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Xinjiang Xinxin Mining Industry Co., Ltd.*

新疆新鑫礦業股份有限公司

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

(Stock code: 3833)

ANNOUNCEMENT

PROPOSED REVISION OF ANNUAL CAP FOR EXISTING CONTINUING CONNECTED TRANSACTIONS UNDER THE 2021 MUTUAL SUPPLY AGREEMENT

BACKGROUND

References are made to the 2021 October Announcement, the 2021 Circular and the 2021 December Announcement.

As disclosed in the 2021 October Announcement and the 2021 Circular, on 29 October 2021, the Company and Xinjiang Non-ferrous entered into the 2021 Mutual Supply Agreement in respect of the continuing provision of the Construction Services, the Supporting and Ancillary Services and the Company's Products. As disclosed in the 2021 December Announcement, the supply of the Company's Products under the 2021 Mutual Supply Agreement and the annual caps for the supply of the Company's Products under the 2021 Mutual Supply Agreement were approved at the extraordinary general meeting of the Company held on 28 December 2021.

Due to the Company's contemplated adjustment in the selling strategy in relation to its sale of copper cathodes in light of (i) recent market conditions resulting in adversity for the sale of the Company's copper cathodes; and (ii) the viability of an alternative strategy for bulk sale of copper cathodes to Wuxin Copper described in detail below, the Company proposes to revise the Original 2024 Company's Products Annual Cap.

The Original 2024 Company's Products Annual Cap was not set out in the 2021 Mutual Supply Agreement. Hence, the revision of the Original 2024 Company's Products Annual Cap does not entail the revision of the 2021 Mutual Supply Agreement. The terms of the 2021 Mutual Supply Agreement as disclosed in the 2021 October Announcement and the 2021 Circular remain unchanged. Please refer to the 2021 October Announcement and the 2021 Circular for a summary of the principal terms agreed under the 2021 Mutual Supply Agreement.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Xinjiang Non-ferrous is the controlling shareholder (as defined in the Listing Rules) of the Company and is beneficially interested in approximately 40.06% of the entire issued share capital of the Company. Accordingly, members of the Xinjiang Non-ferrous Group are connected persons of the Company and the transactions with members of the Xinjiang Non-ferrous Group contemplated under the 2021 Mutual Supply Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.54 of the Listing Rules, if the Company proposes to revise the annual caps for continuing connected transactions, the Company will have to re-comply with the relevant provisions of Chapter 14A of the Listing Rules in relation to the relevant continuing connected transactions.

Given that the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) of the Revised 2024 Company's Products Annual Cap exceeds 5%, the Revised 2024 Company's Products Annual Cap is subject to the reporting, announcement, annual review and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

A circular containing, among other things, (i) details of the Revised 2024 Company's Products Annual Cap; (ii) the recommendation of the Independent Board Committee; (iii) the letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders advising on the Revised 2024 Company's Products Annual Cap; and (iv) a notice of EGM will be despatched to the Shareholders in accordance with the requirements of the Listing Rules.

BACKGROUND

References are made to the 2021 October Announcement, the 2021 Circular and the 2021 December Announcement.

As disclosed in the 2021 October Announcement and the 2021 Circular, on 29 October 2021, the Company and Xinjiang Non-ferrous entered into the 2021 Mutual Supply Agreement in respect of the continuing provision of the Construction Services, the Supporting and Ancillary Services and the Company's Products. As disclosed in the 2021 December Announcement, the supply of the Company's Products under the 2021 Mutual Supply Agreement and the annual caps for the supply of the Company's Products under the 2021 Mutual Supply Agreement were approved at the extraordinary general meeting of the Company held on 28 December 2021.

Due to the Company's contemplated adjustment in the selling strategy in relation to its sale of copper cathodes in light of (i) recent market conditions resulting in adversity for the sale of the Company's copper cathodes; and (ii) the viability of an alternative strategy for bulk sale of copper cathodes to Wuxin Copper described in detail below, the Company proposes to revise the Original 2024 Company's Products Annual Cap.

The Original 2024 Company's Products Annual Cap was not set out in the 2021 Mutual Supply Agreement. Hence, the revision of the Original 2024 Company's Products Annual Cap does not entail the revision of the 2021 Mutual Supply Agreement. The terms of the 2021 Mutual Supply Agreement as disclosed in the 2021 October Announcement and the 2021 Circular remain unchanged. Please refer to the 2021 October Announcement and the 2021 Circular for a summary of the principal terms agreed under the 2021 Mutual Supply Agreement.

REVISION OF THE ORIGINAL 2024 COMPANY'S PRODUCTS ANNUAL CAP

Original 2024 Company's Products Annual Cap

As disclosed in the 2021 October Announcement and the 2021 Circular, the Original 2024 Company's Products Annual Cap is RMB224,729,530.

Revised 2024 Company's Products Annual Cap

The Company proposes to revise the annual cap in respect of the provision of the Company's Products for the year ending 31 December 2024 to RMB797,739,000.

For the period from 1 January 2024 to 31 January 2024, the total amount of the Company's Products fee paid by the Xinjiang Non-ferrous Group to the Group for the provision of the Company's Products under the 2021 Mutual Supply Agreement was approximately RMB646,000. The Company confirms that, as of the date of this announcement, it has not exceeded the Original 2024 Company's Products Annual Cap.

BASIS FOR DETERMINING THE REVISED 2024 COMPANY'S PRODUCTS ANNUAL CAP

Original 2024 Company's Products Annual Cap

As disclosed in the 2021 October Announcement and the 2021 Circular, in setting the Original 2024 Company's Products Annual Cap, budgeted amounts assumed by the Directors for the year ending 31 December 2024 are as below:

For the year ending 31 December	2024 <i>(RMB'000)</i> <i>(approximately)</i>
Sales of copper concentrates	119,111
Sales of copper cathodes	33,186
Sales of other Company's Products	<u>72,433</u>
Total	<u><u>224,730</u></u>

Revised 2024 Company's Products Annual Cap

The revised budgeted amounts for the year ending 31 December 2024 for the Company's Products under the 2021 Mutual Supply Agreement are as follows:

For the year ending 31 December	2024 <i>(RMB'000)</i> <i>(approximately)</i>
Sales of copper concentrates	119,111
Sales of copper cathodes	606,195*
Sales of other Company's Products	<u>72,433</u>
Total	<u><u>797,739</u></u>

* *indicates change from the amount contemplated under the Original 2024 Company's Products Annual Cap.*

The increase in the Revised 2024 Company's Products Annual Cap as compared to the Original 2024 Company's Products Annual Cap is due to the increase in the sales of copper cathodes from the Company to the Xinjiang Non-ferrous Group.

Change in the budgeted amounts for the sales of copper cathodes

The table below sets forth the Directors' assumptions of the budgeted sales volume and the projected market unit price of copper cathodes in setting the Original 2024 Company's Products Annual Cap and the Revised 2024 Company's Products Annual Cap for the year ending 31 December 2024, respectively:

	Original 2024 budget	Revised 2024 budget
Sales of copper cathodes (<i>tonnes</i>)	500	10,000
Unit Price (<i>RMB per tonne</i>)	66,371.68	60,619.47

In terms of the budgeted sales volume of copper cathodes, it is expected to significantly increase from 500 tonnes to 10,000 tonnes, representing an increase of approximately 1,900%. Such substantial increase in the budgeted sales volume is mainly attributable to Company's adjustment in the selling strategy in relation to its sale of copper cathodes in light of (i) recent market conditions resulting in adversity for the sale of the Company's copper cathodes; and (ii) the viability of an alternative strategy for bulk sale of copper cathodes to Wuxin Copper described in detail below.

Recent market conditions resulting in adversity for the sale of the Company's copper cathodes

Copper cathodes are by-products from the production of nickel cathodes, the Company's main product. However, as compared with the high-purity copper cathodes sold in the market, the Company's copper cathodes are relatively lower in purity, resulting in the Company's relatively weak bargaining power in the market.

Historically, the main customers of the Company for these by-products are small and medium-sized independent enterprises that process copper rods in the Xinjiang region. As the output of these by-products is relatively low and they are not high-purity copper cathodes, existing customers of the Company only use them as supplementary raw materials where there is a shortage of their copper raw material. As a result of the tightening of the domestic environmental protection measures, energy consumption control and other policy constraints, copper processing enterprises in the Xinjiang region continue to scale and intensify, small and medium-sized copper processing enterprises are gradually squeezed out. Consequentially, the number of customers of the Company's copper cathodes has been declining year by year.

Such market conditions, coupled with the Company's limited bargaining power for selling copper cathodes, may adversely affect the Company's sales prospect for copper cathodes in the Xinjiang region.

Viability of an alternative strategy for bulk sale of copper cathodes to Wuxin Copper

Having acknowledged the market conditions described above, the Directors have sought an alternative selling strategy of bulk sale of copper cathodes to Wuxin Copper for the Company after considering the following factors:

- (1) Wuxin Copper is in a better position to market and sell copper cathodes and in turn is expected to provide a stable demand for copper cathodes at a fair price for the Company.

Wuxin Copper is the largest copper smelting, processing and sales enterprise in the Xinjiang region. It produces high purity copper cathodes with a copper content of more than 99.99%. In addition to having a relatively more comprehensive and well developed sales system in China for copper products, Wuxin Copper also maintains a prominent position in the copper product market in the Xinjiang region. As such, leveraging on its market position and bargaining power, Wuxin Copper is in a better position to market and sell copper cathodes.

The prices of copper cathodes sold by the Company to the Xinjiang Non-ferrous Group under the 2021 Mutual Supply Agreement are determined based upon the spot prices of the product from Shanghai Yangtze River Nonferrous Metals Spot Market and the relevant future prices quoted on Shanghai Futures Exchange in accordance with the pricing policy disclosed in the 2021 October Announcement. Therefore the prices at which the Company's copper cathodes are sold to Wuxin Copper will be fixed with reference to such market prices.

For the above reasons, the bulk sale of all of the Company's copper cathodes to Wuxin Copper is expected to provide a stable demand for these copper cathodes at a fair price for the Company.

- (2) Bulk sale of the Company's copper cathodes allows saving on marketing expenses and administrative costs

The Company's copper cathodes are mainly by-products of its nickel products and primarily serve the purpose of meeting customers' demand for supplementary raw materials. To the date of this announcement, the Company has not established a mature and comprehensive sales system or sales channels for copper cathodes outside the Xinjiang region. If the Company is to build such sales system or sales channels, marketing expenses and administrative costs would increase accordingly, leading to uncertainties in the profitability of the Company for the sales of copper cathodes.

On the other hand, through the bulk sale of all the Company's copper cathodes to Wuxin Copper, the Company would be able to save on marketing expenses and administrative costs for sales of the Company's copper cathodes and avoid incurring the expenses for developing markets outside the Xinjiang region.

Taking into account the recent market conditions, as well as all the factors identified above, the Company intends to sell all of the copper cathodes produced from its operation to Wuxin Copper. The planned proportion of sales of copper cathodes to the Xinjiang Non-ferrous Group as to the total sales of copper cathodes of the Group will increase from approximately 5.0% as disclosed in the 2021 Circular to 100%. For the years ended 31 December 2021 and 31 December 2022, the total sales volume of the copper cathodes by the Company were 11,051 tonnes and 9,775 tonnes. The revised budgeted sales volume of copper cathodes by the Company to the Xinjiang Non-ferrous Group for the year ending 31 December 2024 in the amount of 10,000 tonnes is determined with reference to such historical sales volume by the Company.

In terms of the projected market unit price of copper cathodes, in accordance with the pricing policy disclosed in the 2021 October Announcement, the prices of copper cathodes sold by the Company to the Xinjiang Non-ferrous Group under the 2021 Mutual Supply Agreement are determined based upon the spot prices of the product from Shanghai Yangtze River Nonferrous Metals Spot Market and the relevant future prices quoted on Shanghai Futures Exchange. The pricing policy for the supply of the Company's Products under the 2021 Mutual Supply Agreement as disclosed in the 2021 October Announcement and the 2021 Circular remains unchanged. That being said, the spot prices of the product from Shanghai Yangtze River Nonferrous Metals Spot Market and the relevant future prices quoted on Shanghai Futures Exchange fluctuate from time to time, leading to corresponding fluctuations in the price of the Company's copper cathodes sold to the Xinjiang Non-ferrous Group. Having considered the Company's averaged selling price of copper cathodes in the past years, which stood at approximately RMB61,041 per tonne for the year ended 31 December 2021, RMB59,605 per tonne for the year ended 31 December 2022 and RMB60,872 per tonne for the six months ended 30 June 2023, the Directors have adjusted the projected market unit price of copper cathodes in their budget from RMB66,371.68 per tonne as disclosed in the 2021 Circular to RMB60,619.47 per tonne in accordance with the pricing policy.

Based on the above, the Directors believe that the above adjustment to the Company's strategy would facilitate the sale of the Company's copper cathodes and maintain profitability, and therefore is in the interest of the Company and its Shareholders as a whole.

PRICING POLICIES AND INTERNAL CONTROL MEASURES RELATING TO PRICING POLICIES

The pricing policies and internal control measures set out in the 2021 Circular remain unchanged and apply to the transactions contemplated under the Revised 2024 Company's Products Annual Cap.

GENERAL

The existing annual caps for the provision of the Construction Services and the Supporting and Ancillary Services under the 2021 Mutual Supply Agreement are expected to be sufficient for the year ending 31 December 2024 and therefore no revision of the relevant annual caps is required.

All the existing terms and conditions under the 2021 Mutual Supply Agreement remain unchanged.

The Directors (excluding the independent non-executive Directors whose views will be set out in the circular to be despatched to the Shareholders) consider that the Revised 2024 Company's Products Annual Cap is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

INFORMATION RELATING TO THE COMPANY

The Company and its subsidiaries are principally engaged in the mining, ore processing, smelting, refining of nickel, copper and other non-ferrous metals, which include cobalt and precious metals such as gold, silver, platinum and palladium.

INFORMATION RELATING TO XINJIANG NON-FERROUS

Xinjiang Non-ferrous is principally engaged in, among other things, investment in nonferrous metal industry and sale of non-ferrous metal products. As at the date of this announcement, Xinjiang Non-ferrous is held as to 90.16% by the State-owned Asset Supervision and Administration Commission of Xinjiang Uygur Autonomous Region and 9.84% by the Department of Finance of Xinjiang Uygur Autonomous Region.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Xinjiang Non-ferrous is the controlling shareholder (as defined in the Listing Rules) of the Company and is beneficially interested in approximately 40.06% of the entire issued share capital of the Company. Accordingly, members of the Xinjiang Non-ferrous Group are connected persons of the Company and the transactions with members of the Xinjiang Non-ferrous Group contemplated under the 2021 Mutual Supply Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.54 of the Listing Rules, if the Company proposes to revise the annual caps for continuing connected transactions, the Company will have to recompile with the relevant provisions of Chapter 14A of the Listing Rules in relation to the relevant continuing connected transactions.

Since Xinjiang Non-ferrous is the controlling shareholder of the Company, it and its Associates are required to and will be abstained from voting at the EGM in relation to the approval of the Revised 2024 Company's Products Annual Cap.

Given that the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) of the Revised 2024 Company's Products Annual Cap exceeds 5%, the Revised 2024 Company's Products Annual Cap is subject to the reporting, announcement, annual review and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Company will establish the Independent Board Committee to advise the Independent Shareholders as to whether the Revised 2024 Company's Products Annual Cap is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and its Shareholders as a whole. The Independent Board Committee will advise the Independent Shareholders on how to vote at the EGM on the resolution in respect of the Revised 2024 Company's Products Annual Cap, after taking into account the recommendations of the independent financial adviser.

In this connection, the Company has appointed Crescendo Capital Limited as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the Revised 2024 Company's Products Annual Cap is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and its Shareholders as a whole.

DESPATCH OF CIRCULAR

A circular containing, among other things, (i) details of the Revised 2024 Company's Products Annual Cap; (ii) the recommendation of the Independent Board Committee; (iii) the letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders advising on the Revised 2024 Company's Products Annual Cap; and (iv) a notice of EGM will be despatched to the Shareholders in accordance with the requirements of the Listing Rules.

BOARD'S APPROVAL

Mr. Guo Quan, Mr. Qi Xinhui, Mr. Wang Lijian and Ms. Chen Yang have abstained from voting on the board resolution approving the Revised 2024 Company's Products Annual Cap since Mr. Guo Quan is the general manager of Xinjiang Non-ferrous; Mr. Qi Xinhui is the deputy general manager of Xinjiang Non-ferrous; Mr. Wang Lijian is the director of the organization and personnel department, director (manager) of the human resources department and the deputy principal of the Party School of Xinjiang Non-ferrous; and Ms. Chen Yang is the manager of the legal affairs department of Xinjiang Non-ferrous.

Other than Mr. Guo Quan, Mr. Qi Xinhui, Mr. Wang Lijian and Ms. Chen Yang, none of the Directors has any material interest in the transactions contemplated under the 2021 Mutual Supply Agreement and therefore none of them is required to abstain from voting on the relevant board resolution to approve the Revised 2024 Company's Products Annual Cap.

DEFINITIONS

In this announcement, the following terms have the following meanings:

“2021 Circular”	the circular dated 24 November 2021 of the Company in respect of, among other things, the continuing connected transactions under the 2021 Mutual Supply Agreement
“2021 December Announcement”	the announcement dated 28 December 2021 of the Company in respect of, among other things, the continuing connected transactions under the 2021 Mutual Supply Agreement

“2021 Mutual Supply Agreement”	the master mutual supply agreement dated 29 October 2021 entered into between the Company and Xinjiang Non-ferrous in respect of the mutual provision of the Construction Services, the Supporting and Ancillary Services and the Company’s Products, for details of which, please refer to the 2021 October Announcement
“2021 October Announcement”	the announcement dated 29 October 2021 of the Company in respect of, among other things, the continuing connected transactions under the 2021 Mutual Supply Agreement
“Associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of directors of the Company
“Company”	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 PRC with limited liability, the H shares of which are listed on the Stock Exchange
“Company’s Products”	nickel cathodes, copper cathodes, copper concentrates, self-produced precious metals, sulphuric acid, water, electricity and other ancillary materials provided/to be provided by the Company to the Xinjiang Non-ferrous Group under the 2021 Mutual Supply Agreement
“connected person”	has the meaning ascribed to it under the Listing Rules
“Construction Services”	construction-related services, including project design, construction and facilities installation provided/to be provided by the Xinjiang Non-ferrous Group to the Company under the 2021 Mutual Supply Agreement
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Directors”	one or all of the director(s) of the Company

“EGM”	the extraordinary general meeting of the Company to be held for the approval of the Revised 2024 Company’s Products Annual Cap
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent committee of the Board comprising the independent non-executive Directors, namely Mr. Hu Benyuan, Mr. Wang Qingming and Mr. Lee Tao Wai, to advise the Independent Shareholders in respect of the Revised 2024 Company’s Products Annual Cap
“Independent Shareholders”	in respect of the Revised 2024 Company’s Products Annual Cap and the transactions contemplated under the 2021 Mutual Supply Agreement, Shareholders other than Xinjiang Non-ferrous and its Associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Original 2024 Company’s Products Annual Cap”	the original annual cap in respect of the Company’s Products fees payable by the Xinjiang Non-ferrous Group to the Group under the 2021 Mutual Supply Agreement for the year ending 31 December 2024
“PRC”	the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, Taiwan and the Macau Special Administrative Region of the PRC)
“Revised 2024 Company’s Products Annual Cap”	the revised annual cap in respect of the Company’s Products fees payable by the Xinjiang Non-ferrous Group to the Group under the 2021 Mutual Supply Agreement for the year ending 31 December 2024
“RMB”	Renminbi, the lawful currency of the PRC

“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“Supporting and Ancillary Services”	services provided/to be provided by the Xinjiang Non-ferrous Group to the Group under the 2021 Mutual Supply Agreement which include: (i) production supplies, transportation and supporting services: supplemental production materials (including copper concentrates, chemical materials, coal, coke and product packaging materials) and work safety products; (ii) storage, transportation and loading services: warehousing services in Beijing for the sales and distribution of nickel cathodes to the Company’s end-customers in Beijing and its surrounding areas, Hebei province and the northeastern region of the PRC; transportation service for the delivery of materials including coke and coal; and (iii) other supporting and ancillary services: machinery repair and improvement; geological exploration in the mining areas
“Wuxin Copper”	Xinjiang Wuxin Copper Industry Company Limited* (新疆五鑫銅業有限責任公司), a limited liability company established in the PRC and non wholly-owned subsidiary of Xinjiang Non-ferrous
“Xinjiang Non-ferrous”	Xinjiang Non-ferrous Metal Industry (Group) Ltd.* (新疆有色金屬工業(集團)有限責任公司), a wholly state-owned enterprise with limited liability and incorporated in the PRC, being one of the promoters and the controlling shareholder of the Company

“Xinjiang Non-ferrous
Group”

Xinjiang Non-ferrous and its subsidiaries excluding the
Company, its subsidiaries and Associates

“%”

per cent.

By order of the Board
Xinjiang Xinxin Mining Industry Co., Ltd.*
Lam Siu Wing, Wu Ning
Joint Company Secretaries

Xinjiang, the PRC, 29 February 2024

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. Guo Quan, Mr. Zhou Chuanyou, Mr. Wang Lijian, Ms. Chen Yang 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 purpose only*