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)

2020 FINAL RESULTS ANNOUNCEMENT

FINANCIAL HIGHLIGHTS

- Revenue was RMB1,853.9 million, representing an increase of 11.8% as compared to RMB1,657.5 million in 2019.
- Comprehensive profit attributable to shareholders of the Company was RMB151.8 million, representing an increase of 454% as compared to the profit of RMB27.4 million in 2019.
- Basic earnings per share was RMB0.069 as compared to RMB0.012 in 2019.
- The Board does not recommend any payment of final dividend, which is the same as in 2019.

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 2020 (the "**Reporting Year**").

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2020

		Notes	**2020** **RMB'000**	2019 RMB'000
Revenue		3	**1,853,909**	1,657,509
Less:	Cost of sales	3	**(1,416,745)**	(1,346,319)
	Taxes and surcharges	3(a)	**(35,333)**	(33,177)
	Selling and distribution expenses		**(36,581)**	(47,585)
	General and administrative expenses		**(121,001)**	(122,154)
	Financial expenses – net	5	**(97,072)**	(95,580)
	Assets impairment losses	4(c)	**(135,533)**	(1,030)
	Credit impairment losses	4(d)	**(2,769)**	(477)
	Losses on the changes in fair value	4(e)	**(655)**	–
Add:	Other income		**7,939**	4,355
	Investment income	4(f)	**(3,070)**	21,172
	Including: Share of gain of joint-venture		**4,257**	24,606
	Gains on disposals of assets		**209**	(393)
Operating profit			**13,298**	36,321
Add: Non-operating income		4(a)	**162,276**	644
Less: Non-operating expenses		4(b)	**(4,047)**	(2,860)
Total profit		4	**171,527**	34,105
Less: Income tax expenses		6	**7,644**	(9,262)
Net profit			**179,171**	24,843
Classified by continuity of operations				
Net profit from continuing operations			**179,171**	24,843
Net profit from discontinued operations			**–**	–
Classified by ownership of the equity				
Net profit attributable to shareholders of the Company			**151,839**	27,421
Profit or loss attributable to non-controlling interests			**27,332**	(2,578)

	Notes	**2020** *RMB'000*	2019 *RMB'000*
Other comprehensive income after tax		**–**	–
Total comprehensive income		**179,171**	24,843
Total comprehensive income attributable to the Company		**151,839**	27,421
Total comprehensive income/(loss) attributable to non-controlling interests		**27,332**	(2,578)
Earnings per share			
Basic earnings per share *(RMB)*	7	**0.069**	0.012
Diluted earnings per share *(RMB)*	7	**0.069**	0.012

CONSOLIDATED BALANCE SHEET
As at 31 December 2020

	Notes	**31 December 2020** *RMB'000*	31 December 2019 *RMB'000*
ASSETS			
Current assets			
Cash at bank and on hand		**375,146**	371,222
Financial assets held for trading		**31,000**	60,000
Accounts receivable	9	**102,867**	107,250
Financing receivable	10	**75,349**	51,994
Advances to suppliers		**33,090**	40,861
Other receivables		**31,610**	48,823
Inventories		**1,375,623**	1,451,735
Other current assets		**43,516**	260,249
Total current assets		**2,068,201**	2,392,134
Non-current assets			
Long-term equity investments		**155,334**	161,987
Fixed assets		**3,053,585**	2,830,389
Construction in progress		**1,094,830**	1,314,387
Intangible assets		**745,398**	693,684
Goodwill		**27,833**	27,833
Long-term deferred expenses		**983**	–
Deferred tax assets		**88,655**	118,418
Other non-current assets		**28,445**	34,195
Total non-current assets		**5,195,063**	5,180,893
TOTAL ASSETS		**7,263,264**	7,573,027

	Notes	**31 December 2020** *RMB'000*	31 December 2019 *RMB'000*
LIABILITIES AND OWNERS' EQUITY			
Current liabilities			
Short-term borrowings		**477,640**	550,000
Financial liabilities held for trading		**149,743**	–
Notes payable	11	**331,350**	341,500
Accounts payable	12	**263,435**	296,699
Contract liabilities		**38,852**	55,792
Employee benefits payable		**57,101**	54,518
Taxes payable		**10,431**	18,312
Other payables		**124,098**	114,259
Current portion of non-current liabilities		**442,500**	531,000
Provisions	13	**–**	161,519
Total current liabilities		**1,895,150**	2,123,599
Non-current liabilities			
Long-term borrowings		**781,500**	1,003,500
Long-term payable		**14,467**	14,972
Provisions		**9,351**	8,914
Deferred income		**26,666**	28,597
Deferred income tax liabilities		**103,963**	140,448
Total non-current liabilities		**935,947**	1,196,431
Total liabilities		**2,831,097**	3,320,030

	Notes	**31 December 2020** *RMB'000*	31 December 2019 *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		**(647,907)**	(799,745)
Total equity attributable to shareholders of the Company		**4,412,789**	4,260,951
Non-controlling interests		**19,378**	(7,954)
Total owners' equity		**4,432,167**	4,252,997
TOTAL LIABILITIES AND OWNERS' EQUITY		**7,263,264**	7,573,027

NOTES TO CONSOLIDATED FINANCIAL INFORMATION

For the year ended 31 December 2020

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**"), 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

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 2019.

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 Accounting Standard for Business Enterprises, management of the Group considers the Group itself is one operating segment.

For the two years ended 31 December 2020 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 47%, 11% and 6% of the total revenue of the Group, respectively (2019: 42%, 11% and 9%).

3 REVENUE AND COST OF SALES

Revenue and cost of sales recognised during each of the years ended 31 December 2020 and 2019 are analysed as follows:

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Revenue from principal businesses		
Nickel cathode	**1,201,939**	1,173,110
Copper cathode	**465,050**	318,793
Others	**150,020**	149,395
	1,817,009	1,641,298
Revenue from other operation	**36,900**	16,211
	1,853,909	1,657,509
Cost of sales from principal businesses		
Nickel cathode	**790,747**	951,721
Copper cathode	**482,419**	282,532
Others	**136,785**	103,543
	1,409,951	1,337,796
Cost of sales from other operation	**6,794**	8,523
	1,416,745	1,346,319

(a) Taxes and surcharges

Resource tax	**10,761**	9,682
Property tax	**9,399**	9,233
Education surcharge	**5,134**	4,616
Urban construction tax	**4,209**	3,758
Land use tax	**3,682**	3,667
Stamp tax	**2,053**	2,131
Vehicle and Vessel tax	**95**	90
	35,333	33,177

4 TOTAL PROFIT

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

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Depreciation	**216,752**	206,422
Provision *(Note (13))*	**(161,519)**	(40)
Amortisation of intangible assets	**24,556**	22,497
Directors' remuneration	**1,265**	1,393
Government grants *(Note (a))*	**(8,149)**	(4,565)
(Gains)/Loss on disposal of assets	**(209)**	393
Donations *(Note (b))*	**2,500**	–
Losses on disposal of fixed assets *(Note (b))*	**10**	71
Assets impairment losses *(Note (c))*	**135,533**	1,030
Credit impairment losses *(Note (d))*	**2,769**	477
Losses on the changes in fair value *(Note (e))*	**655**	–
Investment loss/(income) *(Note f))*	**3,070**	(21,172)
Auditors' remuneration	**2,110**	2,400
Including: non-audit service fees	**–**	–

(a) Non-operating income		
Reversal of provision	**161,519**	–
Government grants - Land compensation	**210**	210
Others	**547**	434
	162,276	644

Other government grants amounted to RMB7,939 thousand were included in other income (2019: RMB4,355 thousand).

		Year ended 31 December	
		2020	2019
		RMB'000	*RMB'000*
(b)	Non-operating expense		
	Penalties and fines	**648**	2,519
	Losses on scrap of fixed assets	**10**	17
	Donations	**2,500**	–
	Others	**889**	270
		4,047	2,860
(c)	Assets impairment losses		
	Provision for (decline)/additions in value of inventories	**(10)**	1,030
	Provision for impairment of intangible assets	**135,543**	–
		135,533	1,030
(d)	Credit impairment losses		
	Losses of bad debts for accounts and other receivable	**2,769**	477

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
(e) Losses on the changes in fair value		
Losses on changes in fair value of the gold lease and the corresponding futures contract	**655**	–
(f) Investment (loss)/income		
Net profit from a joint-venture under equity method	**4,257**	24,606
Unrealised net profit between the joint-venture and the Group	**(10,909)**	(7,688)
Investment income from disposal of financial assets	**3,582**	4,254
	(3,070)	21,172

Investment income were all from non-listed investments.

5 FINANCIAL EXPENSES – NET

	2020	2019
	RMB'000	*RMB'000*
Interest expense	**105,118**	113,183
Less: Capitalised interest	**(7,570)**	(12,076)
Interest expense	**97,548**	101,107
Interest income	**(1,707)**	(6,333)
Bank charges	**794**	968
Unwinding of discount – net	**437**	(162)
	97,072	95,580

6 INCOME TAX EXPENSES

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Current income tax	**(921)**	922
Deferred income tax	**(6,723)**	8,340
	(7,644)	9,262

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. 54) 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) As at 6 April 2012, the State Administration of Taxation announced about carrying out the Western Development Strategy on the issue of corporate income tax. As at 23 April 2020, according to the Continuation of the Corporate Income Tax Policy for Western Development issued by the State Administration of Taxation (Announcement of the Ministry of Finance [2020] No. 23), enterprises which were listed in the catalogue of encouraged industries would be levied corporate income tax at a reduced tax rate of 15% from 1 January 2021 to 31 December 2030. 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 2020 after communication with local tax authorities.

(c) The applicable income tax rate of Shanghai Sales Branch of the Company is 25% in 2020 (2019: 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% in 2020 after communication with local tax authorities (2019: 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% in 2020 after communication with local tax authorities (2019: 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% in 2020 after communication with local tax authorities (2019:15%).

(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% in 2020 after communication with local tax authorities (2019: 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 2020 (2019: 25%).

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

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Consolidated total profit	**171,527**	34,105
Income tax expenses calculated at applicable tax rate of 25%	**42,882**	8,526
Effect of tax reductions	**(30,240)**	(5,125)
Income not subject to tax	**(25,511)**	(3,790)
Expenses not deductible for tax purposes	**622**	508
Deductible temporary differences and deductible losses for which no deferred tax assets were recognised	**5,543**	8,511
Clearance differences in respect of prior years	**(940)**	632
Income tax expenses	**(7,644)**	9,262

7 EARNINGS PER SHARE

	Year ended 31 December	
	2020	2019
Consolidated net profit attributable to shareholders of the Company *(RMB'000)*	**151,839**	27,421
Weighted average number of ordinary shares in issue of the Company *(in thousand)*	**2,210,000**	2,210,000
Basic and diluted earnings per share *(RMB)*	**0.069**	0.012

Diluted earnings per share is equal to basic earnings 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 11 June 2021 ("**AGM**").

	Year ended 31 December	
	2020	2019
Proposed final dividend	**Nil**	Nil

9 ACCOUNTS RECEIVABLE

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Accounts receivable *(Note (a), (b))*	**109,889**	111,620
Less: provision for bad debts *(Note (c))*	**(7,022)**	(4,370)
	102,867	107,250

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	
	2020	2019
	RMB'000	*RMB'000*
Within one year	**78,031**	88,595
One to two years	**9,124**	1,826
Two to three years	**1,551**	2,272
Three to four years	**2,272**	9,263
Four to five years	**9,263**	2,646
Over five years	**9,648**	7,018
	109,889	111,620

(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:

	2020	2109
	RMB'000	*RMB'000*
At 1 January	**4,370**	3,894
Provision for bad debts	**2,669**	476
Reversal of provision for bad debts	**(17)**	–
At 31 December	**7,022**	4,370

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 2020 and 31 December 2019, there is no accounts receivable pledged as collaterals to bank for borrowings.

10 FINANCING RECEIVABLES

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Financing Receivables	**75,349**	51,994

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 2020 and 31 December 2019, the Group has no pledged bank acceptance notes receivable listed as financing receivables.

11 NOTES PAYABLE

	2020	2019
	RMB'000	*RMB'000*
Bank acceptance notes	**331,350**	341,500

As at 31 December 2020 and 31 December 2019, all bank acceptance notes were due within 180 days.

12 ACCOUNTS PAYABLE

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Payable for purchase of materials	**194,438**	223,645
Payable for purchase of services	**56,485**	61,241
Payable for transportation fees	**11,143**	9,928
Others	**1,369**	1,885
	263,435	296,699

(a) As at 31 December 2020, accounts payable over one year with carrying amount of RMB26,222 thousand (31 December 2019: RMB16,314 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	
	2020	2019
	RMB'000	*RMB'000*
Within 3 months	**213,183**	236,394
3 to 6 months	**14,712**	20,164
6 months to a year	**9,318**	23,827
Over a year	**26,222**	16,314
	263,435	296,699

13 PROVISION

	2020	2019
	RMB'000	*RMB'000*
As at 1 January	**161,519**	161,559
Increase for the year	**–**	–
Decrease for the year	**(161,519)**	(40)
As at 31 December	**–**	161,519

During the period from year 2014 to 2016, Shaanxi Mingtai Engineering Construction Co., Ltd. ("**Shaanxi Mingtai**"), a minority shareholder of Shaanxi Xinxin Mining Co., Ltd ("**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 unauthorized counter-guarantee in respect of the loans and bonds to Xi An Investment under an asset disposal entrustment agreement.

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.

In December 2019, Xi'an Intermediate People's Court took the retrial first instance judgments, and held 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 be jointly and severally liable for the disputes of the guarantee obligations for Shaanxi Mingtai's four bank loans amounting to RMB330 million. Xi'An Investment was dissatisfied with the decision rendered, and subsequently filed an appeal to Shaanxi Higher People's Court.

Shaanxi Higher People's Court separately handed down the final judgment in June 2020 and the first instance judgement in August 2020, that Shaanxi Xinxin has not been required to hold the joint and several liability in respect of the Shaanxi Mingtai's four bank loans amounting to RMB330 million and the SME bonds amounting to RMB400 million. As at 31 December 2020, the Group reversed the provision which was accrued in 2018.

14 NET CURRENT ASSETS

	31 December 2020 *RMB'000*	31 December 2019 *RMB'000*
Current assets	**2,068,201**	2,392,134
Less: current liabilities	**(1,895,150)**	(2,123,599)
Net current asset	**173,051**	268,535

15 TOTAL ASSETS LESS CURRENT LIABILITIES

	31 December 2020 *RMB'000*	31 December 2019 *RMB'000*
Total assets	**7,263,264**	7,573,027
Less: Current liabilities	**(1,895,150)**	(2,123,599)
Total assets less current liabilities	**5,368,114**	5,449,428

MARKET OVERVIEW

In 2020, the average three-month future price of nickel cathode in London Metal Exchange was US$13,848 per tonne, representing a decrease of 0.56% as compared to that in 2019, and the average three-month future price of copper cathode was US$6,188 per tonne, representing an increase of 2.65% as compared to that in 2019.

In 2020, the average spot price (including tax) of nickel cathode in Shanghai Yangtze River Non-ferrous Metals Spot Market was RMB110,432 per tonne, representing a decrease of 1.3% as compared to that in 2019, and the average spot price (including tax) of copper cathode was RMB48,797 per tonne, representing an increase of 2.1% as compared to that in 2019.

The domestic price trends of nickel cathode and copper cathode were basically in line with the international market in 2020.

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 Nonferrous Metals Industry Association, the domestic nickel output in 2020 was 164,000 tonnes, representing an increase of 1.2% as compared to that in 2019. The Group produced 11,819 tonnes of nickel cathode in 2020, the Group remains the second largest domestic manufacturer of nickel cathode produced with nickel sulfide resources.

BUSINESS REVIEW

Impact of the COVID-19 pandemic on the Group

The impact of the COVID-19 pandemic on the Group in January 2020 was mainly on the Group's production of raw materials. In response to the pandemic, the Xinjiang Government enforced 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 basically maintained normal operations. In addition, the mining and ore-processing of the Group's major mining operations has resumed to full production by the end of March 2020, the impact of the COVID-19 pandemic on the operations of the Company during the Year was thus minimal.

Production and Operation

For the year of 2020, 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 2020, the Group recorded a total nickel cathode output of 11,819 tonnes, representing an increase of 6.65% as compared to that in 2019; and a total copper cathode output of 11,001 tonnes, representing an increase of 27.9% as compared to that in 2019.

For the year of 2020, the Group recorded total nickel cathode sales of 11,325 tonnes, representing a decrease of 5.6% as compared to that in 2019. Total copper cathode sales was 11,218 tonnes, representing an increase of 46.5% as compared to that in 2019.

For the year of 2020, the Group recorded an average selling price of nickel cathode (tax exclusive) of RMB106,136 per tonne, representing an increase of 8.5% as compared to that in 2019. The average selling price of copper cathode (tax exclusive) amounted to RMB41,456 per tonne in 2020, representing a decrease of 0.4% as compared to that in 2019.

For the year of 2020, the Group recorded an average cost of sales of nickel cathode of RMB69,826 per tonne, representing a decrease of 12.0% as compared to that in 2019. The average cost of sales of copper cathode amounted to RMB43,004 per tonne in 2020, representing an increase of 16.5% as compared to that in 2019.

For the year of 2020, the Group achieved revenue of RMB1,853.9 million, representing an increase of 11.8% as compared to that in 2019, and a net profit of RMB179.2 million, as compared to a net profit of RMB24.8 million in 2019; a comprehensive profit attributable to shareholders of the Company amounted to RMB151.8 million, as compared to the profit of RMB27.4 million for the year of 2019, representing an increase of 454%, and earnings per share (basic and diluted) of RMB0.069 as compared to RMB0.012 in 2019.

Progress of Technological Renovation and Capacity Expansion Projects and Infrastructure Projects

For the year of 2020, 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 2020 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 2020, a total of RMB103.7 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 2020, a total of RMB30.8 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 RMB54.6 million was made in 2020.

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 2020, 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

The COVID-19 pandemic did not have any impact on the Group's operating results during the Year. In 2020, the revenue of the Group amounted to RMB1,853.9 million, representing an increase of 11.85% as compared to RMB1,657.5 million in 2019; the comprehensive profit of the Group amounted to RMB179.2 million, representing an increase of 622% as compared to the comprehensive profit of the Group amounted to RMB24.8 million in 2019; the comprehensive profit attributable to shareholders of the Company amounting to RMB151.8 million, representing an increase of 454% as compared to the comprehensive loss attributable to shareholders of the Company amounting to RMB27.4 million in 2019. 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. In addition, in 2020, the write back of the provision for pending litigation of the Group due to Shaanxi Xinxin during the Year was RMB161.6 million. As the exploration rights of Shaanxi Xinxin involved various impairment factors, according to the evaluation report of the exploration right of Shaanxi Xinxin made by the third-party appraisal institution, assets impairment loss of RMB135.5 million of Shaanxi Xinxin was provided.

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 2020 and 31 December 2019:

Product Name	For the year ended 31 December 2020 Sales volume *Tonnes*	Amount *RMB'000*	% to Revenue	For the year ended 31 December 2019 Sales volume *Tonnes*	Amount *RMB'000*	% to Revenue	Growth Rate in Amount +/(–)
Nickel cathode	**11,325**	**1,201,939**	**66.2%**	11,993	1,173,110	71.5%	2.5%
Copper cathode	**11,218**	**465,050**	**25.6%**	7,656	318,793	19.4%	45.9%
Copper concentrate	**10,279**	**96,458**	**5.3%**	8,342	69,333	4.2%	39.1%
Other products		**53,562**	**2.9%**		80,062	4.9%	(33.1)%
Of which:							
Electrolytic cobalt	**20**	**4,509**	**0.3%**	31	6,978	0.4%	(35.4)%
Total revenue from main operation		**1,817,009**	**100.0%**		1,641,298	100.0%	10.7%
Cost of sales from main operation		**(1,409,951)**	**77.6%**		(1,337,796)	81.5%	5.4%
Gross profit/ Gross margin		**407,058**	**22.4%**		303,502	18.5%	

In 2020 the revenue of nickel cathode of the Group amounted to RMB1,201.9 million, representing an increase of 2.5% as compared to that in 2019, mainly attributable to the increase in the sales price of nickel cathode. In 2020, the Group's sales volume of nickel cathode was 11,325 tonnes, representing a decrease of 5.6% as compared to 11,993 tonnes in 2019. The average selling price of the Group's nickel cathode in 2020 amounted to RMB106,136 per tonne (tax exclusive), representing an increase of 8.5% as compared to RMB97,814 per tonne (tax exclusive) in 2019.

In 2020, the revenue of copper cathode of the Group amounted to RMB465.1 million, representing an increase of 45.9% as compared to that in 2019, mainly due to the increase in the sales volume of copper cathode. The average selling price of copper cathode of the Group in 2020 was RMB41,456 per tonne (tax exclusive), representing a decrease of 0.4% as compared to RMB41,642 per tonne (tax exclusive) in 2019. The sales volume of copper cathode of the Group in 2020 was 11,218 tonnes, representing an increase of 46.5% as compared to 7,656 tonnes in 2019.

In 2020, the revenue of copper concentrate of the Group was RMB96.5 million, representing an increase of 39.2% as compared to that in 2019. The average selling price of copper concentrate of the Group in 2020 was RMB9,384 per tonne (tax exclusive), representing an increase of 12.9% as compared to RMB8,311 per tonne (tax exclusive) in 2019. The sales volume of copper concentrate of the Group in 2020 was 10,279 tonnes, representing an increase of 23.2% as compared to 8,342 tonnes in 2019.

In 2020, the revenue of other products of the Group amounted to RMB53.6 million, representing a decrease of 33.1% as compared to that in 2019, which was mainly due to the decrease of the revenue of silver by 71.4% to RMB8.5 million as compared to RMB29.7 million in 2019.

In 2020, the gross profit from the Group's principal business amounted to RMB407.1 million, representing an increase of RMB103.6 million as compared to RMB303.5 million in 2019. The gross profit margin of the principal business was 22.4% in 2020, representing an increase of 3.9 percentage points as compared to 18.5% in 2019.

SELLING EXPENSES

In 2020, selling expenses incurred by the Group decreased by 23.1% to RMB36.6 million, as compared to RMB47.6 million in 2019, mainly due to the decrease in the transportation costs of products arising from the decrease in the sale volume of sulphulic acid.

GENERAL AND ADMINISTRATIVE EXPENSES

In 2020, general and administrative expenses incurred by the Group decreased by 1.0% to RMB121.0 million, as compared to RMB122.2 million in 2019, which was mainly attributable to the preferential policy of social security during the pandemic.

FINANCE EXPENSES – NET

In 2020, net finance expense incurred by the Group amounted to RMB97.1 million, representing an increase in finance expense of RMB1.5 million as compared to RMB95.6 million of net finance expense in 2019, which was basically the same as the previous year.

FINANCIAL POSITION

In 2020, shareholders' equity increased from RMB4,253.0 million in 2019 to RMB4,432.2 million, primarily due to the profit for the year 2020. Total assets decreased from RMB7,573.0 million in 2019 by 4.1% to RMB7,263.3 million, mainly due to the reduction in the size of financing of the Company.

In 2020, the net cash inflow generated from the Group's operating activities amounted to RMB352.3 million, representing an increase in the inflow of RMB76.1 million, as compared to the net cash inflow of RMB276.2 million in 2019. The net cash outflow generated from investing activities was RMB18.9 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 RMB337.2 million, the cash inflow was mainly attributable to the bank loans and other interest-bearing borrowings received by the Group of RMB1,603.4 million, and the cash outflow was mainly attributable to the Group's repayment of bank loans and interest of RMB1,940.5 million.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2020, the Group had total cash and cash equivalents amounting to RMB263.5 million (2019: RMB267.2 million), and the total borrowings of the Group amounted to RMB1,851.4 million (2019: RMB2,084.5 million). As such, the net debts of the Group (total borrowings minus cash and cash equivalents) amounted to RMB1,587.9 million (2019: RMB1,817.3 million) and the gearing ratio (net debts divided by total capital*) was 26.38% (2019: 29.94%).

	As at 31 December 2020	As at 31 December 2019
Current ratio *(times)*	**1.1**	1.0
Gearing ratio *(net debts/total capital*)*	**26.38%**	29.94%

* *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 2020, the Group's interest-bearing debts were mainly floating rate borrowings and fixed rate borrowings denominated in RMB, which amounted to RMB1,483.7 million (2019: RMB2,084.5 million). The Group has no interest rate swap arrangement.

CHARGE ON ASSETS

As at 31 December 2020, restricted cash at bank amounting to RMB111.7 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 2020.

MAJOR LITIGATION OR ARBITRATION

The Group does not have any 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 RMB79.0 million. Such corporate guarantees remained in force as at 31 December 2020. Save as disclosed above, the Group did not have any other material contingent liabilities as at 31 December 2020.

Capital commitments

As at 31 December 2020, 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

The Group does not have any events after the balance sheet date which need to be disclosed or adjusted.

OUTLOOK

Operating Environment

For the year 2021, 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 (the PRC government expects the growth rate of China's GDP to increase by more than 6% in 2021). 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 2021.

In 2021, 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 2021, the Group plans to produce 11,800 tonnes of nickel cathode and 11,277 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 2020.

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. Lee Tao Wai. 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 100%. The 2019 annual results report, the 2020 audit plan and the 2020 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 late March 2021 and will be despatched to shareholders of the Company in early April 2021.

DIVIDEND

At the meeting of the Board held on 26 March 2021, 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 11 May 2021 to 11 June 2021 (both days inclusive), during which time no share transfers will be registered. In order to be eligible to attend the 2020 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 10 May 2021.

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

Xinjiang, the PRC, 26 March 2021

As at the date of this announcement, the executive Director of the Company is Mr. Qi Xinhui; the non-executive Directors of the Company are Mr. Zhang Guohua, Mr. Zhou Chuanyou, Mr. Guo Quan and Mr. Hu Chengye; and the independent non-executive Directors of the Company are Mr. Hu Benyuan, Mr. Wang Qingming and Mr. Lee Tao Wai.

* *For identification purposes only*