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Xinjiang Xinxin Mining Industry Co., Ltd.*

新疆新鑫礦業股份有限公司

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

(Stock code: 3833)

2016 FINAL RESULTS ANNOUNCEMENT

FINANCIAL HIGHLIGHTS

- Revenue was RMB2,042.5 million, a decrease of 24.0% as compared to RMB2,685.9 million in 2015
- Comprehensive loss attributable to shareholders of the Company was RMB207.1 million, a significant decrease as compared to the comprehensive loss attributable to shareholders of the Company of RMB741.0 million in 2015
- Basic loss per share was RMB0.094 as compared to basic loss per share of RMB0.335 in 2015
- The Board does not recommend any payment of final dividend, which is the same as in 2015

The board of directors (the “**Board**”) of Xinjiang Xinxin Mining Industry Co., Ltd.* (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2016 (the “**Reporting Year**”).

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
Revenue	3	2,042,488	2,685,877
Less: Cost of sales	3	(1,947,809)	(2,891,578)
Taxes and surcharges		(23,315)	(8,102)
Selling and distribution expenses		(37,938)	(66,268)
General and administrative expenses		(133,047)	(184,576)
Financial expenses – net	5	(202,145)	(240,646)
Assets impairment losses	4(c)	(17,589)	(298,203)
Losses on the changes in fair value	4(d)	(2,244)	(1,275)
Add: Investment income/(losses)	4(e)	62,489	(14)
Including: Share of losses of joint-venture		(10,381)	(13,792)
Operating loss		(259,110)	(1,004,785)
Add: Non-operating income	4(a)	3,793	7,291
Including: Gains on disposal of non-current assets		67	85
Less: Non-operating expenses	4(b)	(2,441)	(1,916)
Including: Losses on disposal of non-current assets		(27)	(94)
Total loss	4	(257,758)	(999,410)
Less: Income tax expenses	6	21,414	56,280
Net loss		(236,344)	(943,130)
Net loss attributable to shareholders of the Company		(207,068)	(741,029)
Net loss attributable to non-controlling interests		(29,276)	(202,101)
Other comprehensive income		–	–
Total comprehensive loss		(236,344)	(943,130)
Total comprehensive loss attributable to the Company		(207,068)	(741,029)
Total comprehensive loss attributable to non-controlling interests		(29,276)	(202,101)
Loss per share			
Basic loss per share (RMB)	7	(0.094)	(0.335)
Diluted loss per share (RMB)	7	(0.094)	(0.335)

CONSOLIDATED BALANCE SHEET

As at 31 December 2016

		31 December 2016	31 December 2015
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
ASSETS			
Current assets			
Cash at bank and on hand		153,014	762,293
Notes receivable	9	190,672	47,574
Accounts receivable	9	112,130	115,328
Advances to suppliers		24,006	48,641
Other receivables		106,105	106,660
Inventories		1,385,291	2,684,878
Other current assets		628,859	431,267
Total current assets		2,600,077	4,196,641
Non-current assets			
Long-term equity investments		130,802	134,213
Fixed assets		2,799,958	4,995,061
Construction in progress		1,411,717	1,345,171
Construction materials		643	1,252
Intangible assets		963,990	1,033,221
Goodwill		28,087	28,088
Long-term prepaid expenses		58	193
Deferred tax assets		130,951	101,828
Other non-current assets		22,000	67,500
Total non-current assets		5,488,206	7,706,527
TOTAL ASSETS		8,088,283	11,903,168

		31 December 2016	31 December 2015
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
LIABILITIES AND OWNERS' EQUITY			
Current liabilities			
Short-term borrowings		420,000	1,500,000
Financial liabilities at fair value through profit or loss		137,693	404,216
Notes payable		101,250	748,410
Accounts payable	10	302,861	582,629
Advances from customers		24,337	29,474
Employee benefits payable		55,117	58,388
Taxes payable		11,137	8,699
Interest payable		40,943	41,947
Other payables		251,254	638,350
Current portion of non-current liabilities		662,000	576,000
Total current liabilities		2,006,592	4,588,113
Non-current liabilities			
Long-term borrowings		75,000	1,068,760
Bond payable		800,000	1,300,000
Long-term payable		59,978	76,342
Provisions		8,249	8,384
Deferred income		33,563	54,263
Deferred income tax liabilities		150,480	142,985
Other non-current liabilities		502,709	–
Total non-current liabilities		1,629,979	2,650,734
Total liabilities		3,636,571	7,238,847
Owners' equity			
Share capital		552,500	552,500
Capital surplus		4,263,592	4,263,592
Specific reserve		1,543	–
Surplus reserve		249,626	249,626
Accumulated losses		(691,385)	(484,317)
Total equity attributable to shareholders of the Company		4,375,876	4,581,401
Non-controlling interests		75,836	82,920
Total owners' equity		4,451,712	4,664,321
TOTAL LIABILITIES AND OWNERS' EQUITY		8,088,283	11,903,168

NOTES TO CONSOLIDATED FINANCIAL INFORMATION

For the year ended 31 December 2016

1. BASIS OF PREPARATION AND CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared according to the Basic Standard of the Accounting Standards for Business Enterprises, the specific accounting standards and other relevant regulations issued by the Ministry of Finance on and after 15 February 2006 (hereafter collectively referred to as “**the Accounting Standard for Business Enterprises**” or “**CAS**”), the Compilation Rules for Information Disclosure by Companies Offering Securities to the Public No. 15 – the General Provisions of Financial Reports issued by the China Securities and Regulatory Commission.

The financial statements have been prepared based on the going concern basis.

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

Except as disclosed above, there are no other significant changes in the accounting policies adopted for the preparation of these financial statements comparing with those adopted for the preparation of the financial statements for the year ended 31 December 2015.

2. SEGMENT INFORMATION

The Group are engaged in the mining, ore processing, smelting, refining of nickel and copper, and the processing and sales of nickel, copper and other non-ferrous metal products. Based on the Group’s internal organisational structure, management requirements, internal reporting policies, and the segment reporting requirements stipulated by No. 3 Interpretation of CAS, management of the Group considers the Group itself is one operating segment.

For each of the years ended 31 December 2016 and 2015, the Group’s sales were conducted in China and the Group’s assets and liabilities were in China.

For the Reporting Year, revenue of the top three customers of the Group accounted for 41%, 14% and 7% of the total revenue of the Group respectively (2015: 22%, 15% and 8%).

3. REVENUE AND COST OF SALES

Revenue and cost of sales recognised during each of the years ended 31 December 2016 and 2015 are analysed as follows:

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Revenue from main operation (<i>Note (a)</i>)	1,961,972	2,602,435
Revenue from other operation	80,516	83,442
	<u>2,042,488</u>	<u>2,685,877</u>
Cost of sales from main operation (<i>Note (b)</i>)	1,873,545	2,849,366
Cost of sales from other operation	74,264	42,212
	<u>1,947,809</u>	<u>2,891,578</u>
(a) Revenue from main operation		
Nickel cathode	1,354,090	160,761
Copper cathode	437,678	2,096,137
Others	170,204	345,537
	<u>1,961,972</u>	<u>2,602,435</u>
(b) Cost of sales from main operation		
Nickel cathode	1,313,479	178,119
Copper cathode	435,384	2,276,185
Others	124,682	395,062
	<u>1,873,545</u>	<u>2,849,366</u>

4. TOTAL LOSS

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

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Depreciation	198,383	288,755
Amortisation of intangible assets	18,321	18,535
Directors' remuneration	1,067	2,161
Government grants (<i>Note (a)</i>)	(3,104)	(4,809)
Gains on disposal of fixed assets (<i>Note (a)</i>)	(67)	(85)
Donations (<i>Note (b)</i>)	604	514
Losses on disposal of fixed assets (<i>Note (b)</i>)	27	94
Assets impairment losses (<i>Note (c)</i>)	17,589	298,203
Losses on the changes in fair value (<i>Note (d)</i>)	2,244	1,275
Investment (income)/losses (<i>Note (e)</i>)	(62,489)	14
Auditors' remuneration	2,270	2,210
Including: non-audit service fees	250	30
Mineral resource compensation fees	5,260	11,982
(a) The items were included under non-operating income.		
(b) The items were included under non-operating expense.		
(c) Asset impairment losses		
Provision for decline in value of inventories	38,437	298,180
Reversal of provision for decline in value of inventories	(23,591)	–
Provision for bad debts for accounts receivable and other receivables	2,936	23
Reversal of provision for bad debts for account receivables	(193)	–
	17,589	298,203

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
(d) Losses on the changes in fair value		
Losses on changes in fair value of the gold lease and the corresponding futures contract	2,244	1,182
Losses on changes in fair value of futures contract	—	93
	<u>2,244</u>	<u>1,275</u>
(e) Investment (income)/losses		
Net losses from a joint-venture under equity method	10,381	13,792
Unrealised net loss between the joint-venture and the Group	(6,970)	(6,685)
Losses/(income) resulted from closing out of future contracts	29	(7,093)
Investment income from disposal of available-for-sale financial assets	(7,973)	—
Gains from disposal of long-term equity investments	(57,956)	—
	<u>(62,489)</u>	<u>14</u>

Investment (income)/losses were all from non-listed investments.

5. FINANCIAL EXPENSES – NET

	2016	2015
	RMB'000	RMB'000
Interest expense	222,416	261,494
Less: Capitalised interest	<u>(24,599)</u>	<u>(27,912)</u>
Interest expense	197,817	233,582
Interest income	(4,748)	(16,745)
Unwinding of discount – net	3,501	8,670
Interest on notes receivable discounted	881	5,847
Bank charges	4,788	8,243
Foreign exchange gains or losses	<u>(95)</u>	<u>1,049</u>
	<u>202,144</u>	<u>240,646</u>

6. INCOME TAX EXPENSES

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Current income tax	214	(972)
Deferred income tax	(21,628)	(55,308)
	<u>(21,414)</u>	<u>(56,280)</u>

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

In 2016, the Company and certain of its subsidiaries obtained preferential treatment and the recognition that their business are within the category of Encouraged Industries by the Committee of Economics and Information in the local region of Xinjiang, and their applicable rates for corporate income tax, after communication with local tax authorities, are as follows:

- (a) The Company, including Fukang Refinery of the Company (“**Fukang Refinery**”) calculated and paid corporate income tax using the preferential rate of 15% (2015: 15%).
- (b) Xinjiang Yakesi Resources Co., Ltd. (“**Xinjiang Yakesi**”) calculated and paid income tax using the preferential rate of 15% (2015: 15%).
- (c) Hami Jubao Resources Co., Ltd. (“**Hami Jubao**”) calculated and paid income tax using the preferential rate of 15% (2015: 15%).
- (d) Xinjiang Kalatongke Mining Industry Company Limited (“**Kalatongke Mining**”) calculated and paid income tax using the preferential rate of 15% (2015: 15%).

- (e) Pursuant to the Circular on Granting Tax Credit and Exemption relating to Enterprise Income Tax on the Small-Scaled Minimal Profit Enterprise issued by the State Administration of Taxation, from 1 January 2015 to 31 December 2017, the taxable income of Xinjiang Mengxi Mining Company Limited is reduced to 50% of its total income, and the applicable enterprise income tax rate is 20% (2015: the taxable income is reduced to 50% of its total income, and the tax rate is 20%).
- (f) From 1 January 2016 to 15 June 2016, the enterprise income tax rate of Xinjiang Wuxin Copper Mining Co., Ltd. (“**Wuxin Copper**”) is 25% (2015: 25%).

Other subsidiaries and Shanghai sales branch of the Company are subject to the applicable enterprise income tax rate of 25% in 2016 (2015: 25%).

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

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Consolidated total loss	<u>(257,758)</u>	<u>(999,410)</u>
Income tax expenses calculated at applicable tax rate of 25%	(64,439)	(249,852)
Effect of tax reductions	16,031	39,005
Income not subject to tax	(67)	(4)
Expenses not deductible for tax purposes	2,484	2,931
Deductible temporary differences and deductible losses for which no deferred tax assets were recognised	24,390	148,803
Clearance differences in respect of prior years	<u>187</u>	<u>2,837</u>
Income tax expenses	<u>(21,414)</u>	<u>(56,280)</u>

7. LOSS PER SHARE

	Year ended 31 December	
	2016	2015
Consolidated net loss attributable to shareholders of the Company (<i>RMB'000</i>)	(207,068)	(741,029)
Weighted average number of ordinary shares in issue of the Company (<i>in thousand</i>)	<u>2,210,000</u>	<u>2,210,000</u>
Basic and diluted loss per share (<i>RMB</i>)	<u>(0.094)</u>	<u>(0.335)</u>

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

8. PROPOSED FINAL DIVIDENDS

The Board does not recommend any payment of final dividend by the Company for the Reporting Year and such proposal will be subject to approval by the shareholders of the Company at the annual general meeting of the Company to be held on 26 May 2017 (“AGM”).

	Year ended 31 December	
	2016	2015
Proposed final dividend	<u>Nil</u>	<u>Nil</u>

9. ACCOUNTS RECEIVABLE AND NOTES RECEIVABLE

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Accounts receivable (<i>Note (a), (b)</i>)	115,894	119,254
Less: provision for bad debts (<i>Note (d)</i>)	<u>(3,764)</u>	<u>(3,926)</u>
	<u>112,130</u>	<u>115,328</u>
Notes receivable (<i>Note (c)</i>)	<u>190,673</u>	<u>47,574</u>

Notes:

(a) Accounts receivable are analysed as follows:

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Accounts receivable		
– Related parties	53,559	1,489
– Third parties	<u>62,335</u>	<u>117,765</u>
Accounts receivable, gross	<u>115,894</u>	<u>119,254</u>

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

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Within one year	81,623	112,183
One to two years	19,695	2,909
Two to three years	10,639	107
Three to four years	74	75
Four to five years	75	867
Over five years	3,788	3,113
	115,894	119,254

As at 31 December 2016, accounts receivable of RMB46,959 thousand was due from Wuxin Copper, a related party. The ageing of this receivable was RMB16,641 thousand within 1 year, RMB19,679 thousand within 1 to 2 years, and RMB10,639 thousand within 2 to 3 years. Wuxin Copper used to be a subsidiary of the Company before the Company transferred its entire equity interests in Wuxin Copper to Xinjiang Non-ferrous Metal Industry (Group) Ltd on 15 June 2016.

As at 31 December 2016, accounts receivable of RMB36,008 thousand (31 December 2015: RMB32,623 thousand) were past due. However, based on the analysis of the customer's financial positions and credit records, the Group considered that this part of accounts receivable could be recovered and were not impaired; hence, provision for impairment was not provided individually. The ageing of such accounts receivable past due is analysed as follows:

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Within one year	5,501	29,508
One to two years	19,695	2,909
Two to three years	10,638	32
Three to four years	–	75
Four to five years	75	99
Over five years	99	–
	36,008	32,623

- (b) The credit terms of accounts receivable are generally not exceeding 180 days. At year end, management of the Group assessed the recoverability of accounts receivable on individual customer and ageing basis and made adequate provision for impairment accordingly.
- (c) Notes receivable are all bank acceptance notes, and all the notes receivable will be matured within 180 days.

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

	2016 RMB'000	2015 <i>RMB'000</i>
At 1 January	3,926	3,904
provision for bad debts	30	22
Reversal of provision for bad debts	<u>(193)</u>	<u>–</u>
At 31 December	<u>3,763</u>	<u>3,926</u>

The provision and reversal thereof for bad debts of accounts receivable have been included under “asset impairment losses” in the consolidated income statement.

- (e) The carrying amounts of accounts and notes receivable approximate their fair values.
- (f) All accounts and notes receivable are denominated in RMB.

10. ACCOUNTS PAYABLE

	As at 31 December 2016 RMB'000	2015 <i>RMB'000</i>
Accounts payable		
– Related parties	90,960	102,334
– Third parties	<u>211,901</u>	<u>480,295</u>
	<u>302,861</u>	<u>582,629</u>

Ageing analysis of accounts payable at the respective balance sheet dates is as follows:

	As at 31 December	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Within three months	163,941	479,816
Three to six months	82,779	56,584
Over six months	56,141	46,229
	<u>302,861</u>	<u>582,629</u>

11. NET CURRENT ASSETS/(LIABILITIES)

	31 December 2016	31 December 2015
	<i>RMB'000</i>	<i>RMB'000</i>
Current assets	2,600,077	4,196,641
Less: Current liabilities	<u>(2,006,592)</u>	<u>(4,588,113)</u>
Net current assets/(liabilities)	<u>593,485</u>	<u>(391,472)</u>

12. TOTAL ASSETS LESS CURRENT LIABILITIES

	31 December 2016	31 December 2015
	<i>RMB'000</i>	<i>RMB'000</i>
Total assets	8,088,283	11,903,168
Less: Current liabilities	<u>(2,006,592)</u>	<u>(4,588,113)</u>
Total assets less current liabilities	<u>6,081,691</u>	<u>7,315,055</u>

MARKET OVERVIEW

For the Reporting Year, the average three-month future price of nickel cathode in London Metal Exchange was US\$9,637 per tonne, representing a decrease of 18.8% as compared to that in 2015, and the average three-month future price of copper cathode was US\$4,871 per tonne, representing a decrease of 11.2% as compared to that in 2015.

For the Reporting Year, the average spot price (including tax) of nickel cathode in Shanghai Yangtze River Non-ferrous Metals Spot Market was RMB75,910 per tonne, representing a decrease of 15.1% as compared to that in 2015, and the average spot price (including tax) of copper cathode was RMB38,082 per tonne, representing a decrease of 6.8% as compared to that in 2015.

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

INDUSTRY POSITION

The Group is a mining company principally engaged in the mining, ore processing, smelting and refining of nickel cathode products and other non-ferrous metals, (namely, copper, cobalt, gold, silver, platinum and palladium). According to the statistics of China Non-ferrous Metals Industry Association, the total domestic output of nickel for the Reporting Year amounted to 219,900 tonnes, representing a decrease of 8.7% as compared to that in 2015. With an output of 11,813 tonnes of nickel cathode for the Reporting Year, the Group remains the second largest domestic manufacturer of nickel cathode produced with nickel sulfide resources.

BUSINESS REVIEW

Production and Operation

For the Reporting Year, in order to cope with the adverse influence on enterprises caused by the prices of nickel cathode and copper cathode in international and domestic markets hovering at the bottom with slow upward trend and the relatively lower overall price, the Group took a series of measures to lower product costs and expenditures as well as improve overall operation efficiency of the Company. Such measures included enhancing fundamentals of the corporate management, adjusting the operating structure within the enterprise, lifting technical-economic indicators in the production process, strictly controlling non-productive expenditures, improving infrastructure and technological renovation projects as well as fulfilling planned production volume and attaining stated targets through performing the craftsmanship adjustment and testing and commissioning as soon as possible. In the meantime, the Group intensified marketing analysis and research, and adopted the marketing strategies of pricing sales combining spot and futures, which in turn achieved the goal to realize the sales of the main products with a relatively higher market price and enhanced the economic efficiency of the Group.

For the Reporting Year, the Group recorded a total nickel cathode output of 11,813 tonnes, representing an increase of 1.7% as compared to that in 2015. Total copper cathode output was 12,493 tonnes, representing a decrease of 79.3% as compared to that in 2015, of which, 10,008 tonnes of copper cathode was produced by Fukang Refinery, which was flat with that in 2015, and the consolidated copper cathode of 2,485 tonnes was produced by Wuxin Copper, representing a decrease of 95.1% as compared to that in 2015.

The Company finished transferring its entire 66% equity interests in Wuxin Copper (the “**Transfer of Wuxin Copper**”) in June 2016. Due to the Transfer of Wuxin Copper, the consolidated statement of the Group for the Reporting Year recorded the consolidated copper cathode output of Wuxin Copper amounting to 2,485 tonnes.

For the Reporting Year, the Group recorded total nickel cathode sales of 19,291 tonnes, representing an increase of 833.3% as compared to that in 2015. Total copper cathode sales amounted to 14,157 tonnes, representing a decrease of 76.6% as compared to that in 2015. Such substantial decrease was mainly due to substantial decrease of output of the Group’s copper cathode caused by the Transfer of Wuxin Copper.

For the Reporting Year, the Group recorded an average selling price of nickel cathode (tax exclusive) of RMB70,194 per tonne, representing a decrease of 9.8% as compared to that in 2015. Average selling price of copper cathode (tax exclusive) amounted to RMB30,917 per tonne, representing a decrease of 10.7% as compared to that in 2015.

For the Reporting Year, the Group recorded an average cost of sales of nickel cathode of RMB68,089 per tonne, representing a decrease of 21.0% as compared to that in 2015. Average cost of sales of copper cathode amounted to RMB30,755 per tonne, representing a decrease of 18.2% as compared to that in 2015.

For the Reporting Year, the Group achieved a revenue of RMB2,042.5 million, representing a decrease of 24.0% as compared to that in 2015, with a net loss of RMB236.3 million, as compared to a net loss of RMB943.1 million in 2015, representing a decrease in net loss of RMB706.8 million as compared to that in 2015; a comprehensive loss attributable to shareholders of the Company amounted to RMB207.1 million, as compared to a comprehensive loss attributable to shareholders of the Company of RMB741.0 million in 2015, and a loss per share (basic and diluted) of RMB0.094 as compared to a loss per share (basic and diluted) of RMB0.335 in 2015.

Sales: for the Reporting Year, the Group achieved revenue from principal businesses of RMB1,962.0 million in total, which comprised RMB1,354.1 million of sales revenue from nickel cathode, accounting for 69.0% of the revenue from principal businesses of the Group, and RMB437.7 million of sales revenue from copper cathode, accounting for 22.3% of the revenue from principal businesses of the Group. Other products (including copper concentrate, anode slime, electrolytic cobalt, gold, silver, platinum and palladium) achieved a sales revenue of RMB170.2 million, representing 8.7% of the revenue from principal businesses of the Group.

For the Reporting Year, although the cost of sales of the principle products of the Group decreased substantially compared to last year, the operating results of the Group recorded a loss of RMB236.3 million due to the impacts that the prices of the nickel cathode and copper cathode in international and domestic markets were still hovering at the bottom with slow upward trend and the annual average price was still low. Save as disclosed above, in 2016, the overall production and operation of the Group were stable, with no other material operation difficulties or operational problems.

Progress of Technological Renovation and Capacity Expansion Projects and Infrastructure Projects

In 2016, the technological renovation and capacity expansion projects carried out by the Group mainly included: the technological renovation and capacity expansion project involving the enhancement of the mining, ore processing and smelting capacities of Kalatongke Mining, the technological renovation and capacity expansion project of Fukang Refinery involving the enhancement of the auxiliary facilities to improve the refining capacities of nickel cathode and copper cathode and involving the expansion of the new production capacity of nickel cathode to 15,000 tonnes per year, and the technological renovation and capacity expansion project for the addition of the mining and ore processing capacities of Xinjiang Yakesi. The major technological renovation and capacity expansion projects of the Group proceeded smoothly as a whole in 2016 and the required progress of works was achieved on time during the Reporting Year. The investment on each project is as follows:

In 2016, a total of RMB36.2 million was invested in the further enhancement of the technological renovation and capacity expansion project involving the daily mining capacity of 3,400 tonnes, daily ore processing capacity of 3,000 tonnes as well as annual production capacity of water hardening and nickel matte of 8,000 tonnes of Kalatongke Mining.

In 2016, a total of RMB74.7 million was invested in the further enhancement of the technological renovation and capacity expansion project of Fukang Refinery involving the enhancement of the auxiliary facilities to improve the refining capacities of nickel cathode and copper cathode, as well as the preliminary works of the technological renovation and capacity expansion project of Fukang Refinery involving the expansion of the new production capacity of nickel cathode to 15,000 tonnes per year.

As for the technological renovation and capacity expansion project of Xinjiang Yakesi and Hami Jubao in relation to the addition of the daily mining and ore processing capacities of 4,000 tonnes, a total investment of RMB50.0 million was made in 2016.

EQUITY INVESTMENTS AND DISPOSAL

On 15 June 2016, the Company passed a resolution at the extraordinary general meeting to sell the 66% equity interests held by the Company in Wuxin Copper. This transaction was completed in June 2016, and the gain of RMB58.0 million arising from the disposal of such subsidiary was included in the financial statements of the Company for the Reporting Year.

Save as disclosed above, during the Reporting Year, there were no other assets acquisition or disposal, merger or other equity investments of the Company.

FINANCIAL REVIEW

Operating Results

In 2016, the revenue of the Group amounted to RMB2,042.5 million, representing a decrease of 24.0% as compared to RMB2,685.9 million in 2015; the comprehensive loss of the Group amounted to RMB236.3 million, as compared to the comprehensive loss of the Group amounting to RMB943.1 million in 2015; the comprehensive loss attributable to shareholders of the Company amounted to RMB207.1 million, as compared to the comprehensive loss attributable to shareholders of the Company amounting to RMB741.0 million in 2015. The significant decrease in the comprehensive loss in 2016 was primarily because the Company transferred 66% equity interests in Wuxin Copper on 15 June 2016 and took measures to reduce production costs and expenses and adopted the marketing strategies of pricing sales combining spot and futures with the purpose of increasing the selling price of products and enhancing the economic efficiency.

Revenue and gross profit of the principal businesses

The following table illustrates the details of sales by products of the Group for the two years ended 31 December 2016 and 31 December 2015:

Product Name	For the year ended 31 December 2016			For the year ended 31 December 2015			Growth rate in amount +/(–)
	Sales volume Tonnes	Amount RMB'000	% to Revenue	Sales Volume Tonnes	Amount RMB'000	% to Revenue	
Nickel cathode	19,291	1,354,090	69.0%	2,067	160,761	6.2%	742.3%
Copper cathode	14,157	437,678	22.3%	60,531	2,096,137	80.5%	(79.1%)
Of which:							
Fukang Refinery	10,075	313,428	16.0%	11,041	379,847	14.6%	(17.5%)
Wuxin Copper	4,082	124,250	6.3%	49,490	1,716,290	65.9%	(92.8%)
Copper concentrate	8,160	58,534	3.0%		–	0.0%	
Other products		111,670	5.7%		345,537	13.3%	(67.7%)
Of which:							
Anode slime	57	36,419	1.9%	301	303,154	11.6%	(88.0%)
Total revenue from main operation		1,961,972	100.0%		2,602,435	100.0%	(24.6%)
Cost of sales from main operation		(1,873,545)	95.5%		(2,849,366)	109.5%	(34.2%)
Gross profit/(loss)		<u>88,427</u>	<u>4.5%</u>		<u>(246,931)</u>	<u>(9.5%)</u>	

In 2016, the revenue of nickel cathode of the Group amounted to RMB1,354.1 million, representing an increase of 742.3% as compared to that in 2015, mainly attributable to the significant increase in the sales volume of nickel cathode. The average selling price of the Group's nickel cathode in 2016 amounted to RMB70,194 per tonne, representing a decrease of 9.8% as compared to RMB77,782 per tonne in 2015. In 2016, the Group's sales volume of nickel cathode was 19,291 tonnes, representing an increase of 833.3% as compared to 2,067 tonnes in 2015.

In 2016, the revenue of copper cathode of the Group amounted to RMB437.7 million, representing a decrease of 79.1% as compared to that in 2015, mainly due to the significant decrease in the sales volume of copper cathode. The average selling price of copper cathode of the Group in 2016 was RMB30,917 per tonne, representing a decrease of 10.7% as compared to RMB34,629 per tonne in 2015; the sales volume of copper cathode of the Group in 2016 was 14,157 tonnes, representing a decrease of 76.6% as compared to 60,531 tonnes in 2015. The decrease in the sales volume was mainly attributable to the significant decrease in the Group's output of copper cathode caused by the Transfer of Wuxin Copper.

In 2016, the revenue of copper concentrate of the Group amounted to RMB58.5 million, with the sales volume of 8,160 tonnes. In 2015, the copper concentrate of the Group was not for sale and all of the supply was for internal units.

In 2016, the revenue of other products of the Group amounted to RMB111.7 million, representing a significant decrease as compared to that in 2015, which was mainly attributable to the Transfer of Wuxin Copper (a subsidiary of the Group) by the Group and the significant decrease in sales volume of anode slime, which was partially offset by the significant increase of sales volume of gold, silver and electrolytic cobalt of the Group.

In 2016, the gross profit from the Group's principal business amounted to RMB88.4 million, representing an increase of RMB335.3 million as compared to the loss of RMB246.9 million in 2015. The gross profit margin in 2016 was 4.5%, representing an increase of 14.0 percentage points as compared to the gross loss margin of 9.5% in 2015.

SELLING EXPENSES

In 2016, selling expenses incurred by the Group decreased by 42.7% to RMB37.9 million, as compared to RMB66.3 million in 2015, mainly due to the Transfer of Wuxin Copper (a subsidiary of the Group) by the Group and the significant decrease in the Group's sales volume of copper cathode, which led to the significant decrease in the loading and transportation costs of products.

GENERAL AND ADMINISTRATIVE EXPENSES

In 2016, general and administrative expenses incurred by the Group decreased by 27.9% to RMB133.0 million, as compared to RMB184.6 million in 2015. The decrease in expenses was primarily due to the decrease of general and administrative expenses in the scope of consolidation caused by the Transfer of Wuxin Copper (a subsidiary of the Group) by the Group.

FINANCE EXPENSES – NET

In 2016, net finance expense incurred by the Group amounted to RMB202.1 million, representing a decrease of finance expense of RMB38.5 million as compared to RMB240.6 million of net finance expense in 2015, primarily due to the decrease of finance expense in the scope of consolidation caused by the Transfer of Wuxin Copper (a subsidiary of the Group) by the Group in the middle of the Reporting Year.

FINANCIAL POSITION

Shareholders' equity decreased from RMB4,664.3 million to RMB4,451.7 million in 2016, primarily due to the losses in 2016; total assets decreased by 32.0% to RMB8,088.3 million, primarily due to that the Company ceased to consolidate the financial statements of Wuxin Copper since 15 June 2016, as the Group transferred 66% equity interest in Wuxin Copper (a subsidiary of the Group).

In 2016, the net cash inflow generated by the Group's operating activities amounted to RMB527.2 million. As compared to the net cash outflow of RMB146.0 million in 2015, there was an increase in the inflow of RMB673.2 million, primarily due to the increase in sales volume of nickel cathode in 2016 and the significant decrease in the expenses of purchasing raw materials after disposal of the subsidiary Wuxin Copper; the net cash outflow used in investment activities was RMB843.4 million, which was mainly used in the purchasing of available-for-sale financial assets by the Group, and the purchasing of equipment for and as the construction costs of the Group's various technology renovation and expansion projects; and the net cash outflow used in financing activities amounted to RMB89.5 million. The cash inflow mainly came from bank loans and other interest-bearing borrowings received by the Group of RMB2,018.9 million. The cash outflow was mainly attributable to the Group's repayment of bank loans and interest of RMB2,108.0 million.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2016, the Group had total cash and cash equivalents amounting to RMB100.4 million (2015: RMB506.1 million), and the total borrowings of the Group amounted to RMB2,657.4 million (2015: RMB4,925.2 million). As such, the net debts of the Group (total borrowings minus cash and cash equivalents) amounted to RMB 2,557.0 million (2015: 4,419.0 million) and the gearing ratio (net debts divided by total capital*) was 36.48% (2015: 48.65%).

	As at 31 December 2016	As at 31 December 2015
Current ratio (<i>times</i>)	1.3	0.9
Gearing ratio (<i>net debts /total capital*</i>)	<u>36.48%</u>	<u>48.65%</u>

* Total capital = net debts + total equity

COMMODITY PRICE RISK

The prices of the Group's products are influenced by international and domestic market prices and changes in global supply and demand for such products. Price volatility of non-ferrous metals is also affected by the global and PRC economic cycles as well as the fluctuations of the global currency markets. Both the international and domestic market prices of non-ferrous metals as well as the volatility of their supply and demand are beyond the control of the Company. Therefore, the volatility of commodity prices may materially affect the turnover and the comprehensive income of the Group. The Group has not entered into any trading contracts nor made any pricing arrangement to hedge against the risk arising from fluctuations in the price of nonferrous products.

INTEREST RATE RISK

The Group's interest rate risk mainly arises from bank loans and interest-bearing long-term debts. Bank deposits and loans at variable rate expose the Group to cash flow interest rate risk, while financial liabilities at fixed rate expose the Group to the interest rate risk of the fair value. The Group adjusts the relative proportion of contracts at fixed rate and contracts at floating rate based on the current market situation. As at 31 December 2016, the Group's interest-bearing debts were mainly floating rate borrowings, fixed rate borrowings and interest-bearing bonds payable denominated in RMB, which totaled RMB2,597.4 million (2015: RMB4,847.6 million). The Group has no interest rate swap arrangement.

CHARGE ON ASSETS

As at 31 December 2016, included in cash at bank and on hand of the Group was restricted cash at bank amounting to RMB52.6 million set aside as the security for issuing bank acceptance notes and other purposes; Kalatongke Mining factored the receivables of RMB126.8 million due by Fukang Refinery to bank to obtain the loans, which amounted to of RMB100.0 million as at 31 December 2016. Save as disclosed above, the Group did not have any other charges or pledges over its assets as at 31 December 2016.

CONTINGENT LIABILITIES

The Company and the joint venture partner provided guarantees for the bank borrowing by Hexin Mining, in which the Company provided a corporate guarantee to the related lender of Hexin Mining in the amount of RMB282.3 million. Such corporate guarantee remained in force as at 31 December 2016. Save as disclosed above, the Group did not have any other material contingent liabilities as at 31 December 2016.

COMMITMENTS

(1) Capital commitments

As at 31 December 2016 and 31 December 2015, the Group had no capital expenditures commitments contracted for but not yet necessary to be recognised in the financial statements.

(2) Operating lease commitments

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

	31 December 2016 RMB'000	31 December 2015 RMB'000
Within one year	818	1,636
Between one and two years	818	1,636
Between two and three years	—	1,636
	<u>1,636</u>	<u>4,908</u>

EVENTS AFTER THE BALANCE SHEET DATE

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

OUTLOOK

Operating Environment

For the year of 2017, although the global economy remains in a recovery stage, and there are many uncertainties affecting the recovery of global economy, the Chinese economy will still maintain a moderate and robust growth. However, more attention has to be paid to the structural adjustments and the changes in the mode of growth, and the pace of growth will slow down (the PRC government forecasts China's GDP growth rate target for the year 2017 to be around 6.5%). In this regard, the Group expects the consumption volume of nickel cathode and copper cathode in the domestic non-ferrous metal market to keep on growing in 2017.

Operational Objectives

For the year of 2017, the Group plans to produce 12,000 tonnes of nickel cathode and 10,000 tonnes of copper cathode. Please be cautioned that because of quite a number of uncertainties in metal prices and the domestic raw materials market, the above plan has been made merely on the basis of the current market situation and the existing conditions of the Group. The Board may adjust the relevant production plan according to the changes of situation.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the Reporting Year.

CORPORATE GOVERNANCE

The Company strives to attain and maintain relatively high standards of corporate governance best suited to the needs and interests of the Group as it believes that effective corporate governance practices are fundamental to safeguarding the interests of shareholders and other stakeholders and enhancing shareholder value.

The Board has adopted the Corporate Governance Code and Corporate Governance Report (the “**CG Code**”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). The Group has fully complied with all the code provisions under the CG Code in the Reporting Year.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) in Appendix 10 to the Listing Rules as its own code of conduct for securities transactions by the directors of the Company (the “**Directors**”) and the supervisors of the Company (the “**Supervisors**”). Having made specific enquiry to all the Directors and Supervisors, all the Directors and Supervisors have complied with the required standards as set out in the Model Code for the Reporting Year.

AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) comprises two independent non-executive Directors, Mr. Chen Jianguo and Mr. Li Wing Sum, Steven, and one non-executive Director, Mr. Hu Chengye. Mr. Chen Jianguo serves as the chairman of the Audit Committee. The Board believes that members of the Audit Committee have sufficient knowledge and expertise in accounting and financial management to enable them to perform their duties.

The Audit Committee holds meetings on a regular basis and convened two meetings during the Reporting Year. The averaged attendance rate was 83%. The 2016 audit plan and the 2016 interim results report of the Company were reviewed at the meetings.

The Audit Committee has reviewed the annual results for the Reporting Year.

PUBLICATION OF THE RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the Company's website at kunlun.wsfg.hk and the website of the Stock Exchange. The annual report of the Company will also be available at the Company's and the Stock Exchange's websites in late March 2017 and will be despatched to shareholders of the Company in early April 2017.

DIVIDEND

At the meeting of the Board held on 24 March 2017, the Board proposed no payment of final dividend for the Reporting Year to be made by the Company, which is subject to the approval of the Company's shareholders at the AGM.

CLOSURE OF REGISTER FOR AGM

The register of members of the Company will be closed from 26 April 2017 to 26 May 2017 (both days inclusive), during which time no share transfers will be registered. In order to be eligible to attend the 2016 AGM of the Company, instruments of transfer accompanied by share certificates and other appropriate documents must be lodged with the Company's H share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, no later than 4:30 p.m. on 25 April 2017.

By Order of the Board
Xinjiang Xinxin Mining Industry Co., Ltd.*
Guo Haitang
Chairman

PRC, Xinjiang, 24 March 2017

As at the date of this announcement, the executive Directors are Mr. Guo Quan and Mr. Lu Xiaoping; the non-executive Directors are Mr. Guo Haitang, Mr. Shi Wenfeng, Mr. Zhou Chuanyou and Mr. Hu Chengye; and the independent non-executive Directors are Mr. Chen Jianguo, Mr. Wang Lijin and Mr. Li Wing Sum Steven.

* *For identification purposes only*