**THE CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**



**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Xinjiang Xinxin Mining Industry Co., Ltd., you should at once hand this circular to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of the 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 People's Republic of China with limited liability)*

**(Stock code: 3833)**

# MAJOR TRANSACTION AND CONNECTED TRANSACTION IN RELATION TO XINJIANG WUXIN COPPER INDUSTRY CO., LTD AND PROPOSED APPOINTMENT OF SUPERVISOR AND NOTICE OF EXTRAORDINARY GENERAL MEETING

**Independent Financial Adviser**
**to the Independent Board Committee and the Independent Shareholders**

*Hercules*

**Hercules Capital Limited**

A letter from the Board of the Company is set out on pages 1 to 8 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 9 to 10 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 11 to 25 of this circular.

A notice convening the extraordinary general meeting of the Company to be held at 11:00 a.m. on Wednesday, 15 June 2016 at 19th Level, Conference Room, Youse Building, No. 4 You Hao North Road, Urumqi, Xinjiang, the People's Republic of China, is set out on pages 34 to 36 of this circular, and dispatched to the Shareholders on 29 April 2016. The extraordinary general meeting is to be held to approve matters referred to in this circular.

Completion and return of the proxy form shall not preclude you from attending and voting in person at the EGM or at any adjourned meetings should you so wish.

* *For identification purposes only*

29 April 2016

# CONTENTS

*Pages*

*In this circular, unless the context otherwise requires, the following expressions have the following meanings:*

| | |
|---|---|
| "Announcements" | the announcement dated 29 March 2016 and the clarification announcement dated on 31 March 2016 of the Company in relation to the Disposal |
| "associates" | has the meaning ascribed to it under the Listing Rules |
| "Board" | the board of Directors |
| "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 |
| "Completion" | completion of the sale and purchase of the Subject Interest pursuant to the terms of the Equity Transfer Agreement |
| "controlling shareholder" | has the meaning ascribed to it under the Listing Rules |
| "connected person" | has the meaning ascribed to it under the Listing Rules |
| "Consideration" | the total consideration determined according to the Equity Transfer Agreement and payable by the Purchaser to the Company for the Disposal under the Equity Transfer Agreement |
| "Directors" | directors of the Company |
| "Disposal" | the disposal of the Subject Interest by the Company to the Purchaser pursuant to the Equity Transfer Agreement |
| "EGM" | the extraordinary general meeting of the Company to be held on 15 June 2016 for the approval of, among others, the Equity Transfer Agreement and the transactions contemplated thereunder |
| "Equity Transfer Agreement" | the equity transfer agreement dated 28 March 2016 entered into among the Company, the Purchaser and the Target Company in respect of the Disposal |

| | |
|---|---|
| "Group" | the Company and its subsidiaries |
| "Hong Kong" | The Hong Kong Special Administrative Region of the PRC |
| "Independent Board Committee" | the committee of Directors consisting of Mr. Chen Jianguo, Mr. Wang Lijin and Mr. Li Wing Sum Steven, being all the independent non-executive Directors, formed to advise the Independent Shareholders in respect of the terms of the Equity Transfer Agreement |
| "Independent Financial Adviser" or "Hercules Capital" | Hercules Capital Limited, a corporation licensed to carry out type 6 regulated activities (advising on corporate finance) under the SFO, and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Equity Transfer Agreement and the transactions contemplated thereunder |
| "Independent Shareholders" | in respect of the transactions contemplated by the Equity Transfer Agreement, the Shareholders other than the Purchaser and its close associates |
| "Latest Practicable Date" | 27 April 2016, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular |
| "Listing Rules" | the Rules Governing the Listing of Securities on the Stock Exchange |
| "PRC" | the People's Republic of China (for the purpose of this circular, excluding Hong Kong, Taiwan and the Macau Special Administrative Region of the PRC) |
| "Purchaser" or "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 |
| "RMB" | Renminbi, the lawful currency of the PRC |
| "Subject Interest" | 66% equity interest in the Target Company owned by the Company as at the dates of the Announcements and this circular |
| "SFO" | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |

| | |
|---|---|
| "Shares" | shares of the Company |
| "Shareholders" | shareholders of the Company |
| "Stock Exchange" | The Stock Exchange of Hong Kong Limited |
| "subsidiary" | has the meaning ascribed to it under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) |
| "Target Company" or "Wuxin Copper" | Xinjiang Wuxin Copper Industry Co., Ltd.* (新疆五鑫銅業有限責任公司), a limited liability company incorporated in the PRC |
| "US" | United States of America |
| "%" | per cent |

* *For identification purpose only*

# 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)**

*Executive Directors:*
Mr. Guo Quan
Mr. Lu Xiaoping

*Non-executive Directors:*
Mr. Guo Haitang
Mr. Shi Wenfeng
Mr. Zhou Chuanyou
Mr. Hu Chengye

*Independent Non-executive Directors:*
Mr. Chen Jianguo
Mr. Wang Lijin
Mr. Li Wing Sum Steven

*Statutory address and principal place of business in the PRC:*
7/F Youse Building
No. 4 You Hao North Road
Urumqi, Xinjiang

*Registered office in Hong Kong:*
6/F Nexxus Building
41 Connaught Road Central
Central, Hong Kong

29 April 2016

*To the Shareholders and for information purpose only,*

Dear Sir or Madam,

## MAJOR TRANSACTION AND CONNECTED TRANSACTION IN RELATION TO XINJIANG WUXIN COPPER INDUSTRY CO., LTD AND PROPOSED APPOINTMENT OF SUPERVISOR

### INTRODUCTION

The Board refers to the Announcements.

On 28 March 2016, the Purchaser and the Target Company entered into the Equity Transfer Agreement pursuant to which the Company has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, the Subject Interest at the Consideration payable by the Purchaser in accordance with the terms and conditions of the Equity Transfer Agreement.

The purposes of this circular are to provide you with, among other things: (i) further information regarding the Disposal; (ii) the recommendation from the Independent Board Committee to the Independent Shareholders regarding the Disposal; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iv) other information as required by the Listing Rules; and (v) the information on certain proposed resolutions to be considered at the EGM to enable you to make an informed decision on whether to vote for or against those resolutions at the EGM.

**THE DISPOSAL**

**The Equity Transfer Agreement**

***Date***

28 March 2016

***Parties***

(i) The Company

(ii) The Purchaser and

(iii) The Target Company

***Assets to be disposed of***

Pursuant to the Equity Transfer Agreement, the Company has conditionally agreed to sell and the Purchaser has conditionally agreed to acquire the Subject Interest, representing 66% equity interest of the Target Company.

***Consideration***

Pursuant to the Equity Transfer Agreement, the Consideration will be determined as follows:

(i) if 66% of the audited net asset value of the Target Company as at 31 December 2015 is no less than RMB12 million, the Consideration will be the actual amount of 66% of the audited net asset value of the Target Company; or

(ii) if 66% of the audited net asset value of the Target Company as at 31 December 2015 is less than RMB12 million, the Consideration will be RMB12 million.

As 66% the audited net asset value of the Target Company based on the audited accounts of the Target Company as at 31 December 2015 is less than RMB12 million, the Consideration payable by the Purchaser to the Company is RMB12 million.

The Consideration shall be payable in cash in the following manner:

(i) 50% of the Consideration shall be paid within seven days from the signing date of the Equity Transfer Agreement; and

(ii) the remaining 50% of the Consideration shall be paid within seven days after the Equity Transfer Agreement has become effective.

The Consideration was determined after arm's length negotiation between the Company and the Purchaser, having regard to the net asset value of the Target Company as at 31 December 2015.

***Conditions Precedent***

The Equity Transfer Agreement shall become effective upon approval of the Equity Transfer Agreement and the transactions contemplated thereunder by the Board and the Shareholders at the EGM.

***Completion***

Completion shall take place within fifteen days after the Equity Transfer Agreement has become effective.

Upon Completion, the Company shall cease to hold any interest in the Target Company and the Target Company will cease to be a subsidiary of the Company.

**FINANCIAL EFFECT OF THE DISPOSAL**

After Completion, the Target Company will cease to be a subsidiary of the Company and its financial results, assets and liabilities will no longer be included in the consolidated financial statements of the Group.

Based on the audited accounts of the Target Company as at 31 December 2015, the audited net asset value of the Target Company amounted to approximately RMB17,991,004.65. As 66% of such amount is equivalent to RMB11,874,063.07 and less than RMB12 million, according to the terms of the Equity Transfer Agreement, the Consideration is RMB12 million. As such, the gain of the Disposal for the Company is expected to be approximately RMB125,936.93. In addition, on the assumption that the Disposal took place and was completed on 31 December 2015, based on the audited financial information of the Target Company as at 31 December 2015, the total assets and total indebtedness of the Group would decrease by approximately RMB3,420.4 million and RMB2,156.2 million, respectively.

On 20 April 2016, the Company published its unaudited financial statements for the three months ended 31 March 2016. Based on the unaudited financial information of the Group and the Target Company for the period ended 31 March 2016, and assuming that the Disposal took place and was completed on 31 March 2016, the expected gain from the Disposal would amount to approximately RMB25.9million, and the unaudited total assets and unaudited total indebtedness of the Group would decrease by approximately RMB3,432.4 million and RMB2,047.3 million, respectively.

Shareholders should note that the financial effect is shown for reference only and the amount of disposal gain eventually to be recognized in the consolidated accounts of the Company depends on the financial position of the Target Company as at Completion.

## REASONS FOR AND BENEFITS OF THE DISPOSAL

Since last decade, the emerging economies, especially the urbanization and industrialization of China, had promoted the rapid growth of global copper consumption. The overflow of mobility of global quantitative easing and expectation of market inflation, as well as the increases in the costs of copper mining, smelting and labour, had caused an upward trend of the market prices of copper in a fluctuation manner. The continuously high copper prices had stimulated the new construction, renovation and expansion of global copper mines since 2006. Wuxin Copper was then established in 2009 with designed copper smelting capacity of 100,000 tonnes per year and, after four years construction, started the trial operation of copper smelting in 2014 followed by full operation in 2015. However, the expansion of global copper mines projects since 2006 led to the surplus of global supply of copper concentrates since 2013. The surplus supply of copper caused copper prices to remain lacklustre in the past three years. In 2015, copper prices dropped significantly, with the biggest drop of 27.5% in magnitude during the year, mainly due to the imbalance of supply and demand and other unfavourable factors such as strong US dollars. Wuxin Copper had therefore suffered significant operating losses in the years ended 31 December 2014 and 2015. To prevent the continuous loss suffered by Wuxin Copper to further impact the financial performance of the Group, the Board decided to dispose of Wuxin Copper. The Board has reviewed the financial performance of Wuxin Copper for the two years ended 31 December 2015 and 2014 and in light of the price trend of copper, Wuxin Copper will continue to suffer loss which will impact the financial performance of the Group as its financial results, assets and liabilities are included in the consolidated financial statements of the Group if it continues to be a subsidiary of the Company. The Board is of the view that the Target Company will continue to suffer operating loss in the future due to its high costs of production mainly attributable to the high depreciation and the low efficiency ratio arising from the below-planned production capacity, and its high cost of finance attributable to the high total indebtedness.

The existing copper smelter of the Group (excluding Wuxin Copper) processes copper concentrates produced from the Group's own mines and has an annual smelting and refining capacity of 13,000 tonnes of copper cathode. The amount of copper cathode that can be processed from the copper concentrates produced from the Group's own mines is less than 13,000 tonnes per year. Accordingly, the existing copper smelting capacity of the Group is sufficient for the Group's own use and the disposal of Wuxin Copper does not affect the existing copper smelting capacity of the Group. The Group commenced the construction of Wuxin Copper in 2009 to expand its copper smelting capacity with the anticipation of tapping into the growing global demand and rising prices for copper. However, by the time the construction of copper smelter of Wuxin Copper was completed in 2014, the global demand and the prices for copper had dropped significantly and it would no longer be profitable for the Group to purchase copper concentrates from third parties for processing by Wuxin Copper into copper cathode. Accordingly, the Group would continue to focus on its key products, i.e. nickel, while maintaining its existing copper smelting capacity of 13,000 tonnes of copper cathode per year.

In addition to the benefit of having better operating results for the Group, the Group will also benefit from the better debt to asset ratios after the Disposal which is a relief from further financial burden.

Below is a table illustrating the debt to asset ratios of the Group with and without the Target Company as at 31 December 2014 and 2015 and 31 March 2016, based on the 2015 audited financial statements and the first quarter 2016 consolidated management accounts of the Group, respectively:

| | With Target Company | | | Without Target Company | | |
|---|---|---|---|---|---|---|
| | 31 December 2014 | 31 December 2015 | 31 March 2016 | 31 December 2014 | 31 December 2015 | 31 March 2016 |
| Debt to Total Assets Ratio | 37.1% | 40.7% | 42.5% | 24.0% | 31.8% | 35.9% |
| | *RMB million* | *RMB million* | *RMB million* | *RMB million* | *RMB million* | *RMB million* |
| Total Assets | 11,885.8 | 11,903.2 | 12,196.8 | 7,555.8 | 8,470.8 | 8,752.4 |
| Total debts | 4,405.2 | 4,847.6 | 5,187.6 | 1,813.2 | 2,691.4 | 3,140.3 |

## INFORMATION ON THE PARTIES

### The Company

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

### The Purchaser

The Purchaser is principally engaged in, among other things, investment in nonferrous metal industry and sale of non-ferrous metal products.

### The Target Company

The Target Company is a company incorporated in the PRC in September 2009 with limited liability and has a registered share capital of RMB830 million, of which RMB547.8 million was contributed by the Company. Accordingly, the Target Company is owned as to 66% by the Company. The Target Company is principally engaged in copper smelting operations.

The audited net losses (both before and after taxation and extraordinary items) attributable to the Group's interest in the Target Company for the financial years ended 31 December 2014 and 31 December 2015 are as follows:

| | For the year ended 31 December | |
|---|---|---|
| | 2015 | 2014 |
| Net loss before taxation and extraordinary items | RMB(593,120,906.10) | RMB(188,557,364.19) |
| Net loss after taxation and extraordinary items | RMB(593,132,239.53) | RMB(188,557,364.19) |

## LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the Disposal is 25% or more but less than 75%, the Disposal constitutes a major transaction for the Company and is therefore subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules .

As at the date of this circular, the Purchaser 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, the Purchaser is a connected person of the Company and the Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Given that each of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Equity Transfer Agreement exceeds 5%, the Disposal is subject to the reporting, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

## RECOMMENDATION

The Directors (including the independent non-executive Directors) believe that the terms of the Equity Transfer Agreement has been negotiated on an arm's length basis and on normal commercial terms and are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Mr. Guo Haitang is the Chairman of Xinjiang Non-ferrous and also acts as the legal representative of Xinjiang Non-ferrous to sign any deeds, material contracts and other material documents of Xinjiang Non-ferrous. Mr. Shi Wenfeng is the deputy general manager of Xinjiang Non-ferrous. Accordingly, Mr. Guo Haitang and Mr. Shi Wenfeng (both of whom are non-executive Directors of the Company) have abstained from voting on the relevant resolutions approving the Equity Transfer Agreement and the transactions contemplated thereunder pursuant to the articles of association of the Company and the Listing Rules. Save as disclosed above, none of the Directors has a material interest in the Disposal or is required to abstain from voting from the relevant resolutions of the Board.

The Board would recommend the Independent Shareholders to vote in favour of the relevant resolutions to approve the Equity Transfer Agreement and the transactions contemplated thereunder at the EGM.

## APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

The Company has appointed Hercules Capital as the independent financial adviser to the Company for providing advice to the Independent Board Committee and Independent Shareholders on whether the terms of the Equity Transfer Agreement are fair and reasonable, and whether they are in the interest of the Company and the Shareholders as a whole. A letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders is set out on pages 11 to 25 of this circular. The letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders indicates that the Independent Financial Adviser considers the terms of the Equity Transfer Agreement are fair and reasonable to the Shareholders, and entering into the Equity Transfer Agreement is in the interests of the Company and the Shareholders as a whole.

**INDEPENDENT BOARD COMMITTEE**

The Company has established an Independent Board Committee comprising all independent non-executive Directors for providing advice to the Independent Shareholders on whether the terms of the Equity Transfer Agreement are fair and reasonable, and whether they are in the interest of the Company and the Shareholders as a whole. Having considered the advice of the Independent Financial Adviser, the independent non-executive Directors are of the view that the terms of the Equity Transfer Agreement are fair and reasonable and entering into the Equity Transfer Agreement is in the interests of the Company and the Shareholders as a whole. A letter from the Independent Board Committee to the Independent Shareholders is set out on pages 9 to 10 of this circular.

**CONNECTED PERSONS WHO ARE REQUIRED TO ABSTAIN FROM VOTING ON THE RESOLUTIONS**

Pursuant to Rule 14A.36 of the Hong Kong Listing Rules, any shareholder with a material interest in the relevant connected transaction is required to abstain from voting on the relevant resolution at the EGM.

As at the Latest Practicable Date and to the best knowledge, information and belief of the Directors, the Purchaser and its close associates in aggregate hold 885,204,000 Shares, representing approximately 40.06% of the entire issued share capital of the Company, and the Purchaser and its close associates will abstain from voting on the resolutions to be proposed at the EGM. Save as disclosed above, none of the other Shareholders must abstain from voting on the relevant resolutions.

**OTHER BUSINESS TO BE CONSIDERED AT THE EGM**

Other ordinary resolutions to be proposed at the EGM for the Shareholders to consider and approve include, among others, the appointment of Ms. Chen Rong as a shareholders' representative Supervisor of the Company.

Business to be transacted at the EGM are set out in further details on pages 34 to 36 in the notice of EGM. In order to enable you to have a better understanding of the resolutions at the EGM and to make well-informed decisions, we have provided detailed information in respect of the business for the EGM in Appendix III to this circular.

**EGM**

A notice of the EGM is set out on pages 34 to 36 of this circular. The EGM will be convened and held at 11:00 a.m. on Wednesday, 15 June 2016 at 19th Level, Conference Room, Youse Building, No. 4 You Hao North Road, Urumqi, Xinjiang, the People's Republic of China, at which the relevant resolution will be proposed to the Shareholders to consider and, if thought fit, to approve, among others, the Equity Transfer Agreement and the transactions contemplated thereunder.

Whether or not you are able to attend the meeting, you are requested to complete the form of proxy which was sent out on 29 April 2016 in accordance with the instructions printed thereon and return the same to the Company's H share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible and in any event not later than 24 hours before the time appointed for holding the meeting or any adjournment thereof.

Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

**PROCEDURES FOR VOTING AT THE EGM**

According to Rule 13.39(4) of the Listing Rules, any vote at a general meeting must be taken by poll.

**ADDITIONAL INFORMATION**

Your attention is also drawn to the letter from the Independent Board Committee to the Independent Shareholders, the letter form the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, and additional information set out in the Appendices to this circular.

Yours faithfully,
For and on behalf of
**Xinjiang Xinxin Mining Industry Co., Ltd.***
**Zhang Junjie, Lam Cheuk Fai**
*Joint Company Secretaries*

* *For identification purposes only*

**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)**

29 April 2016

*To the Independent Shareholders*

Dear Sir or Madam,

**MAJOR TRANSACTION AND CONNECTED TRANSACTION IN RELATION TO XINJIANG WUXIN COPPER INDUSTRY CO., LTD**

We refer to the circular issued by the Company to the Shareholders of the company dated 29 April 2016 (the "**Circular**") of which this letter forms part. Capitalized terms defined in this Circular shall have the same meanings in this letter unless the context otherwise requires.

The Purchaser 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, the Purchaser is a connected person of the Company and the Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Disposal is 25% or more but less than 75%, the Disposal constitutes a major transaction under Chapter 14 of the Listing Rules.

We have been appointed by the Board to consider the terms of the Equity Transfer Agreement and to advise the Independent Shareholders as to whether, in our opinion, its terms are fair and reasonable so far as the Independent Shareholders are concerned. Hercules Capital has been appointed as the Independent Financial Adviser to advise us in this respect.

We wish to draw your attention to the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders of the Circular issued by Hercules Capital Limited, which contains its advice to the Independent Board Committee and the Independent Shareholders on the terms of the Equity Transfer Agreement (the text of the letter of advice is set out on pages 11 to 25 of the Circular). Having considered the advice of Hercules Capital, we are of the view that the terms of the Equity Transfer Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and its Shareholders as a whole although it is not conducted in the ordinary and usual course of business of the Group. Our view related to fairness and reasonableness is necessarily based on information, facts and circumstances currently prevailing.

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve to Equity Transfer Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of the Independent Board Committee
**Xinjiang Xinxin Mining Industry Co., Ltd.***
**Mr. Chen Jianguo, Mr. Wang Lijin and Mr. Li Wing Sum Steven**
*Independent non-executive Directors*

*The following is the full text of the letter from the Independent Financial Adviser setting out their opinion to the Independent Board Committee and the Independent Shareholders in respect of the Disposal for the purpose of inclusion in this circular.*

**Hercules**

**Hercules Capital Limited**

1503 Ruttonjee House
11 Duddell Street
Central
Hong Kong

29 April 2016

*To the Independent Board Committee and*
*the Independent Shareholders*

Dear Sirs,

## MAJOR TRANSACTION AND CONNECTED TRANSACTION IN RELATION TO THE DISPOSAL OF XINJIANG WUXIN COPPER INDUSTRY CO., LTD.

### INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders with respect to the Disposal, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular dated 29 April 2016 to the Shareholders (the "**Circular**"), of which this letter forms part. Capitalized terms used in this letter have the same meanings as defined elsewhere in the Circular unless the context requires otherwise.

On 28 March 2016, the Company, the Purchaser and the Target Company entered into the Equity Transfer Agreement, pursuant to which the Company has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, the Subject Interest, representing 66% equity interest of the Target Company, at the Consideration payable by the Purchaser in accordance with the terms and conditions of the Equity Transfer Agreement.

As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the Disposal is 25% or more but less than 75%, the Disposal constitutes a major transaction for the Company and is therefore subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules. As at the Latest Practicable Date, the Purchaser was a controlling Shareholder beneficially interested in approximately 40.06% of the entire issued share capital of the Company. Accordingly, the Purchaser is a connected person of the Company and the Disposal also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. The Disposal is subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The EGM will be convened, at which the relevant resolution will be proposed to the Shareholders to consider and, if thought fit, to approve, by way of poll, the Equity Transfer Agreement and transactions contemplated thereunder.

Pursuant to Rule 14A.36 of the Listing Rules, any Shareholder with a material interest in the relevant connected transaction is required to abstain from voting on the relevant resolution at the EGM. As at the Latest Practicable Date, to the best knowledge, information and belief of the Directors, the Purchaser and its close associates in aggregate held 885,204,000 Shares, representing approximately 40.06% of the entire issued share capital of the Company, and the Purchaser and its close associates will abstain from voting on the resolution to be proposed at the EGM. Save as disclosed above, none of the other Shareholders are required to abstain from voting on the relevant resolution.

The Independent Board Committee, comprising all independent non-executive Directors, namely Mr. Chen Jianguo, Mr. Wang Lijin and Mr. Li Wing Sum Steven, has been established to advise the Independent Shareholders on the Disposal. We, Hercules Capital Limited, have been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard, in particular as to whether the terms of the Equity Transfer Agreement are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

We are not associated with the Group, the Purchaser or their respective associates and do not have any shareholding in any member of the Group or right (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, securities in any member of the Group. Apart from normal professional fees payable to us in connection with this appointment, no arrangements exist whereby we will receive any fee or benefit from the Group, the Purchaser or their respective associates.

**BASIS OF OUR OPINION**

In formulating our opinion and recommendation, we have relied on the information and representations supplied, and the opinions expressed, by the Directors and management of the Company and have assumed that such information and statements, and representations made to us or referred to in the Circular are true, accurate and complete in all material respects as of the date hereof and will continue as such at the date of the EGM. The Directors have collectively and individually accepted full responsibility for the Circular, including particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group and having made all reasonable enquiries have confirmed that, to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in the Circular misleading.

We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. We have no reasons to suspect that any material information has been withheld by the Directors or management of the Company, or is misleading, untrue or inaccurate, and consider that they may be relied upon in formulating our opinion. We have not, however, for the purpose of this exercise, conducted any independent detailed investigation or audit into the businesses or affairs or future prospects of the Group and the related subject of, and parties to, the Equity Transfer Agreement. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change this opinion and that we do not have any obligation to update, revise or reaffirm this opinion.

**PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our opinion regarding the Disposal, we have considered the following principal factors and reasons:

**1. Information on the Group**

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

The audited consolidated financial information of the Group for the two years ended 31 December 2015, which was extracted from the annual report of the Company, is summarized as follows:

| | For the year ended 31 December | |
|---|---|---|
| | **2015** | **2014** |
| | *RMB'000* | *RMB'000* |
| Revenue | | |
| – Copper cathode | 2,096,137 | 1,554,838 |
| – Nickel cathode | 160,761 | 1,541,849 |
| – Others | 428,979 | 295,737 |
| | 2,685,877 | 3,392,424 |
| Operating (loss)/profit | (1,004,785) | 25,590 |
| Total (loss)/profit | (999,410) | 31,847 |
| Net (loss)/profit attributable to the Shareholder | (741,029) | 77,762 |

| | As at 31 December | |
|---|---|---|
| | **2015** | **2014** |
| | *RMB'000* | *RMB'000* |
| Non-current assets | 7,706,527 | 7,649,955 |
| Current assets | 4,196,641 | 4,235,882 |
| Total assets | 11,903,168 | 11,885,837 |
| Non-current liabilities | 2,650,734 | 2,381,397 |
| Current liabilities | 4,588,113 | 3,905,599 |
| Total liabilities | 7,238,847 | 6,286,996 |
| Net current (liabilities)/assets | (391,472) | 330,283 |
| Net assets | 4,664,321 | 5,598,841 |
| Net assets attributable to the Shareholder | 4,581,401 | 5,313,819 |

For the year ended 31 December 2015, the revenue of the Group amounted to approximately RMB2,685.9 million, representing a decrease of approximately 20.8% as compared to the last year, of which approximately 78.0% (2014: 45.8%) was derived from the sales of copper cathode, approximately 6.0% (2014: 45.5%) was derived from the sales of nickel cathode and the remaining approximately 16.0% (2014: 8.7%) was derived from the sales of other products, including copper concentrate, anode slime, electrolytic cobalt, gold, silver, platinum and palladium, and other operations. Despite a significant drop in selling price of copper cathode for the relevant period, the revenue from sales of copper cathode for the year ended 31 December 2015 increased by approximately 34.8%, as compared to the last year, to approximately RMB2,096.1 million. Such increase was mainly due to the increase in the sales volume of copper cathode resulted from the increase in the Group's production. The average selling price of the Group's copper cathode for the year ended 31 December 2015 amounted to RMB34,629 per tonne, representing a reduction of approximately 16.8% as compared to the previous year while the sales volume of copper cathode was 60,531 tonnes for the year ended 31 December 2015, representing an increase of approximately 62.0% as compared to the prior year.

The revenue from sales of nickel cathode for the year ended 31 December 2015 decreased significantly by approximately 89.6% to approximately RMB160.8 million as a result of decreases in both the sales volume and selling price of nickel cathode. The average selling price of the Group's nickel cathode for the year ended 31 December 2015 amounted to RMB77,775 per tonne, representing a drop of approximately 24.2% as compared to the previous year. In view of the continuous drop of the market price of nickel cathode, the Group adopted the strategies of stocking up the inventories and reducing the sales volume of nickel cathode in order to save the nickel cathode stock for sale at a higher market price in the future. As such, the Group reduced the sales volume of nickel cathode intentionally by approximately 86.2% from 15,029 tonnes for the year ended 31 December 2014 to 2,067 tonnes for the year ended 31 December 2015.

For the year ended 31 December 2015, the average cost of sales of copper cathode of the Group was RMB37,603 per tonne, representing a decrease of approximately 5.9% as compared to that of 2014. The average cost of sales of copper cathode of the Company's Fukang Refinery was RMB27,234 per tonne while the Target Company's average cost of sales of copper cathode was RMB39,917 per tonne. The average cost of sales of Fukang Refinery varied significantly from that of the Target Company because different smelting methodologies were adopted and different raw materials were used for production by the two smelting plants. Meanwhile, the average cost of sales of nickel cathode of the Group for the year ended 31 December 2015 was RMB86,180 per tonne, representing an increase of approximately 6.8% as compared to that of 2014.

Given the significant decrease in selling prices of copper cathode and nickel cathode and the relatively high production costs of copper cathode and nickel cathode, the Group recorded a gross loss from main operation in the amount of approximately RMB246.9 million for the year ended 31 December 2015, while a gross profit of approximately RMB380.6 million was recorded for the year ended 31 December 2014. For the year ended 31 December 2015, the selling expenses and the general and administrative expenses increased by an aggregate amount of approximately RMB50.2 million as a result of the increases in loading and transportation costs of products, employees' salaries, taxes and depreciation and amortization, and the net finance expenses increased by approximately RMB73.4 million. During the year ended 31 December 2015, assets impairment losses amounted to approximately RMB298.2 million was recognized while assets impairment reversal of approximately RMB1.9 million was recorded in the previous year. The Group recorded an operating loss of approximately RMB1,004.8 million for the year ended 31 December 2015 while an operating profit of approximately RMB25.6 million was recorded for the year ended 31 December 2014. The total loss and the net loss attributable to the Shareholders for the year ended 31 December 2015 were amounted to approximately RMB999.4 million and RMB741.0 million respectively while the total profit and the net profit attributable to the Shareholders amounted to approximately RMB31.8 million and RMB77.8 million respectively were recorded for the year ended 31 December 2014.

As at 31 December 2015, the non-current assets of the Group amounted to approximately RMB7,706.5 million, which mainly comprised fixed assets (buildings, mining structure, machinery and equipment, motor vehicles and electronic and office equipment) of approximately RMB4,995.1 million, construction in progress of approximately RMB1,345.2 million and intangible assets (mining rights, exploration rights, land use rights and others) of approximately RMB1,033.2 million, while the current assets of the Group amounted to approximately RMB4,196.6 million, which mainly consisted of cash at bank and on hand of approximately RMB762.3 million, accounts receivable of approximately RMB115.3 million, other receivables of approximately RMB106.7 million and inventories of approximately RMB2,684.9 million. The non-current liabilities of the Group amounted to approximately RMB2,650.7 million as at 31 December 2015, which mainly included long-term borrowings and bond payable of approximately RMB1,068.8 million and RMB1,300.0 million respectively. The current liabilities of the Group as at 31 December 2015 amounted to approximately RMB4,588.1 million, which mainly comprised short-term borrowings of approximately RMB1,500.0 million, financial liabilities at fair value and its changes recognised through profit or loss of approximately RMB404.2 million, notes payable of approximately RMB748.4 million, accounts payable of approximately RMB582.6 million, other payables of approximately RMB638.3 million and current portion of non-current liabilities of approximately RMB576.0 million. As at 31 December 2015, the net current liabilities of the Group amounted to approximately RMB391.5 million while the net assets and the net assets attributable to owners of the Company amounted to approximately RMB4,664.3 million and RMB4,581.4 million respectively. The gearing ratio, as expressed as total liabilities over total assets, of the Group was approximately 0.61 as at 31 December 2015 (2014: 0.53).

**2. Information on the Target Company**

The Target Company is a company incorporated in the PRC in September 2009 with limited liability and has a registered share capital of RMB830 million, of which RMB547.8 million was contributed by the Company. Accordingly, the Target Company was owned as to 66% by the Company as at the Latest Practicable Date. The Target Company is principally engaged in copper smelting operations. The infrastructure projects of the Target Company with an annual output of 100,000 tonnes of copper cathode commenced trial production in June 2014 and was in full operation in 2015.

The audited financial information of the Target Company for the two years ended 31 December 2015, which was prepared according to the generally accepted accounting principles of the PRC, is summarized as follows:

| | **For the year ended 31 December** | |
|---|---|---|
| | **2015** | **2014** |
| | *RMB'000* | *RMB'000* |
| Revenue | 2,101,011 | 1,505,388 |
| Cost of sales | (2,399,439) | (1,532,643) |
| Operating loss | (594,984) | (190,108) |
| Total loss before taxation | (593,121) | (188,557) |
| Net loss after taxation | (593,132) | (188,557) |

| | **As at 31 December** | |
|---|---|---|
| | **2015** | **2014** |
| | *RMB'000* | *RMB'000* |
| Non-current assets | 2,224,132 | 2,258,041 |
| Current assets | 1,276,602 | 2,087,346 |
| Total assets | 3,500,734 | 4,345,387 |
| Non-current liabilities | 844,823 | 1,260,887 |
| Current liabilities | 2,637,920 | 2,473,377 |
| Total liabilities | 3,482,743 | 3,734,264 |
| Net current liabilities | (1,361,318) | (386,031) |
| Net assets | 17,991 | 611,123 |

The revenue of the Target Company for the year ended 31 December 2015 was approximately RMB2,101.0 million, of which approximately 81.7% (2014: 86.1%) was derived from the sales of copper cathode and the remaining approximately 18.3% (2014: 13.9%) was derived from the sales of anode slime, sulfuric acid and other products. The increase in revenue of approximately 39.6%, as compared to that of the last year, was mainly attributable to the increase in sales volume of copper cathode of approximately 18,335 tonnes, representing an increase of approximately 58.9% as compared to the previous year. On the other hand, the Target Company's average selling prices of copper cathode decreased by approximately 16.6% from RMB41,601 per tonne for the year ended 31 December 2014 to RMB34,679 per tonne for the year ended 31 December 2015. Although the average cost of sales of copper cathode of the Target Company also decreased by approximately 4.5% from RMB41,803 per tonne for the year ended 31 December 2014 to RMB39,917 per tonne for the year ended 31 December 2015, the Target Company's average cost of sales of copper cathode was higher than the average selling price and thus a gross loss was recorded for the year ended 31 December 2015. Together with the increases in selling expenses, general and administrative expenses, net finance costs and assets impairment losses of approximately RMB21.6 million, RMB17.6 million, RMB46.1 million and RMB70.7 million respectively for the year ended 31 December 2015, the Target Company recorded an operating loss of approximately RMB595.0 million, representing an increase in loss of approximately 213.0% as compared to the last year. Given that the production volume of the Target Company has not reached its designed capacity, the Target Company suffered from low production efficiency and high production cost. In conjunction with the continuous decrease in market price of copper cathode, the net loss of the Target Company increased from approximately RMB188.6 million for the year ended 31 December 2014 to approximately RMB593.1 million for the year ended 31 December 2015.

As at 31 December 2015, the non-current assets of the Target Company amounted to approximately RMB2,224.1 million, of which approximately RMB2,082.6 million were fixed assets, approximately RMB91.4 million were construction in progress and approximately RMB50.1 million were intangible assets, while the current assets of the Target Company amounted to approximately RMB1,276.6 million, which mainly consisted of cash at bank and on hand of approximately RMB184.3 million, inventories of approximately RMB732.2 million and deductible valued-added tax of approximately RMB241.9 million. The non-current liabilities of the Target Company amounted to approximately RMB844.8 million as at 31 December 2015, which mainly included long-term borrowings of approximately RMB822.8 million. The current liabilities of the Target Company as at 31 December 2015 amounted to approximately RMB2,637.9 million, which mainly comprised short-term borrowings of approximately RMB640.0 million, financial liabilities at fair value and its changes recognised through profit or loss of approximately RMB268.9 million, notes payable of approximately RMB386.8 million, accounts payable of approximately RMB391.5 million, other payables of approximately RMB506.5 million and current portion of non-current liabilities of approximately RMB425.0 million. As at 31 December 2015, the net current liabilities and net assets of the Target Company amounted to approximately RMB1,361.3 million and RMB18.0 million respectively. The gearing ratio, as expressed as total liabilities over total assets, of the Target Company was approximately 0.99 as at 31 December 2015 (2014: 0.86).

**3. Reasons for the Disposal**

As set out in the Letter from the Board, the Target Company was established in 2009 with designed annual copper smelting capacity of 100,000 tonnes. In June 2014, after four years of construction, the Target Company started the trial operation of copper smelting and followed by full operation in 2015. Owing to the expansion of global copper mines projects since 2006, global supply of copper concentrates recorded surplus since 2013 and the copper prices remained lacklustre in the past three years. In 2015, copper prices dropped significantly, with the biggest drop of 27.5% in magnitude during the year, mainly due to the imbalance of supply and demand and other unfavourable factors such as strong US dollars. As a result, the Target Company suffered significant operating losses in the years ended 31 December 2014 and 2015. In view of the decreasing trend of the copper price and the Target Company's high finance cost and high production cost resulted from high depreciation and low efficiency ratio, the Board considered that it would no longer be profitable for the Group to purchase copper concentrates from third parties for processing by the Target Company into copper cathode and the Target Company might continue to suffer operating loss in the future. In order to prevent further losses that might impact the financial performance of the Group, the Board decided to dispose of the Target Company and continue to focus on another key product, i.e. nickel, while maintaining its existing copper smelting capacity of 13,000 tonnes per year.

According to the statistics released by China Nonferrous Metals Industry Association, a national and non-profit association with members from enterprises, institutions and social organizations relating to China's nonferrous metals industry and administrated under the State-owned Assets Supervision and Administration Commission of the State Council and the PRC Ministry of Civil Affairs, the production volume of refined copper for the year ended 31 December 2015 was approximately 8.0 million tonnes, representing an increase of approximately 4.8% as compared to the previous year. Based on March 2016 Copper Bulletin released on 21 March 2016 by The International Copper Study Group ("**ICSG**"), an inter-governmental organization that serves to increase copper market transparency and promote international discussions and cooperation on the issues related to copper, the refined copper balance for 2015 indicated a small production deficit of 57,000 tonnes while the production deficit was 420,000 tonnes in 2014. The world apparent usage of refined copper in 2015 was estimated to have remained essentially unchanged with that in 2014 while the apparent usage of refined copper in the PRC increased by approximately 3% in 2015. ICSG also indicated in its publication of The Copper Market Forecast 2016/2017 that the world refined copper production was estimated to increase by 0.5% to 23.0 million tonnes in 2016 and grow at a rate of 2% in 2017. ICSG also projected that the world apparent usage of refined copper in 2016 would remain essentially flat as the apparent demand in the PRC was expected to have only a slight increase of 0.5% and the world apparent usage of refined copper in 2017 would increase by 1.8% with 2.6% growth in the underlying expected Chinese industrial demand.

With reference to the data released by ICSG, the copper price increased to its peak in 2011 and has shown a decreasing trend since then. The average copper price in the London Metal Exchange ("**LME**") was US$8,811 per tonne in 2011, US$7,950 per tonne in 2012, US$7,322 per tonne in 2013, US$6,862 per tonne in 2014 and US$5,495 per tonne in 2015, representing a negative compound annual growth rate of approximately 11.1%. The average LME copper price further decreased to US$4,531 for the two months ended 29 February 2016, which was approximately 17.5% below the 2015 average price. The average spot price (including tax) of copper cathode in Shanghai Yangtze River Non-ferrous Metals Spot Market was RMB53,346 per tonne, RMB49,160 per tonne and RMB40,852 per tonne in 2013, 2014 and 2015 respectively, representing a negative compound annual growth rate of approximately 12.5%. According to the data released by International Monetary Fund ("**IMF**"), an organization governed by, and accountable to, 188 countries to ensure the stability of the international monetary system and other macroeconomic and financial sector issues that bear on global stability, the average price of copper decreased by approximately 20% in 2015 as compared to 2014 and it was expected that the price of copper would further decrease in a compound annual rate of 11.1% from 2015 to 2017. Based on the above, we concur with the view of the Directors that the copper cathode market has a gloomy prospect in the foreseeable future.

The existing copper smelter of the Group (excluding the Target Company) processes copper concentrates produced from the Group's own mines and has an annual production capacity of 13,000 tonnes of copper cathode. The copper cathode that can be processed from the Group's own mines amounts up to approximately the annual smelting and refining capacity of 13,000 tonnes per year. Accordingly, the existing copper smelting capacity of the Group is sufficient for the Group's own use and the Disposal will not affect the remaining copper smelting operations of the Group. The Group will continue to focus on the mining, ore processing, smelting and refining of nickel, copper and other non-ferrous metals, which include cobalt and precious metals such as gold, silver, platinum and palladium in the future.

It is estimated that the net proceeds from the Disposal, after deducting expenses attributable to the Disposal of approximately RMB0.2 million, will be approximately RMB11.8 million, which will be applied for general working capital of the Group.

Given that (i) the performance of the Target Company was unsatisfactory with escalating gross loss, operating loss and net loss in the past few years; (ii) the Target Company is encountering a financial distress with an increasing net current liabilities; (iii) the price of copper has been decreasing since 2011 and the forecast on future price is, generally, pessimistic for the near future; and (iv) the copper cathode market has a gloomy prospect in the foreseeable future, we concur with the view of the Directors that a breakthrough improvement in the performance of the Target Company is difficult, even if not impossible, to achieve whereas the Disposal can provide the Company with an opportunity to realize its investment in the Target Company at a fair price and provide additional working capital for the Group. Based on the above and having considered the positive financial effects of the Disposal, details of which are set out in the section headed "Financial effects of the Disposal" below, we consider that the entering into of the Equity Transfer Agreement is in the interests of the Company and the Shareholders as a whole.

**4. Principal terms of the Equity Transfer Agreement**

On 28 March 2016, the Company, the Purchaser and the Target Company entered into the Equity Transfer Agreement, pursuant to which the Company has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, the Subject Interest, being the 66% equity interest in the Target Company owned by the Company.

Pursuant to the Equity Transfer Agreement, the Consideration will be determined as follows:

(i) if 66% of the audited net asset value of the Target Company as at 31 December 2015 is no less than RMB12 million, the Consideration will be the actual amount of 66% of the audited net asset value of the Target Company; or

(ii) if 66% of the audited net asset value of the Target Company as at 31 December 2015 is less than RMB12 million, the Consideration will be RMB12 million.

As 66% of the audited net asset value of the Target Company based on the audited accounts of the Target Company as at 31 December 2015 is less than RMB12 million, the Consideration payable by the Purchaser to the Company is RMB12 million.

The Consideration shall be payable in cash in the following manner:

(i) 50% of the Consideration shall be paid within seven days from the signing date of the Equity Transfer Agreement; and

(ii) the remaining 50% of the Consideration shall be paid within seven days after the Equity Transfer Agreement has become effective.

The Consideration was determined after arm's length negotiation between the Company and the Purchaser, having regard to the net asset value of the Target Company as at 31 December 2015.

In forming our opinion on the fairness and reasonableness of the Consideration, we have considered the commonly adopted comparable approaches in evaluation of a company, namely price-to-earnings approach, dividends approach and net assets approach. However, given the Target Company recorded a loss for each of the year ended 31 December 2014 and 2015, we consider that the price-to-earnings approach is not applicable for assessing the value of the Target Company. Furthermore, the Target Company had no dividend payment records for the past two years, we consider that the dividends approach is also not applicable for assessing the value of the Target Company.

Based on the audited accounts of the Target Company, the net asset value of the Target Company as at 31 December 2015 amounted to approximately RMB18 million. Accordingly, the net asset value of the Target Company attributable to the Subject Interest amounted to approximately RMB11.9 million and the price-to-book ratio (the "**PBR**") of the Target Company implied by the Consideration of RMB12 million is 1.01 times.

We have compared the PBR of the Target Company implied by the Consideration with those of other comparables, which are (a) currently listed on the Stock Exchange as at the Latest Practicable Date; and (b) over 50% of the revenue was derived from sale of copper for the latest financial year. Based on the above-mentioned criteria, we have, to our best knowledge, identified eight comparable companies (the "**Comparables**") as valuation benchmarks, which we considered are fair and representative. Set out in Table 1 is a comparison of the PBR of the Target Company, as implied by the Consideration, and the Comparables as at the Latest Practicable Date.

**Table 1 – PBR of the Comparables and the Target Company**

| **Company name (stock code)** | **Principal business activities** | **PBR as at the Latest Practicable Date** *(times)* |
|---|---|---|
| Jiangxi Copper Company Limited (358) | Smelting, protracting and refining of metal and by-products, after-sale service for self-produced products and relevant consulting service, offshore futures hedging and production and processing of arsenic trioxide related to above services | 0.24 |
| China Daye Non-Ferrous Metals Mining Limited (661) | Mining and processing of mineral ores and trading of metal products | 0.70 |
| KAZ Minerals PLC (847) | Mining, processing, smelting, refining and sale of copper and copper products, including copper cathode and copper rod | 3.79 |
| CST Mining Group Limited (985) | Acquisition, exploration, development and mining of copper and other mineral resources minerals, property investment and investments in financial instruments | 0.60 |
| MMG Limited (1208) | Mining, processing and production of zinc, copper, lead, gold and silver and exploration for mineralization and development of mining projects | 1.78 |

| **Company name (stock code)** | **Principal business activities** | **PBR as at the Latest Practicable Date** *(times)* |
|---|---|---|
| China Nonferrous Mining Corporation Limited (1258) | Exploration, mining, ore processing, leaching, smelting and sale of copper cathodes, blister copper and sulfuric acid | 0.78 |
| Jinchuan Group International Resources Company Limited (2362) | Trading of mineral and metal products; metal mining activities, primarily copper and cobalt production | 0.26 |
| Chinalco Mining Corporation International (3668) | Exploration, development and production of ore resources and other mining related activities | 1.85 |
| Minimum | | 0.24 |
| Maximum | | 3.79 |
| Average | | 1.25 |
| Target Company | Copper smelting operation | 1.01 |

*Source: the website of the Stock Exchange*

As shown in Table 1, the PBRs of the Comparables range from approximately 0.24 times to 3.79 times, with an average of approximately 1.25 times. The implied PBR of the Consideration of approximately 1.01 times falls within the range of the PBR of the Comparables but is lower than the average PBR of the Comparables.

The above comparison with the Comparables is for illustrative purposes only as each of the Comparables may not be entirely comparable to the Target Company in terms of market capitalization, geographical spread of activities, scale of operations, asset base, cash position, debt structure, minority interest, risk profile, track record, composition of their business activities, future prospects and other relevant criteria. All these factors may affect the valuation of a company as indicated by the varied range of result in our comparison. Therefore, in forming our opinion, we have considered the results of the above comparison together with all other factors stated in this letter as a whole.

Due to the aforementioned limitations in the comparable approach, we have also considered to assess the value of the Target Company by discounted cash flows method. However, given valuations using discounted cash flows method involve various subjective assumptions and parameters which may largely affect the value of the subject, we consider that it is inappropriate to use discounted cash flows method to assess the value of the Target Company.

Having considered that (i) the implied PBR of the Consideration falls within the range of the PBR of the Comparables although it is lower than the average of the Comparables; (ii) 5 out of 8 Comparables were traded with a PBR lower than that implied by the Consideration; and (iii) the lack of market liquidity usually discounts the value of a private company and thus it is common for stocks of listed companies to have higher PBRs as compared to private companies, we consider that the Consideration is fair and reasonable so far as the Independent Shareholders are concerned and it is on normal commercial terms.

**5. Financial effects of the Disposal**

***Earnings***

As set out in the Letter from the Board, the net asset value of the Target Company as at 31 December 2015 attributable to the Subject Interest is less than the Consideration of RMB12 million. Therefore, a gain on disposal is expected as a result of the Disposal.

Upon completion of the Disposal, the Company will cease to hold any equity interest in the Target Company and its results will no longer be consolidated into the consolidated financial statements of the Company. Given that the Target Company recorded a loss for the year ended 31 December 2015, the earnings of the Group would have improved had the Disposal been completed on 1 January 2015.

***Cashflow***

The Group will receive, after deducting expenses attributable to the Disposal of approximately RMB0.2 million, net cash proceeds of approximately RMB11.8 million from the Disposal.

***Net asset value***

Upon completion of the Disposal, the Target Company will cease to be a subsidiary of the Company and the assets and liabilities of the Target Company will no longer be consolidated into the consolidated financial statements of the Company. Given a gain on disposal is expected to be recorded in the Group for the Disposal, the net asset value of the Group attributable to equity holders of the Company is expected to increase after Completion.

***Gearing and working capital***

As the decrease in total liabilities will be larger than the decrease in total assets as a result of the Disposal, the gearing of the Group, as expressed as the ratio of total liabilities over total assets, shall improve after Completion. In addition, the Group shall have net current assets instead of net current liabilities immediately upon Completion as the decrease in current liabilities will be larger than the decrease in current assets resulting from the Disposal. Furthermore, the Company intends to use the net proceeds from the Disposal as general working capital of the Group. Hence, the working capital of the Group would be enhanced upon Completion.

Based on the above analysis, we noted that the Disposal would have a positive effect on the Group's earnings, cash position, net assets value attributable to equity holders of the Company, gearing ratio and working capital.

## RECOMMENDATION

Having considered the principal factors and reasons stated above, we are of the view that the Equity Transfer Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole although the transactions under the Equity Transfer Agreement are not conducted in the ordinary and usual course of business of the Group. We therefore recommend the Independent Board Committee to advise the Independent Shareholders, as well as the Independent Shareholders, to vote in favor of the ordinary resolution to be proposed at the EGM to approve the Equity Transfer Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
**Hercules Capital Limited**

**Louis Koo**
*Managing Director*

**Amilia Tsang**
*Director*

*Notes:*

1. Mr. Louis Koo is a licensed person under the SFO to engage in Type 6 (advising on corporate finance) regulated activities and has over 20 years of experience in investment banking and corporate finance.

2. Ms. Amilia Tsang is a licensed person under the SFO to engage in Type 6 (advising on corporate finance) regulated activities and has over 15 years of experience in corporate finance, investment and corporate management.

## 1. STATEMENT OF INDEBTEDNESS

As at the close of business on 31 March 2016, being the latest practicable date for the purpose of ascertaining the indebtedness of the Group prior to the printing of this circular, (a) the total amount of unguaranteed debt securities and term loans of the Group was approximately RMB5,187.6 million, of which RMB778.8 million was secured by the charges of the Group's assets of approximately RMB1,855.4 million and inter-group receivables of approximately RMB100.0 million and RMB4,408.8 million was unsecured, (b) the total amount of other borrowings in the nature of bills payable of the Group was approximately RMB646.0 million, unguaranteed and unsecured, and (c) the total amount of contingent liabilities in nature of guarantee given of the Group was RMB163.8 million.

Save as otherwise disclosed above, and apart from intra-group liabilities and normal trade payables, the Group did not have, at the close of business on 31 March 2016, any other debt securities issued and outstanding, or authorised or otherwise created but unissued, any other term loans, any other borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptance (other than normal trade bills) or acceptance credits or hire purchase commitments, any other mortgages and charges or any guarantees or any finance lease commitments or material contingent liabilities.

## 2. WORKING CAPITAL STATEMENT

As at the Latest Practicable Date, the Directors were of the opinion that, after due and careful enquiry and after taking into account the effect of the Disposal, the present financial resources available to the Group (including internally generated funds and existing bank loans of the Group which will be repaid when they fall due) and the financial need of the Group for the next 12 months from the date of this circular, it is anticipated that it is unlikely that the Group will need to obtain further bank loans for the next 12 months from the date of this circular and the working capital available to the Group is sufficient for its present requirements for at least 12 months from the date of this circular in the absence of unforeseen circumstances.

## 3. FINANCIAL AND TRADING PROSPECTS

After Completion, the Target Company will cease to be a subsidiary of the Company and its financial results, assets and liabilities will no longer be included in the consolidated financial statements of the Group.

Based on the audited accounts of the Target Company as at 31 December 2015, the audited net asset value of the Target Company amounted to approximately RMB17,991,004.65. As 66% of such amount is equivalent to RMB11,874,063.07 and less than RMB12 million, according to the terms of the Equity Transfer Agreement, the Consideration is RMB12 million. As such, the gain of the Disposal is approximately RMB125,936.93. Based on the unaudited financial information of the Group and the Target Company for the period ended 31 March 2016, and assuming that the Disposal took place and was completed on 31 March 2016, the expected gain from the Disposal would amount to approximately RMB25.9 million.

After the Disposal, there will be reduction of 100,000 tonnes of copper cathode per year of copper smelting capacity for the Group. However, such reduction in capacity will not affect the remaining copper smelting operations of the Group. The future business of the Group will continue to focus on the mining, ore processing, smelting and refining of nickel, copper and other non-ferrous metals, which include cobalt and precious metals such as gold, silver, platinum and palladium.

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other facts the omission of which would make any statement contained herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS

**Directors, supervisors and chief executives of the Company**

As at the Latest Practicable Date, save and except for Mr. Zhou Chuanyou, being a Director, who has interest in 480,924,000 domestic shares of the Company as set out in the section headed "Substantial shareholders of the Company" on page 28 of this circular, none of the Directors, supervisors and chief executive of the Company had any interests and short positions in the shares, underlying shares and/or debentures (as the case may be) of the Company or any of its associated corporations (within the meaning of the SFO) which was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest and short position which any such Director, chief executive or supervisor is taken or deemed to have under such provisions of the SFO) or which was required to be entered into the register required to be kept by the Company under section 352 of the SFO or which was otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules.

As at the Latest Practicable Date, none of the Directors or supervisors of the Company had any direct or indirect interest in any assets which have since 31 December 2015 (being the date to which the latest published audited financial statements of the Company were made up) been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

**Substantial Shareholders of the Company**

As at the Latest Practicable Date, so far as the Directors are aware, each of the following persons, not being a Director, chief executive or supervisor of the Company, had an interest in the shares of the Company which falls to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

| | Number of shares held | Class of share | Approximate percentage of shareholding on relevant class of share *(%)* | Approximate percentage of the total share capital *(%)* |
|---|---|---|---|---|
| Xinjiang Non-ferrous | 885,204,000(L) | Domestic share | 61.01 | 40.06 |
| Shanghai Yilian Kuangneng Co., Ltd. ("Shanghai Yilian") *(Note)* | 282,896,000(L) | Domestic share | 19.50 | 12.80 |
| Zhongjin Investment (Group) Ltd. ("Zhongjin Investment") *(Note)* | 198,028,000(L) | Domestic share | 13.65 | 8.96 |
| The National Council for Social Security Fund of the PRC (中國全國社會保障基金理事會) *(Note)* | 69,000,000(L) | H share | 9.09 | 3.12 |

(L): Long positions

*Note:* The entire shareholding or equity interests of Shanghai Yilian and Zhongjin Investment are beneficially owned by Mr. Zhou Chuanyou.

## 3. SERVICE AGREEMENTS

As at the Latest Practicable Date, each of the Directors and supervisors of the Company has entered into a service contract for a term of three years with the Company from 14 October 2014, 22 May 2015 or the date of new appointment to the expiration of the term of the fourth session of the Board of Directors and of the Supervisors Committee of the Company.

Pursuant to Articles 106 and 145 of the Articles of Association, the term for Directors and supervisors of the Company is three years commencing from the date of their respective appointment or re-appointment, subject to re-appointment at a general meeting.

Save as disclosed above, none of the Directors or supervisors of the Company had any existing or proposed service contract with any member of the Group (except contracts expiring or determinable by the Group within one year without payment of compensation (other than statutory compensation)).

## 4. NO MATERIAL ADVERSE CHANGES

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2015, being the date to which the latest published audited financial statements of the Group were made up.

## 5. INTEREST IN CONTRACT

As at the Latest Practicable Date, none of the Directors or supervisors of the Company had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which any member of the Group was a party.

## 6. COMPETING INTEREST

As at the Latest Practicable Date, the following Directors are considered to have interests in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Company, as defined in the Listing Rules:

Mr. Guo Haitang is the Chairman of Xinjiang Non-ferrous and also acts as the legal representative of Xinjiang Non-ferrous to sign any deeds, material contracts and other material documents of Xinjiang Non-ferrous. Mr. Shi Wenfeng is the deputy general manager of Xinjiang Non-ferrous. Mr. Guo and Mr. Shi have not given any confidential or sensitive commercial information of the Company to Xinjiang Non-ferrous or any other third party and have physically abstained the voting right of directors to consider connected transactions with Xinjiang Non-ferrous. As the Board of Directors of the Company is independent from the board of directors of Xinjiang Non-ferrous and the above Directors do not control the Board of the Company, the Group is capable of carrying on its businesses independent from, and at arm's length from, the business of Xinjiang Non-ferrous.

Save as disclosed above, none of the Directors and its subsidiary, or their respective associates (as defined in the Listing Rules) had interests in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

## 7. EXPERT AND CONSENT

(a) The following is the qualifications of the expert who has given opinions and advice which are included in this circular:

| Name | Qualification |
|---|---|
| Hercules Capital | A licensed corporation to carry out type 6 regulated activity (advising on corporate finance) under the SFO |

(b) As at the Latest Practicable Date, Hercules Capital did not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

(c) Hercules Capital has given and has not withdrawn its written consent to the issue of this circular, with the inclusion of the references to its name and/or its opinion in the form and context in which they are included.

(d) As at the Latest Practicable Date, Hercules Capital did not have any direct or indirect interest in any asset which had been acquired, or disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group since 31 December 2015, the date to which the latest published audited financial statements of the Group were made up.

## 8. LITIGATION

As at the Latest Practicable Date, no member of the Group is at present engaged in any litigation or arbitration of material importance to the Company and its subsidiaries and no litigation or claim of material importance to the Company and its subsidiaries is known to the Directors or the Company to be pending or threatened by or against any member of the Company and its subsidiaries.

## 9. MISCELLANEOUS

(a) The statutory address and principal place of business of the Company in the PRC is situated at Youse Building, No.4 You Hao North Road, Urumqi, Xinjiang, the PRC 830000.

(b) The registered office of the Company in Hong Kong is 6/F, Nexxus Building, 41 Connaught Road Central, Central, Hong Kong.

(c) The Hong Kong share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong .

(d) The joint company secretaries of the Company are Mr. Zhang Junjie and Mr. Lam Cheuk Fai. Mr. Zhang Junjie is graduated from Zhongnan Mining and Smelting Institute (中南礦冶學院) with a Bachelor's degree in engineering. Mr. Lam Cheuk Fai, the qualified accountant of the Company, is a fellow member of both the Association of Chartered Certified Accountants of the United Kingdom and the Hong Kong Institute of Certified Public Accountants.

(e) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

## 10. MATERIAL CONTRACTS

As at the Latest Practicable Date, save for the Equity Transfer Agreement dated 28 March 2016 entered into among the Company, the Purchaser and the Target Company in respect of the Disposal, there was no contract (not being contracts entered into the ordinary course of business), entered into by the members of the Group within the two years immediately preceding the issue of this circular.

## 11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the registered office of the Company in Hong Kong at 6/F, Nexxus Building, 41 Connaught Road Central, Central, Hong Kong from the date of this circular up to and including 16 May 2016:

(a) the articles of association of the Company;

(b) the material contract referred to in the paragraph headed "Material Contracts" in this Appendix;

(c) the Equity Transfer Agreement;

(d) the letter of advice from Hercules Capital, the text of which is set out in this circular;

(e) the letter of recommendation from the Independent Board Committee, the text of which is set out in this circular;

(f) the annual reports of the Company for each of the three years ended 31 December 2013, 2014 and 2015;

(g) the service agreements referred to in the paragraph headed "Service Agreements" in this Appendix;

(h) the letter of consent referred to under the paragraph headed "Expert and Consent" in this Appendix; and

(i) this circular.

**TO CONSIDER AND APPROVE NO REMUNERATION OF MR. ZHANG XUEHE AS AN EMPLOYEES' REPRESENTATIVE SUPERVISOR**

Reference is made to the announcement of the Company dated 13 April 2016 in relation to the resignation of Mr. Sun Baohui as the employees' representative Supervisor of the fourth session of the Supervisory Committee which shall take effect on 13 April 2016.

In this regard, on 13 April 2016, Mr. Zhang Xuehe was elected as the employees' representative Supervisor of the fourth session of the Supervisory Committee in a democratic election by the employees of the Company in accordance with the articles of association of the Company and the relevant laws and regulations for a term commencing from 13 April 2016 to the date of the expiration of the term of the fourth session of the supervisory committee, i.e., 13 October 2017.

Mr. Zhang will not receive any supervisors' remuneration from the Company under his service contract. The remuneration payable to Mr. Zhang by the Company in respect of his other working position shall be determined in accordance with the remuneration scale and payment procedures and with reference to the prevailing market rate and the expansion scale of the Company.

An ordinary resolution that there shall not be any supervisor's remuneration payable by the Company to Mr. Zhang be proposed for Shareholders' approval at the EGM.

**TO CONSIDER AND APPROVE THE APPOINTMENT OF MS. CHEN RONG AS A SHAREHOLDERS' REPRESENTATIVE SUPERVISOR**

Reference is made to the announcement of the Company dated 14 April 2016 in relation to the resignation of Ms. Guo Zhonglin as a shareholders' representative Supervisor of the fourth session of the Supervisory Committee which shall take effect on 14 April 2016.

In this regard, Ms. Chen Rong was proposed to be elected by the Shareholders at the EGM as a Supervisor for a term commencing from the date of the approval of her appointment at the EGM, i.e., 15 June 2016, to the date of the expiration of the term of the fourth session of the supervisory committee, i.e., 13 October 2017.

The biographical details of Ms. Chen Rong are set out in Appendix IV to this circular.

The appointment of Ms. Chen Rong as a Supervisor has been reviewed by the Supervisory Committee which made recommendation to the Board that the appointment be proposed for Shareholders' approval at the EGM. If appointed, Ms. Chen Rong will not receive any remuneration from the Company as a Supervisor under her service contract. An ordinary resolution that there shall not be any supervisor's remuneration payable by the Company to Ms. Chen be proposed for Shareholders' approval at the forthcoming EGM.

The Board proposed the granting of authorization to the Board to arrange for service contracts to be entered into by the Company with all the elected Supervisors upon such terms and conditions as the Board thinks fit, and to do all such acts and things to effect such matter.

The biographical details of Ms. Chen Rong, the candidate for supervisor are as follows:

Ms. Chen Rong (陳蓉), aged 45, is currently working as an officer at the supervision and auditing department of Zijin Mining Group Co., Ltd. (紫金礦業集團股份有限公司) (a company listed on the main board of the Stock Exchange, Stock Code: 2899) ("**Zijin Mining**") where Ms. Chen successively worked as an officer, the deputy head and the head of the supervision and auditing department of Zijin Mining North-west Company Limited, a subsidiary of Zijin Mining, since she joined Zijin Mining in March 2011. Prior to that, from 1988 to February 2011, Ms. Chen held various positions at various institutions, including as an officer of Xinhua South Road Sub-branch, Banking Department of Xinjiang Uyghur Autonomous Region Branch, China Construction Bank (中國建設銀行新疆區分行營業部新華南路支行), as an auditor of Xinjiang Xinxin Huatong Accounting Firm (新疆新新華通會計師事務所), and as a tax adviser of Xinjiang Xinrui Tax Agent (新疆鑫瑞税務師事務所). Ms. Chen graduated from Xinjiang University of Finance and Economics (新疆財經大學) in December 1991, majoring in accounting. She has obtained the Accounting Certificate (Intermediate Level) from the Ministry of Finance of the PRC in May 2004. Ms. Chen was awarded the professional designation of Certified Internal Auditor and a Certification in Risk Management Assurance from by the Institute of Internal Auditors in the U.S.A. in November 2010 and in July 2012, respectively.

Save as disclosed above, Ms. Chen did not hold any other position with the Company or other members of the Group or any directorship in other listed public companies or have any other major appointments in the three years preceding the Latest Practicable Date. As at the Latest Practicable Date, Ms. Chen does not have any relationship with any other Directors, senior management, Substantial Shareholders or Controlling Shareholders of the Company.

As at the Latest Practicable Date, Ms. Chen does not have any interests in the Shares within the meaning of Part XV of the SFO. She has not been involved in any of the matters as mentioned under Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules and there are no other matters in relation to Ms. Chen that need to be brought to the attention of the Shareholders of the 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 People's Republic of China with limited liability)*

**(Stock code: 3833)**

## NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the an extraordinary general meeting of Xinjiang Xinxin Mining Industry Co., Ltd. (the "**Company**") will be held at 11:00 a.m. on Wednesday, 15 June 2016 at 19th Level, Conference Room, Youse Building, No. 4 You Hao North Road, Urumqi, Xinjiang, the People's Republic of China (the "**EGM**") for the purpose of considering and, if thought fit, passing with or without modifications the following resolutions of the Company:

### ORDINARY RESOLUTIONS

1. to approve, ratify and confirm the equity transfer agreement dated 28 March 2016 entered into between the Company and Xinjiang Non-ferrous Metal Industry (Group) Ltd. (the "**Equity Transfer Agreement**") in relation to the disposal by the Company of 66% interest in Xinjiang Wuxin Copper Industry Co., Ltd. and transactions contemplated thereunder;

2. to authorize any one director of the Company to do all such further acts and things and to sign and execute all such documents and to take all such steps which in his/her opinion may be necessary, appropriate, desirable or expedient to implement and/or give effects to the Equity Transfer Agreement and the transactions contemplated thereunder;

3. to consider and approve the appointment of Ms. Chen Rong as the shareholders' representative Supervisor of the Company for a term commencing from 15 June 2016 to 13 October 2017;

4. to consider and approve there shall not be any supervisor's remuneration payable by the Company to Ms. Chen Rong;

5. to consider and approve there shall not be any supervisor's remuneration payable by the Company to Mr. Zhang Xuehe. The remuneration payable to Mr. Zhang Xuehe by the Company shall be determined in accordance with the remuneration scale and payment procedures in respect of his working position; and

6. to consider and approve the authorisation of any director of the Company on behalf of the Company to sign the service contracts with the elected supervisors of the Company upon such terms and conditions as the Board thinks fit, and to do all such act and things to effect such matters.

By order of the Board
**Xinjiang Xinxin Mining Industry Co., Ltd.***
**Zhang Junjie, Lam Cheuk Fai**
*Joint Company Secretaries*

Xinjiang, the PRC, 29 April 2016

*Notes:*

1. Closure of register of members and eligibility for attending the EGM

   The register of members of the Company will be closed from Monday, 16 May 2016 to Wednesday, 15 June 2016 (both days inclusive), during which time no share transfers will be registered. In order to be eligible to attend the EGM, 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, Wanchai, Hong Kong no later than 4:30 p.m. on Friday, 13 May 2016. Shareholders of the Company whose names appear on the register of members of the Company at the opening of business on Wednesday, 15 June 2016 are entitled to attend the EGM.

2. Notice of attendance

   Shareholders who intend to attend the EGM should complete and lodge the accompanying reply slip and return it to the Company's H Share registrar, Computershare Hong Kong Investor Services Limited, on or before Thursday, 26 May 2016. The reply slip may be delivered by hand, by post or by fax to the Company's H Share registrar. Completion and return of the reply slip does not affect the right of a shareholder of the Company to attend the EGM. However, the failure to return the notice of attendance may result in an adjournment of the EGM, if the number of shares carrying the right to vote represented by the shareholders of the Company proposing to attend the EGM by the notice of attendance does not reach more than half of the total number of shares of the Company carrying the right to vote at the EGM.

3. Proxy

Every shareholder of the Company who has the right to attend and vote at the EGM is entitled to appoint one or more proxies, whether or not they are members of the Company, to attend and vote on his behalf at the EGM.

A proxy must be appointed by an instrument in writing and signed by the appointer or his attorney duly authorised in writing. If the appointer is a legal person, then the instrument shall be signed under a legal person's seal or signed by its director or an attorney duly authorised in writing.

The instrument appointing the proxy shall be deposited at the Company's H Share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not less than 24 hours before the time appointed for the holding of the EGM. If the instrument appointing the proxy is signed by a person authorised by the appointer, the power of attorney or other document of authority under which the instrument is signed shall be notarised. The notarised power of attorney or other document of authority shall be deposited together and at the same time with the instrument appointing the proxy at the Company's H Share registrar.

Return of a form of proxy will not preclude a shareholder of the Company from attending in person and voting at the EGM if he so wishes.

Shareholders or their proxies are required to produce their identification documents when attending the EGM.

4. Others

The EGM is expected to last for approximately two hours. Shareholders and their proxies attending the meeting shall be responsible for their own travelling and accommodation expenses.