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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)

INSIDE INFORMATION

UPDATE IN RELATION TO SHAANXI XINXIN

This announcement is made by Xinjiang Xinxin Mining Industry Co., Ltd.* (the “**Company**”) pursuant to Rule 13.09(2)(a) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Reference is made to the announcement of the Company dated 11 January 2018 (the “**Announcement**”) in respect of judgments against its subsidiary, Shaanxi Xinxin Mining Co., Ltd. (陝西新鑫礦業有限公司) (“**Shaanxi Xinxin**”). Unless otherwise defined, terms undefined herein shall have the meanings ascribed to them in the Announcement.

DETAILS OF THE JUDGMENTS

The Board would like to inform the shareholders and potential investors of the Company that the four judgments referred to in the Announcement relate to four Loans taken out by Shaanxi Mingtai from two PRC banks in January 2016, March 2016, August 2016 and May 2017, respectively. Based on the information in the judgments, the aggregate principal amounts of the four Loans amounted to RMB330 million, all of which were guaranteed by Xi An Investment and counter-guaranteed by several parties, including but not limited to Shaanxi Xinxin. As Shaanxi Mingtai was unable to repay the four Loans and related interest when they fell due, Xi An Investment repaid the Loans and related interest on behalf of Shaanxi Mingtai and claimed against the respective counter-guarantors under the Loans. The aggregate amounts awarded by the courts in favour of Xi An Investment (the “**Awarded Amounts**”) in the four judgments amounted to approximately RMB344 million plus interest as well as other cost amounted to approximately RMB2 million. Shaanxi Mingtai is jointly and severally liable for the Awarded Amounts together with the relevant counter-guarantors under the respective Loans.

Shaanxi Xinxin provided the counter-guarantee to Xi An Investment through an asset disposal entrustment agreement (《資產委託處置協議》) (the “**Main Agreement**”) which was supplemented by a supplemental agreement (the “**Supplemental Agreement**”) entered into among Shaanxi Xinxin, Xi An Investment and Shaanxi Mingtai. Based on the information in the judgments, the Main Agreement was entered into in September 2015 and the Supplemental Agreement was entered into in January 2016 (collectively, the “**Asset Disposal Entrustment Agreements**”). Pursuant to the Asset Disposal Entrustment Agreements, Shaanxi Xinxin entrusted the mining assets and exploration rights under the Mujiahe Vanadium Exploration Rights (《穆家河釩礦探礦權》) and Xianghejie Vanadium Exploration Rights (《湘河街釩礦探礦權》) (collectively, the “**Exploration Rights**”) held by it to Xi An Investment, and Xi An Investment may dispose of the Exploration Rights as it deems appropriate upon the occurrence of specified events, including but not limited to the materialisation of Xi An Investment’s guarantee obligations in relation to Shaanxi Mingtai. Even though the Asset Disposal Entrustment Agreements were entered into before the four Loans were taken out by Shaanxi Mingtai, the courts ruled that the scope of the Asset Disposal Entrustment Agreements extended to cover Xi An Investment’s guarantee obligations under the four Loans.

FURTHER BACKGROUND INFORMATION

Shaanxi Xinxin is a subsidiary of the Company held as to 51% by the Company. The remaining 49% in Shaanxi Xinxin is held as to 6% by Shaanxi Mingtai and 43% Shaanxi Jinerxin Mining Co., Ltd.* (陝西金爾鑫礦業有限公司) (“**Shaanxi Jinerxin**”). Shaanxi Jinerxin was one of the counter-guarantors under one of the Loans. Based on the information in the judgments, Shaanxi Mingtai and Shaanxi Jinerxin had pledged their shares in Shaanxi Xinxin to Xi An Investment as security in respect of Xi An Investment’s guarantee obligations under one of the Loans. Shaanxi Xinxin is an insignificant subsidiary of the Company under the Listing Rules.

Subsequent to the receipt of the four judgments by the Company, the Company requested for further information from Shaanxi Xinxin. From the information provided to the Company, it came to the attention of the Company that Shaanxi Mingtai and Shaanxi Jinerxin passed two shareholders’ resolutions in September 2015 and January 2016 (the “**Shareholders’ Resolutions**”) approving the entry into of the Main Agreement and the Supplemental Agreement, respectively. Shaanxi Xinxin also executed an entrustment letter in favour of Xi An Investment in September 2015 (the “**Entrustment Letter**”), the content of which was consistent and related to the Asset Disposal Entrustment Agreements. The Company was not notified of the proposals to pass these two Shareholders’ Resolutions and did not sign on the two Shareholders’ Resolutions. The Company was also not aware of the Asset Disposal Entrustment Agreements and the Entrustment Letter before the receipt of the four judgments.

ADVICE RECEIVED BY THE COMPANY

The Company has sought legal advice from its PRC legal adviser in relation to the above matters. Based on the preliminary analysis of the Company’s PRC legal adviser, the Shareholders’ Resolutions, the Asset Disposal Entrustment Agreements and the Entrustment Letter are potentially invalid and without legal effect given that they were passed or entered into, as the case may be, without the knowledge and approval of the majority shareholder of Shaanxi Xinxin, i.e. the Company. In the event that the execution of the current four judgments continue, Shaanxi Xinxin will be jointly and severally liable for the Awarded Amounts up to the value of its total assets. Based on the unaudited consolidated management accounts of the Company for the financial year ended 31 December 2018, the value of Shaanxi Xinxin’s total assets amounted to approximately RMB210 million, which is less than 5% of the total assets of the Company.

The Company considers that the consolidated financial statements of the Company for the financial year ended 31 December 2018 (unaudited) will not be impacted by an amount exceeding approximately RMB210 million, being the total assets value of Shaanxi Xinxin. As the Company holds 51% interest in the registered capital of Shaanxi Xinxin, the net profit attributable to parent company as reflected in the Company's financial statements for the financial year ended 31 December 2018 will not be impacted by an amount exceeding approximately RMB107 million. Given that Shaanxi Xinxin has no operations, its main assets are the Exploration Rights and that its total assets value accounted for less than 5% of the total assets value of the Company for the financial year ended 31 December 2018 (based on the unaudited consolidated management accounts of the Company) and the three financial years ended 31 December 2017 (based on the audited consolidated financial statements of the Company for the three years ended 31 December 2017), the Company considers that should Shaanxi Xinxin be jointly and severally liable for the Awarded Amounts under the judgments, it is unlikely that the normal production and operation and financial position of the Company and its subsidiaries will be materially and adversely affected.

The Company is considering further action to take in consultation with its PRC legal adviser. Further announcement(s) will be made by the Company to keep its shareholders and potential investors informed of any material development as and when appropriate.

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

Xinjiang, the PRC, 17 January 2019

As at the date of this announcement, the executive directors of the Company are Mr. Guo Quan and Mr. Liu Jun; the non-executive directors of the Company are Mr. Zhang Guohua, Mr. Shi Wenfeng, Mr. Zhou Chuanyou and Mr. Hu Chengye; and the independent non-executive directors of the Company are Mr. Hu Benyuan, Mr. Wang Lijin and Mr. Li Wing Sum Steven.

* *For identification purpose only*