance expense of RMB37.9 million as compared to RMB133.5 million of net finance expense in 2018, mainly because the medium-term notes due on 13 November 2018 was settled but not re-issued by the Group, which resulted in the decrease in the financial expenses.

FINANCIAL POSITION

In 2019, shareholders' equity increased from RMB4,228.2 million in 2018 to RMB4,253.0 million, primarily due to the profit for the year ended 31 December 2019. Total assets decreased from RMB7,902.0 million in 2018 by 4.2% to RMB7,573.0 million, mainly due to the reduction in the size of financing of the Company.

In 2019, the net cash inflow generated from the Group's operating activities amounted to RMB276.2 million, representing an increase in the inflow of RMB14.3 million, as compared to the net cash inflow of RMB261.9 million in 2018. The net cash inflow generated from investing activities was RMB8.8 million, the cash inflow from investing activities was mainly attributable to the sales of financial assets held for trading by the Group, and the cash outflow from investing activities was mainly attributable to the payments for the equipment and the construction costs of the Group's various technology renovation, expansion projects and purchase of financial assets held for trading. The net cash outflow used in financing activities amounted to RMB507.0 million, the cash inflow was mainly attributable to the bank loans and other interest-bearing borrowings received by the Group of RMB2,597.0 million, and the cash outflow was mainly attributable to the Group's repayment of bank loans and interest of RMB2,090.0 million.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2019, the Group had total cash and cash equivalents amounting to RMB267.2 million (2018: RMB489.2 million), and the total borrowings of the Group amounted to RMB2,084.5 million (2018: RMB2,475.2 million). As such, the net debts of the Group (total borrowings minus cash and cash equivalents) amounted to RMB1,817.3 million (2018: RMB1,986.0 million) and the gearing ratio (net debts divided by total capital*) was 29.94% (2018: 31.96%).

	As at 31 December 2019	As at 31 December 2018
Current ratio *(times)*	**1.1**	1.0
Gearing ratio *(net debts/total capital*)*	**29.94%**	31.96%

* *Total Capital: net debts + total equity*

COMMODITY PRICE RISK

The prices of the Group's products are altered by international and domestic market prices and changes in the 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 PRC 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 continue to strengthen the upgrading of its major production processes to cater for the optimization 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.

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 rates 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 the prevailing market situation. As at 31 December 2019, the Group's interest-bearing debts were mainly floating rate borrowings and fixed rate borrowings denominated in RMB, which amounted to RMB2,084.5 million (2018: RMB2,475.2 million). The Group has no interest rate swap arrangement.

CHARGE ON ASSETS

As at 31 December 2019, restricted cash at bank amounting to RMB104.0 million, which was included in cash at bank and on hand of the Group, was 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 2019.

MAJOR LITIGATION OR ARBITRATION

Save as disclosed in Note 13 to the Consolidated Financial Statements – Provision For Pending Litigations, the Group has no other major litigation or arbitration as at the date of this announcement.

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 lenders of Hexin Mining in the amount of RMB127.5 million. Such corporate guarantees remained in force as at 31 December 2019. Save as disclosed above, the Group did not have any other material contingent liabilities as at 31 December 2019.

COMMITMENTS

(1) Capital commitments

As at 31 December 2019 and 31 December 2018, the Group had no capital expenditures commitments contracted for but not yet necessary to be recognised in the financial statements.

EVENTS AFTER THE BALANCE SHEET DATE

Since January 2020, the outbreak of Novel Coronavirus ("**COVID-19**") has impact on the global economic environment, the commodity prices and the Group's production operations in the period subsequent to the balance sheet date. The relevant precaution measures and control work has been carried out nationwide on an on-going basis. The Group will make reasonable arrangements for the production plan upon resumption of work, with an aim to mitigate the loss in production output arising from the prolonged period of closure. As such, the COVID-19 outbreak will not have material impact on the operations of the Group. Nonetheless, the epidemic will cause uncertainties in the demand and supply of non-ferrous metals during a short period of time, which may lead to fluctuation of commodity prices and will have impact on our future results. The extent of this impact cannot be reliably quantified or estimated as at the date of this announcement. The Group will keep monitoring the development of the COVID-19 outbreak and endeavour to react promptly to its impact on the financial position and operating results of the Group.

Save as disclosed 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 2020, although there are many uncertainties affecting the recovery and development of the 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 to robust growth. In this regard, the Group expects the consumption volume of nickel cathode and copper cathode in the domestic non-ferrous metal market will continue to increase in 2020.

Impact of the COVID-19 outbreak on the Group

The impact of the COVID-19 outbreak on the Group in January 2020 was mainly on the Group's production of raw materials. In response to the epidemic, the Xinjiang Government enforced the closure measures in relation to the movement of personnel and access to transportation. As a result, the major mining operations of the Group, such as Kalatongke Mining and Xinjiang Yakesi, have been impacted in terms of staff returning to work and procurement of raw materials, which lead to halt of mining production and ore-processing after the Chinese New Year holidays. The Group's smelting and refining production benefited from the Group's sufficient inventory of self-produced raw materials and self-manufactured semi-finished products at the end of 2019, and has provided timely supply to the Group's operations, coupled with special incentive measures for the staff, the Group's smelting and refining productions have maintained essentially normal operations, and rendered them largely unaffected in the epidemic. At present, the Group is strengthening its communication and negotiation with the local government in respect of the returning to work of personnel, transportation and other work to ensure that mining and ore-processing of the Group's major mining operations will resume to full production by the end of March 2020.

In 2020, the Group will strengthen its management, enhance the Group's overall management level and operational efficiency, explore its internal potential, ensure balanced operation, stabilized production and over-production for the full process of mining, ore-processing, smelting and refining of the Group, and realize the growth in the production level of its main products i.e. nickel cathode and copper cathode on a period-to-period basis.

Operational Objectives

For the year 2020, the Group plans to produce 11,500 tonnes of nickel cathode and 11,000 tonnes of copper cathode. Shareholders and potential investors should be cautioned that the above estimates are made on the basis of the current market situation and the existing conditions of the Group and are subject to a number of uncertainties in metal prices, domestic raw materials market and production environment. The Board may adjust the relevant production plan according to the changes of market 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 that are 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 its 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 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). The Company has fully complied with all the code provisions under the CG Code in the financial year of 2019.

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 enquiries to all the Directors and Supervisors, the Company confirms that 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. Wong Yik Chung, John. 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 average attendance rate was 66.7%. The 2018 annual results report, the 2019 audit plan and the 2019 interim results report of the Company were reviewed at the meetings of the Audit Committee. The Audit Committee has also 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 2020 and will be despatched to shareholders of the Company in early April 2020.

DIVIDEND

At the meeting of the Board held on 27 March 2020, the Board proposed that no payment of final dividend for the Reporting Year is to be made by the Company, which is subject to the approval of the Company's shareholders at its AGM.

CLOSURE OF REGISTER FOR AGM

The register of members of the Company will be closed from 5 May 2020 to 5 June 2020 (both days inclusive), during which time no share transfers will be registered. In order to be eligible to attend the 2019 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 4 May 2020.

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

Xinjiang, the PRC, 27 March 2020

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. Zhou Chuanyou and Mr. Hu Chengye; and the independent non-executive Directors are Mr. Hu Benyuan, Mr. Wang Lijin and Mr. Wong Yik Chung John.

* *For identification purposes only*