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**Xinjiang Xinxin Mining Industry Co., Ltd.\***

**新疆新鑫礦業股份有限公司**

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

**(Stock code: 3833)**

## **ANNOUNCEMENT**

### **PROPOSED REVISION OF ANNUAL CAPS FOR EXISTING CONTINUING CONNECTED TRANSACTIONS UNDER THE 2018 MUTUAL SUPPLY AGREEMENT**

#### **BACKGROUND**

Reference is made to the 2018 October Announcement, the 2018 Circular and the 2018 December Announcement.

As disclosed in the 2018 October Announcement and the 2018 Circular, on 26 October 2018, the Company and Xinjiang Non-ferrous entered into the 2018 Mutual Supply Agreement in respect of the continuing provision of the Construction Services, the Supporting and Ancillary Services and the Company's Products. As disclosed in the 2018 December Announcement, the 2018 Mutual Supply Agreement and the annual caps for the provisions of the Construction Services, the Supporting and Ancillary Services and the Company's Products were approved at the extraordinary general meeting of the Company held on 20 December 2018.

Due to the (i) delayed commencement of certain construction projects contemplated under the Original Construction Services Annual Caps; (ii) the addition of new construction projects not contemplated under the Original Construction Services Annual Caps; and (iii) the increase in sales of the Company's Products not contemplated under the Original Company's Products Annual Caps, the Company proposes to revise the Original Construction Services Annual Caps and the Original Company's Products Annual Caps for the two years ending 31 December 2021.

The Original Construction Services Annual Caps and the Original Company's Products Annual Caps were not set out in the 2018 Mutual Supply Agreement. Hence, the revisions to such annual caps do not entail the revisions to the 2018 Mutual Supply Agreement. The terms of the 2018 Mutual Supply Agreement as disclosed in the 2018 October Announcement and the 2018 Circular remain unchanged. Please refer to the 2018 October Announcement and the 2018 Circular for a summary of the principal terms agreed under the 2018 Mutual Supply Agreement.

## **IMPLICATIONS UNDER THE LISTING RULES**

As at the date of this announcement, Xinjiang Non-ferrous is the controlling shareholder (as defined in the Listing Rules) of the Company and is beneficially interested in approximately 40.06% of the entire issued share capital of the Company. Accordingly, members of the Xinjiang Non-ferrous Group are connected persons of the Company and the transactions with members of the Xinjiang Non-ferrous Group contemplated under the 2018 Mutual Supply Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

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

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

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

## **BACKGROUND**

Reference is made to the 2018 October Announcement, the 2018 Circular and the 2018 December Announcement.

As disclosed in the 2018 October Announcement and the 2018 Circular, on 26 October 2018, the Company and Xinjiang Non-ferrous entered into the 2018 Mutual Supply Agreement in respect of the continuing provision of the Construction Services, the Supporting and Ancillary Services and the Company's Products. As disclosed in the 2018 December Announcement, the 2018 Mutual Supply Agreement and the annual caps for the provisions of the Construction Services, the Supporting and Ancillary Services and the Company's Products were approved at the extraordinary general meeting of the Company held on 20 December 2018.

Due to the (i) delayed commencement of certain construction projects contemplated under the Original Construction Services Annual Caps; (ii) the addition of new construction projects not contemplated under the Original Construction Services Annual Caps; and (iii) the increase in sales of the Company's Products not contemplated under the Original Company's Products Annual Caps, the Company proposes to revise the Original Construction Services Annual Caps and the Original Company's Products Annual Caps for the two years ending 31 December 2021.

The Original Construction Services Annual Caps and the Original Company's Products Annual Caps were not set out in the 2018 Mutual Supply Agreement. Hence, the revisions to such annual caps do not entail the revisions to the 2018 Mutual Supply Agreement. The terms of the 2018 Mutual Supply Agreement as disclosed in the 2018 October Announcement and the 2018 Circular remain unchanged. Please refer to the 2018 October Announcement and the 2018 Circular for a summary of the principal terms agreed under the 2018 Mutual Supply Agreement.

## REVISIONS OF THE ANNUAL CAPS

### Original Annual Caps

As disclosed in the 2018 October Announcement and the 2018 Circular, the Original Construction Services Annual Caps and the Original Company's Products Annual Caps for the two years ending 31 December 2021 are as follows:

Annual Caps	For the year ending 31 December	
	2020	2021
	(RMB'000)	(RMB'000)
	(approximately)	(approximately)
Original Construction Services Annual Caps	70,801	51,930
Original Company's Products Annual Caps	90,564	96,991

### Revised Annual Caps

The Company proposes to revise the annual caps in respect of the provision of the Construction Services and the Company's Products for the two years ending 31 December 2021 as follows:

Annual Caps	For the year ending 31 December	
	2020	2021
	(RMB'000)	(RMB'000)
	(approximately)	(approximately)
Revised Construction Services Annual Caps	110,281	92,620
Revised Company's Products Annual Caps	126,138	133,347

For the nine months ended 30 September 2020, the amount of the Construction Services fees paid by the Group to the Xinjiang Non-ferrous Group was approximately RMB61,915,000 and the amount of the Company Products' fees paid by the Xinjiang Non-ferrous Group to the Group was approximately RMB88,993,000.

The Company confirms that the transaction amounts for the provision of the Construction Services and the Company's Products under the 2018 Mutual Supply Agreement for the period from 1 January 2020 to the date of this announcement have not exceeded the Original Construction Services Annual Caps and Original Company's Products Annual Caps, respectively, for the year ending 31 December 2020.

## BASIS FOR DETERMINING THE REVISED ANNUAL CAPS

### (A) Construction Services

#### (i) *Original Construction Services Annual Caps*

As disclosed in the 2018 October Announcement and the 2018 Circular, in assessing the Original Construction Services Annual Caps, budgeted amounts assumed by the Directors for the two years ending 31 December 2021 are as below:

For the years ending 31 December	2020 (RMB'000) (approximately)	2021 (RMB'000) (approximately)
– Kalatongke Mining	15,800	17,250
– Fukang Refinery	21,000	6,000
– Yakesi	19,271	19,680
– Zhongxin	13,730	9,000
– Hami Jubao Resources Co., Ltd.	1,000	–
Total	<u>70,801</u>	<u>51,930</u>

The budgeted amounts for the two years ending 31 December 2021 set out above were determined with reference to the budgeted amounts for the following major projects of the Group's Construction Services under the 2018 Mutual Supply Agreement:

For the years ending 31 December	2020 (RMB'000) (approximately)	2021 (RMB'000) (approximately)
<b>Kalatongke Mining</b>		
2019 new project-sulphuric acid tail suction projects and sewage disposal works civil engineering projects	4,500	4,500
No. 3 air shaft ladder compartment installation project	5,800	7,250
Sundry equipment installation projects and maintenance of side blow furnace	5,500	5,500
	<u>15,800</u>	<u>17,250</u>

For the years ending 31 December	2020 (RMB'000) (approximately)	2021 (RMB'000) (approximately)
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### **Fukang Refinery**

Workshop pressurized leaching technical renovation project and extended sewage disposal works civil engineering projects	21,000	6,000
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### **Yakesi**

Factory maintenance projects	2,500	2,600
Mine transportation	7,020	7,312
Ore crushing	6,206	6,206
Other projects	3,545	3,562
	19,271	19,680

### **Zhongxin**

Smelting factory technical renovation phase II project	8,730	4,000
Maintenance for factory area and engineering projects	5,000	5,000
	13,730	9,000

## **(ii) Revised Construction Services Annual Caps**

In assessing the Revised Construction Services Annual Caps, the revised budgeted amounts assumed by the Directors for the two years ending 31 December 2021 are as follows:

For the years ending 31 December	2020 (RMB'000) (approximately)	2021 (RMB'000) (approximately)
– Kalatongke Mining	33,508	40,440
– Fukang Refinery	25,500	23,500
– Yakesi	36,543	19,680
– Zhongxin	13,730	9,000
– Hami Jubao Resources Co., Ltd.	1,000	–
Total	110,281	92,620

The revised budgeted amounts for the two years ending 31 December 2021 set out above are determined with reference to the following budgeted amounts for the major projects of the Group's Construction Services under the 2018 Mutual Supply Agreement:

<b>For the years ending 31 December</b>	<b>2020</b> <i>(RMB'000)</i> <i>(approximately)</i>	<b>2021</b> <i>(RMB'000)</i> <i>(approximately)</i>
<b>Kalatongke Mining</b>		
2019 new project-sulphuric acid tail suction projects and sewage disposal works civil engineering projects	14,878*	7,290*
No. 3 air shaft ladder compartment installation project	9,630*	7,250
Sundry equipment installation projects and maintenance of side blow furnace	5,500	5,500
Projects not contemplated under the Original Construction Services Annual Caps:		
– Construction of a new cafeteria	3,500 <sup>#</sup>	–
– No.3 subsidiary shaft renovation project in the subsequent period of mining expansion	–	15,000 <sup>#</sup>
– Equipment installation projects for the concentrator factory	–	5,400 <sup>#</sup>
	<u>33,508</u>	<u>40,440</u>
<b>Fukang Refinery</b>		
Workshop pressurized leaching technical renovation project and extended sewage disposal works civil engineering projects	21,000	6,000
Projects not contemplated under the Original Construction Services Annual Caps:		
– Construction of new steam pipe gallery and installation of pipelines	4,500 <sup>#</sup>	5,000 <sup>#</sup>
– Pressure pump renovation project	–	3,000 <sup>#</sup>
– Construction of a new composite scrap warehouse	–	5,500 <sup>#</sup>
– Construction of various energy-saving and consumption-reduction projects	–	4,000 <sup>#</sup>
	<u>25,500</u>	<u>23,500</u>

**For the years ending 31 December**

	<b>2020</b> <i>(RMB'000)</i> <i>(approximately)</i>	<b>2021</b> <i>(RMB'000)</i> <i>(approximately)</i>
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**Yakesi**

Factory maintenance projects	2,500	2,600
Mine transportation	7,020	7,312
Ore crushing	6,206	6,206
Other projects	3,545	3,562

**Items not contemplated under the Original****Construction Services Annual Caps:**

- Final settlement for the previous Huangshan Nickel-copper Mine mining and ore-processing project

– civil works	6,420 <sup>#</sup>	–
– installation works	10,852 <sup>#</sup>	–

<u>36,543</u>	<u>19,680</u>
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**Zhongxin****Smelting factory technical renovation phase II project**

8,730	4,000
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**Maintenance for factory area and engineering projects**

<u>5,000</u>	<u>5,000</u>
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<u>13,730</u>	<u>9,000</u>
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*Notes:*

(1) \* indicates change from the amount contemplated under the Original Construction Services Annual Caps.

(2) # indicates amount not contemplated under the Original Construction Services Annual Caps.



## ***Kalatongke Mining***

The original budgeted amounts assumed by the Directors for the two years ending 31 December 2021 in respect of Kalatongke Mining were approximately RMB15,800,000 and RMB17,250,000, respectively. The revised budgeted amounts assumed by the Directors for the two years ending 31 December 2021 in respect of Kalatongke Mining are approximately RMB33,508,000 and RMB40,440,000, respectively, representing an increase of approximately 112.1% and 134.4%, respectively, compared to the original budgeted amounts.

Such increases are attributed to the following reasons:

- (1) 2019 new project-sulphuric acid tail suction projects and sewage disposal works civil engineering projects

The sulphuric acid tail suction projects and sewage disposal works civil engineering projects were originally expected to commence construction in 2019. As (i) several changes were made to the original engineering drawings and design as a result of inclusion of Fuyun County, where the mine at which the sulphuric acid tail suction projects and sewage disposal works civil engineering projects are carried out locates, into the Execution Zone of the Special Emission Limits (特別排放限值執行區域); and (ii) the processing procedures for issuing the relevant permits were delayed as a result of the institutional reforms, redeployment of posts and functions and full-scale upgrade of the government affairs administration from manual work to an electronic services platform by the relevant handling departments of the local government in 2019, the construction of such projects was inevitably postponed to 2020. The sulphuric acid tail suction projects and sewage disposal works civil engineering projects are expected to continue in 2021.

- (2) No. 3 air shaft ladder compartment installation project

As the geological boundary of the mine where the no. 3 air shaft ladder is to be installed was unclear due to the complexity of its ore body in 2018, the original budgeted amount for installation of No. 3 air shaft ladder compartment under the Original Constriction Services Annual Caps was arrived at based on the Directors' best estimate of the engineering works required to be carried out. As the project progresses, the make-up of the ore body and the geological boundary of the mine become more apparent, leading to additional exploration engineering works in 2020.

(3) Addition of new projects not contemplated under the Original Construction Services Annual Caps

Kalatongke Mining has commenced and is expected to commence several construction projects which were not contemplated when the Original Construction Services Annual Caps were calculated. These projects and the reasons why they were not included in the calculation of the Original Construction Services Annual Caps are set out below:

New Projects	Reasons
1. Construction of a new cafeteria (2020: approximately RMB3.5 million)	<p>The construction project is expected to be carried out in 2020 to conform to the latest regulations in respect of disease control and prevention due to the COVID-19 pandemic.</p> <p>As the Covid-19 crowd/traffic control measures prevent the inflows of external workers into the relevant areas, the Company engaged a subsidiary of the Xinjiang Non-ferrous Group to facilitate the construction work.</p>
2. No.3 subsidiary shaft renovation project in the subsequent period of mining expansion (2021: approximately RMB 15.0 million)	<p>The renovation of No.3 subsidiary shaft is expected to be carried out in 2021 to enhance the shaft mouth room and gallery room and improve the system construction and installation.</p> <p>Since 2020, No.2 subsidiary shaft has been the only passenger-and-freight elevator shaft for No.2 and No.3 ore bodies of Kalatongke Mining. In order to tackle the impact on the production and operation of Kalatongke Mining caused by the increasing lifting work No.2 subsidiary shaft is required to perform, the technical renovation of No.3 subsidiary shaft is expected to be carried out in 2021. After the technical renovation, No.3 subsidiary shaft will be upgraded from a single purpose venting shaft to a passenger-and-freight elevator shaft. The efficiency of the ore transportation and transportation of the passengers and freight as well as the mining production will be improved when the No.3 subsidiary shaft is put into operation as a passenger-and-freight elevator shaft together with the No.2 subsidiary shaft.</p>

**New Projects****Reasons**

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| 3. Equipment installation projects for the concentrator factory (2021: approximately RMB5.4 million) | These equipment installation projects are expected to be carried out in 2021 for the concentrator factory in respect of floatation system and tailing projects, in order to improve the floating capacity to deal with the expected increase in ore processing capacity by 1,000 tonnes per day according to the latest production plan of the Company. |
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***Fukang Refinery***

The original budgeted amounts assumed by the Directors for the two years ending 31 December 2021 in respect of Fukang Refinery were approximately RMB21,000,000 and RMB6,000,000, respectively. The revised budgeted amounts assumed by the Directors for the two years ending 31 December 2021 in respect of Fukang Refinery are approximately RMB25,500,000 and RMB23,500,000, respectively, representing an increase of approximately 21.4% and 291.7%, respectively, compared to the original budgeted amounts.

Such increases are attributed to the addition of several projects not contemplated under the Original Construction Services Annual Caps. These projects and the reasons why they were not included in the calculation of the Original Construction Services Annual Caps are set out below:

**New Projects****Reasons**

- |  |   |
|--|---|
| 1. Construction of new steam pipe gallery and installation of pipelines (2020: approximately RMB4.5 million, 2021: approximately RMB5.0 million) | New steam pipe gallery and pipe installation works are required to be carried out in 2020 and expected to continue in 2021 under the “Safety Supervision Order on Special Equipment” (《特種設備安全監察指令》) promulgated by the relevant authority of Fukang County on 29 November 2018. |
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2. Pressure pump renovation project (2021: approximately RMB3.0 million) Following the implementation of the pressure leaching technology upgrade renovation project for copper and nickel during 2019, the technological parameters for such pressure leaching require higher stability and thus the modification works are required to be carried out in 2021 on the pressure pump system by replacing the existing low outflow pressure pump with a higher outflow pressure pump in order to maintain stability of the system.
3. Construction of a new composite scrap warehouse (2021: approximately RMB5.5 million) The new composite scrap warehouse is to be constructed in 2021 in accordance with the “Report of Environmental Impact of the Leaching System Technological Upgrade and Renovation Project by Fukang Refinery” (《阜康冶煉廠銅鎳浸出系統技術升級改造項目環境影響報告書》) and the “Source of Contamination On-site Inspection Table” (《污染源現場檢查情況表》) issued by the Environmental Inspection Branch of Changji Prefecture, Xinjiang on 29 June 2020.
4. Construction of various energy-saving and consumption-reduction projects (2021: approximately RMB4.0 million) The new energy-saving and consumption-reduction projects, such as reformation of the air-duct and heat preservation of the factory, outer wall heat preservation for black-nickel and sodium-removal factory, are required to be carried out in 2021 based on the new higher national energy-saving standards, replacing the lower local energy-saving standards previously adopted, as required by the “Measures for the Administration of Local Standards, the State Administration for Market Regulation Order No. 26” (《國家市場監督管理總局令第26號地方標準管理辦法》) which came into effect in March 2020.

## ***Yakesi***

The original budgeted amounts assumed by the Directors for the two years ending 31 December 2021 in respect of Yakesi were approximately RMB19,271,000 and RMB19,680,000, respectively. The revised budgeted amount assumed by the Directors for the year ending 31 December 2020 in respect of Yakesi is approximately RMB36,543,000, representing an increase of approximately 89.6%, compared to the original budgeted amount. There is no change to the budgeted amount assumed by the Directors in respect of Yakesi for the year ending 31 December 2021.

Such increase in the revised budget in 2020 was attributable to the final settlement for the previous Huangshan Nickel-copper Mine mining and ore-processing projects with the construction services provider, a subsidiary of Xinjiang Non-ferrous. The civil works and installations works of the mining and ore-processing projects mainly commenced in 2014 and largely completed by the end of 2016. However, the determination of the amounts for the final settlement was delayed to 2020 due to the reasons set out below:

### **(1) Civil works in relation to the Huangshan Nickel-copper Mine**

Due to the disputes between parties on the numbers of wind storm days and the workers' idle time as set out in the first draft settlement report issued by an independent engineering consulting firm, another independent construction supervision firm was appointed to verify the original certified civil works amounts and recalculate the numbers of wind storm days and the workers' idle time. The revised settlement report was issued in December 2019.

### **(2) Installation works in relation to the Huangshan Nickel-copper Mine**

Due to the disputes between parties on matters including but not limited to variations, quantity survey, reference rates, and calculated amounts in respect of installation works, an independent engineering consulting firm was appointed to verify the source documents and audit the construction costs incurred. A formal settlement report was issued in December 2019.

The Company received the final settlement audit reports and relevant documents for the Huangshan Nickel-copper Mine in December 2019 and the reconciliations between the relevant construction services provider and the Group were completed in May 2020. The amount for the final settlement for both civil and installation works was approximately RMB17.3 million higher than the amount calculated by the Group in aggregate, but was approximately RMB36.9 million lower than the amount originally calculated by the counter party in aggregate. Such increase in the final settlement amount was due to the disputes between parties arising in the course of the civil and installation works, which were unpredictable. Independent engineering consulting firm and construction supervision firm were engaged to resolve the disputes and ensure that the final settlement amount is fair and reasonable to the Company. As the various verification works and negotiation processes as mentioned above were ongoing and the final settlement reports were still pending in 2018 when the Original Construction Services Annual Caps were calculated, no provision on final settlement amount was included in the Original Construction Services Annual Caps.

### ***Zhongxin***

There have been no changes to the budgeted amounts for the two years ending 31 December 2021 for the major projects of the Group's Construction Services in respect of Zhongxin.

## **(B) Company's Products**

### ***(i) Original Company's Products Annual Caps***

As disclosed in the 2018 October Announcement and the 2018 Circular, in assessing the Original Company's Products Annual Caps, budgeted amounts assumed by the Directors for the two years ending 31 December 2021 are as below:

<b>For the years ending 31 December</b>	<b>2020</b>	<b>2021</b>
	<i>(RMB'000)</i>	<i>(RMB'000)</i>
	<i>(approximately)</i>	<i>(approximately)</i>
Sales of copper concentrates	43,624	47,476
Sales of copper cathode	25,862	28,016
Sales of other Company's Products	21,078	21,499
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Total	<b>90,564</b>	<b>96,991</b>
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**(ii) Revised Company's Products Annual Caps**

The revised budgeted amounts for the two years ending 31 December 2021 for the Company's Products under the 2018 Mutual Supply Agreement are as follows:

<b>For the years ending 31 December</b>	<b>2020</b> <i>(RMB'000)</i> <i>(approximately)</i>	<b>2021</b> <i>(RMB'000)</i> <i>(approximately)</i>
Sales of copper concentrates	43,624	47,476
Sales of copper cathode	25,862	28,016
Sales of other Company's Products	56,652*	57,855*
<b>Total</b>	<b>126,138</b>	<b>133,347</b>

*Note:*

\* indicates change from the amount contemplated under the Original Company's Products Annual Caps.

There are no changes to the budgeted sales volume and the projected market unit price of copper concentrates and copper cathode as disclosed in the 2018 Circular. The increases in annual caps for the Company's Products for the two years ending 31 December 2021 are mainly due to the increase in the sales of other Company's Products (namely Company's Products other than copper concentrates and copper cathode) not contemplated under the Original Company's Products Annual Caps, attributable to the following reasons:

- (1) Change of business arrangement in respect of gold products and increase in the sales of crude gold

There have been new sales transactions between the Group and the Relevant Subsidiary since late 2018 due to the change of business arrangement between the two parties in the relevant period. Under the previous arrangement, the Group procured the processing of crude gold and distribution services from the Relevant Subsidiary and sold commodity gold to independent third parties. Since late 2018, the Group ceased to procure such services and began to sell crude gold directly to the Relevant Subsidiary. Such change in the business arrangement is to facilitate the transactions between the two parties and save the time and cost which might be incurred in negotiating on the gold recovery rate of the processed gold under the previous arrangement.



The transaction amounts for the provision of the Company's Products, taking into account the new sales of crude gold from the Group to the Relevant Subsidiary, for 2019 under the 2018 Mutual Supply Agreement did not exceed the Original Company's Products Annual Caps for the year ended 31 December 2019. However, due to the rising market unit price of crude gold in 2020 which is expected to further increase in 2021, the Company targets to realize the profit by selling all of its available crude gold in each of 2020 and 2021, leading to substantial increases in sales volume and transaction amounts of crude gold to the Relevant Subsidiary during the same periods. Therefore, the Original Company's Products Annual Caps for the two years ending 31 December 2021 will accordingly be insufficient.

The Directors' assumption of the additional budgeted sales volume due to the reason set out above and the relevant projected market unit price of crude gold are as follows:

	<b>2020</b> <i>forecast</i>	<b>2021</b> <i>budget</i>
Sales of crude gold ( <i>grams</i> )	70,000	60,000
Unit price ( <i>RMB per gram</i> )	413.38	440.00
Amount ( <i>RMB'000</i> )	28,937	26,400

(2) Increase in the sales of sulphuric acid

The sales of sulphuric acid by the Group to the Xinjiang Non-ferrous Group increased substantially as one of the Group's customers for sulphuric acid was acquired by the Xinjiang Non-ferrous Group and became a subsidiary of Xinjiang Non-ferrous in September 2019.

The Directors' assumption of the additional budgeted sales volume due to the reason set out above and the relevant projected market unit price of sulphuric acid are as follows:

	<b>2020</b> <i>forecast</i>	<b>2021</b> <i>budget</i>
Sales of sulphuric acid ( <i>tonnes</i> )	10,000	15,000
Unit price ( <i>RMB per tonne</i> )	663.70	663.70
Amount ( <i>RMB'000</i> )	6,637	9,956



## **PRICING POLICIES AND INTERNAL CONTROL MEASURES RELATING TO PRICING POLICIES**

The pricing policies and internal control measures set out in the 2018 Circular remain unchanged and apply to the transactions contemplated under the Revised Construction Services Annual Caps and the Revised Company's Products Annual Caps.

### **GENERAL**

The existing annual caps for the provision of the Supporting and Ancillary Services by the Xinjiang Non-ferrous Group to the Company is expected to be sufficient for the two years ending 31 December 2021 and therefore no revision of the relevant annual caps is required.

All the existing terms and conditions under the 2018 Mutual Supply Agreement remain unchanged.

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

### **INFORMATION RELATING TO THE COMPANY**

The Company and its subsidiaries are principally engaged in the mining, ore processing, smelting, refining of nickel, copper and vanadium, and sales of nickel, copper and other non-ferrous metal products.

### **INFORMATION RELATING TO THE XINJIANG NON-FERROUS GROUP**

Xinjiang Non-ferrous is principally engaged in, among other things, investment in non-ferrous metal industry and sale of non-ferrous metal products.

### **LISTING RULES IMPLICATIONS**

As at the date of this announcement, Xinjiang Non-ferrous is the controlling shareholder (as defined in the Listing Rules) of the Company and is beneficially interested in approximately 40.06% of the entire issued share capital of the Company. Accordingly, members of the Xinjiang Non-ferrous Group are connected persons of the Company and the transactions with members of the Xinjiang Non-ferrous Group contemplated under the 2018 Mutual Supply Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

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

Given that the highest applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) of each of the Revised Construction Services Annual Caps and the Revised Company's Products Annual Caps exceed 5%, the Revised Construction Services Annual Caps and the Revised Company's Products Annual Caps are subject to the reporting, announcement, annual review and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

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

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

## **DESPATCH OF CIRCULAR**

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

## **BOARD’S APPROVAL**

Since (i) Mr. Zhang Guohua, one of the Directors, 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 Nonferrous; (ii) Mr Guo Quan, one of the Directors, is the deputy manager of Xinjiang Non-ferrous; (iii) Mr. Qi Xinhui, one of the Directors, was appointed by the Party Committee of Xinjiang Non-ferrous as the secretary to the Party Committee of the Company; and (iv) Mr. Liu Jun, one of the Directors, was appointed by the Party Committee of Xinjiang Non-ferrous as the deputy secretary to the Party Committee of the Company, each of Mr. Zhang Guohua, Mr. Guo Quan, Mr. Qi Xinhui and Mr. Liu Jun has abstained from voting on the relevant board resolution for the approval of the Revised Construction Services Annual Caps and the Revised Company’s Products Annual Caps. Other than Mr. Zhang Guohua, M. Guo Quan, Mr. Liu Jun and Mr. Qi Xinhui, none of the Directors had any material interest in the transactions contemplated under the 2018 Mutual Supply Agreement and therefore none of them are required to abstain from voting on the relevant board resolution to approve the Revised Construction Services Annual Caps and the Revised Company’s Products Annual Caps.

## **DEFINITIONS**

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

“2018 Circular”	the circular dated 20 November 2018 of the Company in respect of, among other things, the continuing connected transactions under the 2018 Mutual Supply Agreement
“2018 December Announcement”	the announcement dated 20 December 2018 of the Company in respect of, among other things, the continuing connected transactions under the 2018 Mutual Supply Agreement
“2018 Mutual Supply Agreement”	the master mutual supply agreement dated 26 October 2018 entered into between the Company and Xinjiang Non-ferrous in respect of the mutual provision of production supplies and ancillary services, details of which please refer to the circular of the Company dated 20 November 2018
“2018 October Announcement”	the announcement dated 26 October 2018 of the Company in respect of, among other things, the continuing connected transactions under the 2018 Mutual Supply Agreement

“Associates”	has the meaning ascribed to it under the Listing Rules
“Board or Board of Directors”	the board of directors of the Company
“Company”	Xinjiang Xinxin Mining Industry Co., Ltd.* (新疆新鑫礦業股份有限公司), a joint stock limited company incorporated in the PRC with limited liability, the H Shares of which are listed on the Stock Exchange
“Company’s Products”	nickel cathode, copper cathode, copper concentrates, self-produced precious metals, sulphuric acid, water, electricity and other ancillary materials provided/to be provided by the Company to the Xinjiang Nonferrous Group under the 2018 Mutual Supply Agreement
“connected person”	has the meaning ascribed to it under the Listing Rules
“Construction Services”	construction-related services, including project design, construction and facilities installation provided/to be provided by the Xinjiang Non-ferrous Group to the Company under the 2018 Mutual Supply Agreement
“Director(s)”	one or all of the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held for the approval of, among others, the Revised Construction Services Annual Caps and the Revised Company’s Products Annual Caps
“Fukang Refinery”	the refinery located in Fukang, Xinjiang where Fukang Branch of the Company (阜康冶煉廠) carries out its business activities
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board comprising the independent non-executive Directors, namely Mr. Hu Benyuan, Mr. Wang Qingming and Mr. Lee Tao Wai, to advise the Independent Shareholders in respect of the Revised Construction Services Annual Caps and the Revised Company’s Products Annual Caps

“Independent Shareholders”	in respect of the Revised Construction Services Annual Caps and the Revised Company’s Products Annual Caps and the transactions contemplated by the 2018 Mutual Supply Agreement, Shareholders other than the Xinjiang Non-ferrous and its Associates
“Kalatongke Mining”	Xinjiang Kalatongke Mining Company Limited* (新疆喀拉通克礦業有限責任公司), a limited liability company incorporated in the PRC and a wholly-owned subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Original Company’s Products Annual Caps”	the original annual caps in respect of the Company’s Products fees payable by the Xinjiang Non-ferrous Group to the Group under the 2018 Mutual Supply Agreement
“Original Construction Services Annual Caps”	the original annual caps in respect of the Construction Services fees payable by the Group to the Xinjiang Non-ferrous Group under the 2018 Mutual Supply Agreement
“PRC”	the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, Taiwan and the Macau Special Administrative Region of the PRC)
“Relevant Subsidiary”	Urumuqi Tianshan Star Precious Metal Smelting Co., Ltd.* (烏魯木齊天山星貴金屬冶煉有限公司), a limited liability company incorporated in the PRC and a subsidiary of Xinjiang Non-ferrous
“Revised Company’s Products Annual Caps”	the revised annual caps in respect of the Company’s Products fees payable by the Xinjiang Non-ferrous Group to the Group under the 2018 Mutual Supply Agreement
“Revised Construction Services Annual Caps”	the revised annual caps in respect of the Construction Services fees payable by the Group to the Xinjiang Non-ferrous Group under the 2018 Mutual Supply Agreement
“RMB”	Renminbi, the lawful currency of the PRC

“Shareholder(s)”	holder(s) of the Shares in the register of members of the Company from time to time
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed to it under section 2 of the Companies Ordinance (Chapter 32, Laws of Hong Kong)
“Supporting and Ancillary Services”	services provided/to be provided by the Xinjiang Non-ferrous Group to the Group under the 2018 Mutual Supply Agreement which include: (i) production supplies, transportation and supporting services: supplemental production materials (including copper concentrates, chemical materials, coal, coke and product packaging materials) and work safety products; (ii) storage, transportation and loading services: warehousing services in Beijing for the sales and distribution of nickel cathode to the Company’s end customers in Beijing and its surrounding areas, Hebei province and the north-eastern region of the PRC; transportation service for the delivery of materials including coke and coal; and (iii) other supporting and ancillary services: machinery repair and improvement; geological exploration in the mining areas
“Xinjiang Non-ferrous”	Xinjiang Non-ferrous Metal Industry (Group) Ltd.* (新疆有色金屬工業(集團)有限責任公司), a wholly state-owned enterprise with limited liability and incorporated in the PRC, being one of the promoters and the controlling shareholder of the Company
“Xinjiang Non-ferrous Group”	Xinjiang Non-ferrous and its subsidiaries excluding the Company, its subsidiaries and Associates
“Yakesi”	Xinjiang Yakesi Resources Co. Ltd* (新疆亞克斯資源開發股份有限公司), a limited liability company incorporated in the PRC and a wholly-owned subsidiary of the Company

“Zhongxin”

Xinjiang Zhongxin Mining Company Limited\* (新疆眾鑫礦業有限責任公司), a limited liability company incorporated in the PRC and a wholly-owned subsidiary of the Company

“%”

per cent.

By Order of the Board  
**Xinjiang Xinxin Mining Industry Co., Ltd.\***  
**Li Zhenzhen, Lam Cheuk Fai**  
*Joint Company Secretaries*

Xinjiang, the PRC, 14 October 2020

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

\* For identification purpose only