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Xinjiang Xinxin Mining Industry Co., Ltd.*

新疆新鑫矿业股份有限公司

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

(Stock code: 3833)

2021 FINAL RESULTS ANNOUNCEMENT

FINANCIAL HIGHLIGHTS

- Revenue was RMB2,382.4 million, representing an increase of 28.5% as compared to RMB1,853.9 million in 2020.
- Comprehensive profit attributable to shareholders of the Company was RMB515.6 million, representing an increase of 239.6% as compared to the profit of RMB151.8 million in 2020.
- Gross profit margin was 38.2%, representing an increase of 14.6 percentage points as compared to 23.6% in 2020. Net profit margin was 21.6%, representing an increase of 11.9 percentage points as compared to 9.7% in 2020.
- Basic earnings per share was RMB0.233 as compared to RMB0.069 in 2020.
- The Board does not recommend any payment of final dividend, which is the same as in 2020.

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 2021 (the “**Reporting Year**”).

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
Revenue	3	2,382,408	1,853,909
Less: Cost of sales	3	(1,471,712)	(1,416,745)
Taxes and surcharges	3(a)	(50,232)	(35,333)
Selling and distribution expenses		(15,482)	(36,581)
General and administrative expenses		(145,590)	(121,001)
R&D expenses		(69,089)	–
Financial expenses – net	5	(63,957)	(97,072)
Assets impairment losses	4(c)	(3,547)	(135,533)
Credit impairment reversal/(losses)	4(d)	6,501	(2,769)
Losses on the changes in fair value	4(e)	–	(655)
Add: Other income		4,347	7,939
Investment losses	4(f)	(178)	(3,070)
Including: Share of gain of joint-venture		26,126	4,257
(Losses)/Gains on disposals of assets		(150)	209
Operating profit		573,319	13,298
Add: Non-operating income	4(a)	1,565	162,276
Less: Non-operating expenses	4(b)	(4,700)	(4,047)
Total profit	4	570,184	171,527
Less: Income tax expenses	6	(55,922)	7,644
Net profit		514,262	179,171
Classified by continuity of operations			
Net profit from continuing operations		514,262	179,171
Net profit from discontinued operations		–	–
Classified by ownership of the equity			
Net profit attributable to shareholders of the Company		515,585	151,839
Profit or loss attributable to non-controlling interests		(1,323)	27,332

	<i>Notes</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Other comprehensive income after tax		<u><u>–</u></u>	<u><u>–</u></u>
Total comprehensive income		<u><u>514,262</u></u>	<u><u>179,171</u></u>
Total comprehensive income attributable to the Company		515,585	151,839
Total comprehensive (loss)/income attributable to non-controlling interests		<u><u>(1,323)</u></u>	<u><u>27,332</u></u>
Earnings per share			
Basic earnings per share (<i>RMB</i>)	7	0.233	0.069
Diluted earnings per share (<i>RMB</i>)	7	<u><u>0.233</u></u>	<u><u>0.069</u></u>

CONSOLIDATED BALANCE SHEET

As at 31 December 2021

		31 December 2021	31 December 2020
	<i>Notes</i>	RMB'000	RMB'000
ASSETS			
Current assets			
Cash at bank and on hand		425,750	375,146
Financial assets held for trading		31,000	31,000
Accounts receivable	9	71,083	102,867
Financing receivable	10	135,699	75,349
Advances to suppliers		24,605	33,090
Other receivables		19,394	31,610
Inventories		1,435,646	1,375,623
Other current assets		42,504	43,516
		<hr/>	<hr/>
Total current assets		2,185,681	2,068,201
		<hr/>	<hr/>
Non-current assets			
Long-term equity investments		154,459	155,334
Investment properties		221,434	–
Fixed assets		3,477,057	3,053,585
Construction in progress		481,087	1,094,830
Intangible assets		744,941	745,398
Right of use assets		6,294	–
Development cost		8,903	–
Goodwill		27,833	27,833
Long-term deferred expenses		2,035	983
Deferred tax assets		63,832	88,655
Other non-current assets		19,944	28,445
		<hr/>	<hr/>
Total non-current assets		5,207,819	5,195,063
		<hr/>	<hr/>
TOTAL ASSETS		7,393,500	7,263,264
		<hr/> <hr/>	<hr/> <hr/>

		31 December 2021	31 December 2020
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
LIABILITIES AND OWNERS' EQUITY			
Current liabilities			
Short-term borrowings		465,000	477,640
Financial liabilities held for trading		–	149,743
Notes payable	11	188,000	331,350
Accounts payable	12	394,223	263,435
Contract liabilities		14,476	38,852
Employee benefits payable		73,394	57,101
Taxes payable		34,648	10,431
Other payables		100,175	124,098
Current portion of non-current liabilities		600,953	442,500
		<hr/>	<hr/>
Total current liabilities		1,870,869	1,895,150
		<hr/>	<hr/>
Non-current liabilities			
Long-term borrowings		389,000	781,500
Lease liabilities		3,149	–
Long-term payable		54,835	14,467
Provisions		9,778	9,351
Deferred income		26,066	26,666
Deferred income tax liabilities		93,374	103,963
		<hr/>	<hr/>
Total non-current liabilities		576,202	935,947
		<hr/>	<hr/>
Total liabilities		2,447,071	2,831,097
		<hr/>	<hr/>

	31 December 2021	31 December 2020
<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
Owners' equity		
Share capital	552,500	552,500
Capital surplus	4,258,570	4,258,570
Surplus reserve	273,273	249,626
Accumulated losses	(155,969)	(647,907)
	<hr/>	<hr/>
Total equity attributable to shareholders of the Company	4,928,374	4,412,789
Non-controlling interests	18,055	19,378
	<hr/>	<hr/>
Total owners' equity	4,946,429	4,432,167
	<hr/>	<hr/>
TOTAL LIABILITIES AND OWNERS' EQUITY	7,393,500	7,263,264
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NOTES TO CONSOLIDATED FINANCIAL INFORMATION

For the year ended 31 December 2021

1 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements have been prepared according to the Basic Standard of the Accounting Standards for Business Enterprises, the specific standards and other relevant regulations issued by the Ministry of Finance on and after 15 February 2006, thereafter (hereafter collectively referred to as the “**Accounting Standard for Business Enterprises**”), 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 consolidated financial statements are prepared on a going concern basis.

The new Hong Kong Companies Ordinance went into effect in 3 March 2014, some of the disclosures have been adjusted to the requirement of Hong Kong Companies Ordinance.

Significant changes in accounting policies

Save as listed below, 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 2020.

Ministry of Finance issued 2021 the fifth Q&A on Implementation of Accounting Standards for Business Enterprises on 2021 November. The group has adopted the above notice and Q&A on implementation to prepare the financial statements of 2021, and the impact on the financial statements of the group and the company is listed below:

(a) Leasing related cash flow statement listed

The nature and the reasons of the changes in accounting policies	Name of the affected reported item	The amounts affected 2020	
		The Group	The Company
Before the control of goods is transferred to customers and for the fulfilment of sales contract. For the transportation costs incurred, the group and the company reclassify them from sales expenses to operating costs.	Selling expenses	(22,819,030.19)	–
	Operating costs	22,819,030.19	–

2 SEGMENT INFORMATION

The Group is mainly engaged in the mining, ore processing, smelting, refining of copper and nickel, and the processing and sales of copper, nickel 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 Accounting Standard for Business Enterprises, management of the Group considers the Group itself is one operating segment.

For the two years ended 31 December 2021 and 2020, 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 39%, 15% and 13% of the total revenue of the Group, respectively (2020: 47%, 11% and 6%).

3 REVENUE AND COST OF SALES

Revenue and cost of sales recognised during each of the years ended 31 December 2021 and 2020 are analysed as follows:

	Year ended 31 December	
	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Revenue from principal businesses		
Nickel cathode	1,367,410	1,201,939
Copper cathode	674,562	465,050
Others	259,116	150,020
	<u>2,301,088</u>	<u>1,817,009</u>
Revenue from other operation	81,320	36,900
	<u>2,382,408</u>	<u>1,853,909</u>
Cost of sales from principal businesses		
Nickel cathode	695,030	790,747
Copper cathode	481,179	482,419
Others	249,278	136,785
	<u>1,425,487</u>	<u>1,409,951</u>
Cost of sales from other operation	46,225	6,794
	<u>1,471,712</u>	<u>1,416,745</u>
(a) Taxes and surcharges		
Resource tax	18,708	10,761
Property tax	11,542	9,399
Education surcharge	7,756	5,134
Urban construction tax	5,714	4,209
Land use tax	3,720	3,682
Stamp tax	2,700	2,053
Vehicle and Vessel tax	92	95
	<u>50,232</u>	<u>35,333</u>

4 TOTAL PROFIT

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

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Depreciation	232,355	216,752
Provision	–	(161,519)
Amortisation of intangible assets	27,134	24,556
Directors' remuneration	1,312	1,265
Government grants (<i>Note (a)</i>)	(4,557)	(8,149)
Losses/(Gains) on disposal of assets	150	(209)
Donations (<i>Note (b)</i>)	739	2,500
Losses on disposal of fixed assets (<i>Note (b)</i>)	2,418	10
Assets impairment losses (<i>Note (c)</i>)	3,547	135,533
(Decline of)/Additions of credit impairment losses (<i>Note (d)</i>)	(6,501)	2,769
Losses on the changes in fair value (<i>Note (e)</i>)	–	655
Investment loss (<i>Note (f)</i>)	178	3,070
Auditors' remuneration	2,110	2,110
Including: non-audit service fees	–	–
	=====	=====
(a) Non-operating income		
Reversal of provision	–	161,519
Government grants - Land compensation	210	210
Others	1,355	547
	=====	=====
	1,565	162,276
	=====	=====

Other government grants amounted to RMB4,347 thousand were included in other income (2020: RMB7,939 thousand).

	Year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
(b) Non-operating expense		
Losses on scrap of fixed assets	2,418	10
Penalties and fines	1,221	648
Donations	739	2,500
Others	322	889
	<u>4,700</u>	<u>4,047</u>
(c) Assets impairment losses		
Provision for additions/(decline) in value of inventories	3,547	(10)
Provision for impairment of intangible assets	–	135,543
	<u>3,547</u>	<u>135,533</u>
(d) Credit impairment losses		
(Decline of)/Additions of losses of bad debts for accounts other receivable	(679)	2,769
(Decline of)/Additions of losses of bad debts for other receivables	(5,822)	–
	<u>(6,501)</u>	<u>2,769</u>

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
(e) Losses on the changes in fair value		
Losses on changes in fair value of the gold lease and the corresponding futures contract	<u>–</u>	<u>655</u>
(f) Investment loss		
Net profit from a joint-venture under equity method	(26,126)	(4,257)
Unrealised net profit between the joint-venture and the Group	27,001	10,909
Investment income from disposal of financial assets	<u>(697)</u>	<u>(3,582)</u>
	<u>178</u>	<u>3,070</u>

Investment income were all from non-listed investments.

5 FINANCIAL EXPENSES – NET

	2021	2020
	RMB'000	RMB'000
Interest expense	77,614	105,118
Add: Interest expenses on lease liabilities	89	–
Less: Capitalised interest	<u>(5,175)</u>	<u>(7,570)</u>
Interest expense	72,528	97,548
Interest income	(10,161)	(1,707)
Bank charges	463	794
Unwinding of discount – net	<u>1,128</u>	<u>437</u>
	<u>63,957</u>	<u>97,072</u>

6 INCOME TAX EXPENSES

	Year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax	41,688	(921)
Deferred income tax	14,234	(6,723)
	<u>55,922</u>	<u>(7,644)</u>

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

The rate of income tax applicable to the Group and the relevant approval documents are set out below:

- (a) Pursuant to the provisions including 'Circular on Enterprise Income Tax Policy concerning Deductions for Equipment and Appliances' (Cai Shui [2018] No. 54) and the 'Announcement on Extending the Implementation Period of Certain Preferential Tax Policies' (Cai Shui [2021] No. 6) issued by the State Administration of Taxation, during the period from 1 January 2018 to 31 December 2023, the cost of newly purchased equipment with the original cost less than RMB5 million can be fully deducted against taxable profit in the next month after the asset is put into use, instead of being depreciated annually for tax filing.
- (b) On 6 April 2012, the State Administration of Taxation announced about carrying out the Western Development Strategy on the issue of corporate income tax. As at 23 April 2020, according to the Continuation of the Corporate Income Tax Policy for Western Development issued by the State Administration of Taxation (Announcement of the Ministry of Finance [2020] No. 23), enterprises which were listed in the catalogue of encouraged industries would be levied corporate income tax at a reduced tax rate of 15% from 1 January 2021 to 31 December 2030. The Company obtained the recognition that its business is within the catalogue of encouraged industries from the Committee of Economics and Information of Xinjiang Uygur Autonomous Region. The Company calculated and paid corporate income tax using the preferential rate of 15% for the year ended 31 December 2021. (2020: 15%)

- (c) The applicable income tax rate of Shanghai Sales Branch of the Company is 25% in 2021 (2020: 25%).
- (d) The subsidiary Xinjiang Yakesi Resource Development Co., Ltd (hereafter “**Xinjiang Yakesi**”) obtained the recognition that its business is within the catalogue of encouraged industries from the Committee of Economics and Information of Xinjiang Uygur Autonomous Region Xinjiang Yakesi calculated and paid corporate income tax using the preferential rate of 15% for the year ended 31 December 2021 (2020: 15%).
- (e) The subsidiary, Hami Jubao Resource Development Co., Ltd. (hereafter “**Hami Jubao**”) obtained the recognition that its business is within the catalogue of encouraged industries from the Committee of Economics and Information of Xinjiang Uygur Autonomous Region. Hami Jubao calculated and paid corporate income tax using the preferential rate of 15% for the year ended 31 December 2021 (2020: 15%).
- (f) The subsidiary, Xinjiang Kalatongke Mining Industry Co., Ltd. (hereafter “**Kalatongke Mining**”) obtained the recognition that its business is within the catalogue of encouraged industries from the Committee of Economics and Information of Xinjiang Uygur Autonomous Region. Kalatongke Mining calculated and paid corporate income tax using the preferential 15% for the year ended 31 December 2021 (2020:15%)
- (g) The subsidiary, Xinjiang Mengxi Mining Co., Ltd. (hereafter “**Mengxi Mining**”), applied the Small-Scaled Minimal Profit Enterprise income tax preferential policy announced by the State Administration of Taxation. Mengxi Mining calculated and paid corporate income tax for the preferential taxable income using the preferential rate of 20% for the year ended 31 December 2021 after communication with local tax authorities (2020: 20%).
- (h) Other subsidiaries, including Xinjiang Zhongxin Mining Industry Co., Ltd. (hereafter “**Zhongxin Mining**”), Beijing Xinding Shunze High Technology Co., Ltd. (hereafter “**Beijing Xinding**”) and Shaanxi Xinxin Mining Co., Ltd (hereafter “**Shaanxi Xinxin**”) are subject to corporate income tax rate of 25% in 2021 (2020: 25%)

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

	Year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Consolidated total profit	<u>570,184</u>	<u>171,527</u>
Income tax expenses calculated at applicable tax rate of 25%	142,546	42,882
Effect of tax reductions	(54,219)	(30,240)
Influence of tax rate change for income tax	(7,727)	–
Income not subject to tax	(4,105)	(25,511)
Expenses not deductible for tax purposes	225	622
Deductible losses for which no deferred tax assets were recognised	3,013	5,543
Prior year unrealised deferred tax assets of deductible temporary differences	(23,811)	–
Clearance differences in respect of prior years	<u>–</u>	<u>(940)</u>
Income tax expenses	<u><u>55,922</u></u>	<u><u>(7,644)</u></u>

7 EARNINGS PER SHARE

	Year ended 31 December	
	2021	2020
Consolidated net profit attributable to holders of ordinary shares of the Company (<i>RMB'000</i>)	515,585	151,839
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 earnings per share (<i>RMB</i>)	<u><u>0.233</u></u>	<u><u>0.069</u></u>

Diluted earnings per share is equal to basic earnings 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 the approval by the shareholders of the Company at the annual general meeting of the Company to be held on 27 May 2022 (“AGM”).

	Year ended 31 December	
	2021	2020
Proposed final dividend	<u>Nil</u>	<u>Nil</u>

9 ACCOUNTS RECEIVABLE

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Accounts receivable (<i>Note (a), (b)</i>)	77,426	109,889
Less: provision for bad debts (<i>Note (c)</i>)	<u>(6,343)</u>	<u>(7,022)</u>
	<u>71,083</u>	<u>102,867</u>

Notes:

- (a) Ageing analysis of the gross accounts receivable at the respective balance sheet dates based on their recording dates is as follows:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Within one year	54,876	78,031
One to two years	11,668	9,124
Two to three years	1,531	1,551
Three to four years	1,539	2,272
Four to five years	2,272	9,263
Over five years	<u>5,540</u>	<u>9,648</u>
	<u>77,426</u>	<u>109,889</u>

- (b) The Group conducted sales transactions mainly through cash on delivery, cash receipts in advance or bank acceptance notes. For other sales transactions, credit terms were granted not exceeding 180 days.

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

	2021	2109
	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January	7,022	4,370
Provision for bad debts	1,784	2,669
Reversal of provision for bad debts	(2,463)	(17)
	<hr/>	<hr/>
At 31 December	<u>6,343</u>	<u>7,022</u>

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

(d) As at 31 December 2021 and 31 December 2020, there is no accounts receivable pledged as collaterals to bank for borrowings.

10 FINANCING RECEIVABLES

	As at 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Bank acceptance notes	<u>135,699</u>	<u>75,349</u>

The Group and its subsidiaries endorse most of the bank acceptance notes according to the needs of their daily fund management. Therefore, the bank acceptance notes are classified as financial asset measured at fair value and their changes are included in other comprehensive income, and listed as financing receivables.

There was no provision for the impairment of the bank acceptance notes assessed individually. The Group believes that the bank acceptance notes held by the bank do not have a significant credit risk, and will not cause significant losses due to bank default.

As at 31 December 2021 and 31 December 2020, the Group has no pledged bank acceptance notes receivable listed as financing receivables.

11 NOTES PAYABLE

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Bank acceptance notes	<u>188,000</u>	<u>331,350</u>

As at 31 December 2021 and 31 December 2020, all bank acceptance notes were due within 180 days.

12 ACCOUNTS PAYABLE

	As at 31 December	
	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Payable for purchase of materials	329,062	194,438
Payable for purchase of services	54,912	56,485
Payable for transportation fees	8,322	11,143
Others	1,927	1,369
	<u>394,223</u>	<u>263,435</u>

- (a) As at 31 December 2021, accounts payable over one year with carrying amount of RMB35,434 thousand (31 December 2020: RMB26,222 thousand) were mainly payables for purchase of materials.
- (b) The ageing of accounts payable based on their recording dates was analysed as follows:

	As at 31 December	
	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Within 3 months	287,957	213,183
3 to 6 months	60,312	14,712
6 months to a year	10,520	9,318
Over a year	35,434	26,222
	<u>394,223</u>	<u>263,435</u>

13 NET CURRENT ASSETS

	31 December 2021 RMB'000	31 December 2020 RMB'000
Current assets	2,185,681	2,068,201
Less: current liabilities	<u>(1,870,869)</u>	<u>(1,895,150)</u>
Net current asset	<u>314,812</u>	<u>173,051</u>

14 TOTAL ASSETS LESS CURRENT LIABILITIES

	31 December 2021 RMB'000	31 December 2020 RMB'000
Total assets	7,393,500	7,263,264
Less: Current liabilities	<u>(1,870,869)</u>	<u>(1,895,150)</u>
Total assets less current liabilities	<u>5,522,631</u>	<u>5,368,114</u>

MARKET OVERVIEW

In 2021, the average three-month future price of nickel cathode in London Metal Exchange was US\$18,452 per tonne, representing an increase of 33.25% as compared to that in 2020, and the average three-month future price of copper cathode was US\$9,291 per tonne, representing an increase of 50.15% as compared to that in 2020.

In 2021, the average settlement price (tax inclusive) of nickel cathode in Shanghai Futures Exchange was RMB137,649 per tonne, representing an increase of 26.22% as compared to that in 2020, the average spot price (tax inclusive) of nickel cathode in Shanghai Yangtze River Non-ferrous Metals Spot Market was RMB139,213 per tonne, representing an increase of 26.06% as compared to that in 2020, and the average spot price (tax inclusive) of copper cathode was RMB68,602 per tonne, representing an increase of 40.59% as compared to that in 2020.

In 2021, the domestic price trends of nickel cathode and copper cathode were basically 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 domestic nickel output in 2021 was 160,000 tonnes, representing a decrease of 2.4% as compared to that in 2020. The Group produced 12,103 tonnes of nickel cathode in 2021, and the Group remains the second largest domestic manufacturer of nickel cathode produced with nickel sulfide resources.

BUSINESS REVIEW

Impact of the COVID-19 pandemic on the Group

In 2021, the world continued to face the ravages of COVID-19, with the rapid spread of the new variants of the virus, various quarantine control measures and travel restrictions are continuing at home and abroad. However, with the promotion and vaccination of vaccines, the impact of COVID-19 on the Group has gradually shifted from a health threat to travel restrictions and logistical disruptions. The pandemic continues to bring inconvenience to the movement of people, especially in form of obstacles for the out-of-city employees to report to work and to take a vacation. In addition, the delivery date of materials and equipment of engineering construction and technical transformation projects is delayed to a certain extent, and technicians of relevant projects are unable to provide on-site services. The headquarter of the Group has maintained an unimpeded information communication mechanism with its subsidiary companies and adjusted the response measures in real time according to local conditions. As at the date of this announcement, the pandemic has not significantly affected the normal operation and production of the Group. The Group and its subsidiary companies actively responded to the call of Xinjiang government for information management and pandemic prevention, took strict pandemic prevention measures and formulated pandemic prevention measures in accordance with the local government's pandemic prevention policies to ensure the normal pace of production and life operations. As a result, the impact of COVID-19 on the Group's operations for the Reporting Year was minimal.

Production and Operation

For the year of 2021, in order to cope with the adverse impact on enterprises caused by the relatively lower prices of nickel cathode in both international and domestic markets and the rising procurement prices of raw materials, and in accordance with the relevant requirements of the State and Xinjiang government regarding production safety and improvement on environmental protection standards, the Group took a series of major measures to lower product costs and expenditures as well as improve overall operation efficiency of the Company. Such measures included upgrading and transforming the production safety and environmental protection facilities and the major production processes, enhancing the corporate Party Building work and other fundamental management work, adjusting internal operation structure, optimizing the

technical and economic indicators of production processes, strictly controlling non-production expenditures, supplementing and improving technological renovation and capacity expansion 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 analysis and research of products market, and adopted the marketing strategies of pricing sales combining spot and futures, which in turn achieved the goal to realize the sales of major products of the Group with a relatively higher market price and enhance the economic efficiency.

For the year of 2021, the Group recorded a total nickel cathode output of 12,103 tonnes, representing an increase of 2.40% as compared to that in 2020, and a total copper cathode output of 11,031 tonnes, representing an increase of 0.27% as compared to that in 2020.

For the year of 2021, the Group recorded total nickel cathode sales of 10,943 tonnes, representing a decrease of 3.37% as compared to that in 2020, and total copper cathode sales of 11,051 tonnes, representing a decrease of 1.49% as compared to that in 2020.

For the year of 2021, the Group recorded an average selling price of nickel cathode (tax exclusive) of RMB124,957 per tonne, representing an increase of 17.73% as compared to that in 2020, and the average selling price of copper cathode (tax exclusive) amounted to RMB61,041 per tonne in 2021, representing an increase of 47.24% as compared to that in 2020.

For the year of 2021, the Group recorded an average cost of sales of nickel cathode of RMB63,514 per tonne, representing a decrease of 9.04% as compared to that in 2020, and the average cost of sales of copper cathode amounted to RMB43,541 per tonne, representing an increase of 1.25% as compared to that in 2020.

For the year of 2021, the Group achieved revenue of RMB2,382.4 million, representing an increase of 28.51% as compared to that in 2020, and a net profit of RMB514.3 million, as compared to a net profit of RMB179.2 million in 2020; a comprehensive profit attributable to shareholders of the Company amounted to RMB515.6 million, as compared to a comprehensive profit attributable to shareholders of the Company of RMB151.8 million in 2020, and a profit per share (basic and diluted) of RMB0.233 as compared to a profit per share (basic and diluted) of RMB0.069 in 2020.

Progress of Technological Renovation and Capacity Expansion Projects and Infrastructure Projects

For the year of 2021, the technological renovation and capacity expansion projects carried out by the Group mainly included: the technological renovation project involving the enhancement of ore processing and smelting processes and improvement of the mining, ore processing and smelting capacities and improvement on environmental protection standards 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 improvement on environmental protection standards, 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 2021 and the required progress of work was achieved on time during the Year. The investment on each technological renovation project is as follows:

For the year of 2021, a total of RMB100.3 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, annual production capacity of water hardening and nickel matte of 8,000 tonnes as well as improvement on environmental protection standards of Kalatongke Mining.

For the year of 2021, a total of RMB40.6 million was invested in the further enhancement of the refining capacities of nickel cathode and copper cathode of Fukang Refinery, as well as the technological renovation and capacity expansion project for improvement on environmental protection standards.

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 RMB51.1 million was made in 2021.

Safety and Environmental Protection

The Group adheres to the safety and environmental protection policies of “Safety First, Precaution Foremost” and “Equal Emphasis on Both Resources Development and Environmental Protection” earnestly to ensure its production safety and environmental protection. In 2021, the Group achieved its target of production safety. The environmental protection was stringently observed in compliance with the relevant laws and regulations.

SIGNIFICANT INVESTMENTS, ACQUISITION AND DISPOSAL

During the Reporting Year, there were no significant assets acquisition or disposal, merger or equity investments of the Company.

FINANCIAL REVIEW

Operating Results

The COVID-19 pandemic did not have any impact on the Group’s operating results during the Year. In 2021, the revenue of the Group amounted to RMB2,382.4 million, representing an increase of 29% as compared to RMB1,853.9 million in 2020; the comprehensive profit of the Group amounted to RMB514.3 million, representing an increase of 187% as compared to the comprehensive profit of the Group amounted to RMB179.2 million in 2020; the comprehensive net profit attributable to shareholders of the Company amounting to RMB515.6 million, representing an increase of 240% as

compared to the comprehensive net profit attributable to shareholders of the Company amounting to RMB151.8 million in 2020. The increase in the comprehensive net profit was primarily due to the increases in market prices of the main products of the Group including nickel cathode and copper cathode, the increase in nickel contents of the ore at the major mines, and the reduction in production costs and expenses due to the optimization of the entire process of mining, processing and metallurgy production and the adoption of the marketing strategies of pricing sales combining spot and futures for the purpose of increasing the selling price of products, thereby enhancing the economic efficiency of the Company.

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 2021 and 31 December 2020:

Product Name	For the year ended 31 December 2021			For the year ended 31 December 2020			Growth Rate in Amount +/(–)
	Sales volume Tonnes	Amount RMB'000	% to Revenue	Sales volume Tonnes	Amount RMB'000	% to Revenue	
Nickel cathode	10,943	1,367,410	59.4%	11,325	1,201,939	66.2%	13.8%
Copper cathode	11,051	674,562	29.3%	11,218	465,050	25.6%	45.1%
Copper concentrate	10,946	145,799	6.4%	10,279	96,458	5.3%	51.2%
Other products		113,317	4.9%		53,562	2.9%	111.6%
Of which:							
Electrolytic cobalt	194	61,692	2.7%	20	4,509	0.3%	1268.2%
Total revenue from principal business		2,301,088	100.0%		1,817,009	100.0%	26.6%
Cost of sales from principal business		(1,425,487)	61.9%		(1,409,951)	77.6%	1.1%
Gross profit/ Gross margin		<u>875,601</u>	<u>38.1%</u>		<u>407,058</u>	<u>22.4%</u>	

In 2021 the revenue of nickel cathode of the Group amounted to RMB1,367.4 million, representing an increase of 13.8% as compared to that in 2020, mainly attributable to the increase in the selling price of nickel cathode. The average selling price of the Group's nickel cathode in 2021 amounted to RMB124,957 per tonne (tax exclusive), representing an increase of 17.7% as compared to RMB106,136 per tonne (tax exclusive) in 2020. In 2021, the Group's sales volume of nickel cathode was 10,943 tonnes, representing a decrease of 3.4% as compared to 11,325 tonnes in 2020.

In 2021, the revenue of copper cathode of the Group amounted to RMB674.6 million, representing an increase of 45.1% as compared to that in 2020, mainly due to the increase in the selling price of copper cathode. The average selling price of copper cathode of the Group in 2021 was RMB61,041 per tonne (tax exclusive), representing an increase of 47.2% as compared to RMB41,456 per tonne (tax exclusive) in 2020. The sales volume of copper cathode of the Group in 2021 was 11,051 tonnes, representing a decrease of 1.5% as compared to 11,218 tonnes in 2020.

In 2021, the revenue of copper concentrate of the Group was RMB145.8 million, representing an increase of 51.2% as compared to that in 2020. The average selling price of copper concentrate of the Group in 2021 was RMB13,320 per tonne (tax exclusive), representing an increase of 42% as compared to RMB9,384 per tonne (tax exclusive) in 2020. The sales volume of copper concentrate of the Group in 2021 was 10,946 tonnes, representing an increase of 6.5% as compared to 10,279 tonnes in 2020.

In 2021, the revenue of other products of the Group amounted to RMB113.3 million, representing an increase of 111.6% as compared to that in 2020, which was mainly due to the increase of the revenue of electrolytic cobalt by 1,268.2% to RMB61.7 million in 2021 as compared to RMB4.5 million in 2020.

In 2021, the gross profit from the Group's principal business amounted to RMB875.6 million, representing an increase of RMB468.5 million as compared to RMB407.1 million in 2020. The gross profit margin of the principal business was 38.1% in 2021, representing an increase of 15.7 percentage points as compared to 22.4% in 2020.

SELLING EXPENSES

In 2021, selling expenses incurred by the Group decreased by 57.7% to RMB15.5 million, as compared to RMB36.6 million in 2020, mainly due to the reclassification of transportation costs from selling expenses to operating costs to fulfill sales contracts incurred during the year prior to the transfer of control rights of commodities to the customers.

GENERAL AND ADMINISTRATIVE EXPENSES

In 2021, general and administrative expenses incurred by the Group increased by 20.3% to RMB145.6 million, as compared to RMB121.0 million in 2020, which was mainly attributable to the preferential policies for reduction of and concession from social security during the pandemic and new corporate annuity in 2021.

FINANCE EXPENSES – NET

In 2021, net finance expense incurred by the Group amounted to RMB64 million, representing a decrease in finance expense of RMB33.1 million as compared to RMB97.1 million of net finance expense in 2020, which was mainly due to the cash flow management and timely adjustment to financing scale and financing rate to reduce finance expenses in 2021.

FINANCIAL POSITION

In 2021, shareholders' equity increased from RMB4,432.2 million in 2020 to RMB4,946.4 million, primarily due to the profit for the year 2021. Total assets increased by 1.79% from RMB7,263.3 million in 2020 to RMB7,393.5 million, mainly due to the profit of the Company.

In 2021, the net cash inflow generated from the Group's operating activities amounted to RMB683.0 million, representing an increase in the inflow of RMB330.7 million, as compared to the net cash inflow of RMB352.3 million in 2020. The net cash outflow used in investing activities was RMB130.7 million, which was mainly attributable to acquisition of fixed assets and other long-term assets. The net cash outflow used in financing activities amounted to RMB439.2 million, the cash inflow was mainly attributable to the bank loans and other interest-bearing borrowings received by the Group of RMB1,153 million, and the cash outflow was mainly attributable to the Group's repayment of bank loans and interest of RMB1,590.6 million.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2021, the Group had total cash and cash equivalents amounting to RMB376.6 million (2020: RMB263.5 million), and the total borrowings of the Group amounted to RMB1,449.0 million (2020: RMB1,851.4 million). As such, the net debts of the Group (total borrowings minus cash and cash equivalents) amounted to RMB1,072.4 million (2020: RMB1,587.9 million) and the gearing ratio (net debts divided by total capital*) was 17.82% (2020: 26.38%).

	As at 31 December 2021	As at 31 December 2020
Current ratio (times)	1.2	1.1
Gearing ratio (net debts/total capital*)	<u>17.82%</u>	<u>26.38%</u>

* Total Capital: net debts + total equity

COMMODITY PRICE RISK

The prices of the Group's products are affected by international and domestic market prices and changes in the global supply and demand for such products. Price volatility of non-ferrous metals is also affected by the global and Chinese 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 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.

FOREIGN EXCHANGE RATE FLUCTUATIONS

The Company's businesses are conducted in RMB. The fluctuations of foreign exchange rate may impact the prices of the international and domestic non-ferrous products, and thus affect the operating results of the Group. RMB is not a freely convertible currency, and the rates of exchange between RMB and a basket of currencies may fluctuate. Given that the Chinese government may adopt further actions and measures against the free trade conducted in RMB, fluctuations in foreign exchange rate have an adverse effect on the Group's net assets, earnings and any dividend declared, which shall be converted or translated into Hong Kong dollars.

ENVIRONMENTAL RISK

The Chinese economy has shifted from a fast-growing period to a high-quality development phase where emphasis is placed on the optimisation of economic structure and transformation of development patterns. The government environmental supervision will increase the volatility of output of enterprises to some extent. The Group will continue to strengthen the upgrading of its major production processes to cater for the optimization of domestic economic structure, changes in development patterns and the requirements of the State and Xinjiang government for production safety and improvement of environmental protection standards.

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 rates expose the Group to cash flow interest rate risk, while fixed rate interest-bearing financial liabilities of the Group are subject to the risk of the fair value of interest. The Group adjusts the relative proportion of contracts at fixed rate and contracts at floating rate based on the prevailing market situation. As at 31 December 2021, the Group's interest-bearing debts were mainly floating rate borrowings and fixed rate borrowings denominated in RMB, which amounted to RMB1,234.0 million (2020: RMB1,483.7 million). The Group has no interest rate swap arrangement.

CHARGE ON ASSETS

As at 31 December 2021, there was RMB49.2 million of restricted bank deposits among the Group's monetary funds, which was set aside as the security for issuing bank acceptance notes and other purposes. Save as disclosed above, the Group did not have any other charges or pledges over its assets as at 31 December 2021.

MAJOR LITIGATION OR ARBITRATION

The Group does not have any major litigation or arbitration as at the date of this announcement.

CONTINGENT LIABILITIES

The Company and the joint venture partner provided guarantees for the bank loans by Hexin Mining, in which the Company provided a corporate guarantee to the related lenders of Hexin Mining in the amount of RMB77.5 million. Such corporate guarantees remained in force as at 31 December 2021. Save as disclosed above, the Group did not have any other material contingent liabilities as at 31 December 2021.

CAPITAL COMMITMENTS

As at 31 December 2021, the Group had no capital expenditures commitments contracted for but not yet necessary to be recognised in the financial statements.

EVENTS AFTER THE BALANCE SHEET DATE

The Group does not have any events after the balance sheet date which need to be disclosed or adjusted.

OUTLOOK

Operating Environment

For the year 2022, there are many uncertainties affecting the recovery and development of the global economy. The Chinese economy has shifted from a fast-growing period to a high-quality development phase where emphasis is placed on the optimisation of economic structure and transformation of development patterns, and will still maintain moderate to robust growth (the Chinese government forecasts the China's GDP growth rate to be approximately 5.5% in 2022). In this regard, the Group expects the consumption volume of nickel cathode and copper cathode in the domestic non-ferrous metal market will continue to increase in 2022.

In 2022, the Group will strengthen its management, enhance the Group's overall management level and operational efficiency, explore its internal potential, ensure the balanced operation, stabilized production and over-production for the full process of mining, ore processing, smelting and refining of the Group, and maintain stability in the production level of main products – nickel cathode and copper cathode.

Operational Objectives

For the year 2022, the Group plans to produce 9,500 tonnes of nickel cathode, representing a decrease of 19.5% as compared with the planned production of nickel cathode in 2021, and plans to produce 9,228 tonnes of copper cathode for the year 2022, representing a decrease of 18.2% as compared with the planned production of copper cathode in 2021. The expected decrease in production of nickel cathode and copper cathode is mainly contributed by the longer period for the servicing and upgrade of the main equipment of the Group's pyrometallurgical process and the energy conservation upgrade of the system. The impact on the Group is of short duration, and the production capacity of nickel cathode and copper cathode of the Group for the year 2023 is expected to resume to the production level in 2021. Shareholders and potential investors should be cautioned that the above estimates are made on the basis of the current market situation and the existing conditions of the Group and are subject to a number of uncertainties in metal prices, domestic raw materials market and production environment. 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 that are 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 its 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 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). The Company has fully complied with all the code provisions under the CG Code in the financial year of 2021.

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 enquiries to all the Directors and Supervisors, the Company confirms that 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 one non-executive Director, Mr. Hu Chengye, and two independent non-executive Directors, Mr. Hu Benyuan and Mr. Lee Tao Wai. Mr. Hu Benyuan 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 average attendance rate was approximately 66.7%. The 2020 annual results announcement and annual report, the 2021 annual audit plan and the 2021 interim results announcement and interim report of the Company were reviewed at the meetings of the Audit Committee. 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 2022 and will be despatched to shareholders of the Company in early April 2022.

DIVIDEND

At the meeting of the Board held on 25 March 2022, the Board proposed that no payment of final dividend for the Reporting Year is to be made by the Company, which is subject to the approval of the Company’s shareholders at its AGM.

CLOSURE OF REGISTER FOR AGM

The register of members of the Company will be closed from 27 April 2022 to 27 May 2022 (both days inclusive), during which no share transfers will be registered. In order to be eligible to attend the 2021 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 26 April 2022.

By Order of the Board
Xinjiang Xinxin Mining Industry Co., Ltd.*
Zhang Guohua
Chairman

Xinjiang, the PRC, 25 March 2022

As at the date of this announcement, the executive Directors of the Company are Mr. Qi Xinhui and Mr. Yu Wenjiang; 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 purposes only*