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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)

2022 FINAL RESULTS ANNOUNCEMENT

FINANCIAL HIGHLIGHTS

- Revenue was RMB2,863.7 million, representing an increase of 20.20% as compared to RMB2,382.4 million in 2021.
- Comprehensive profit attributable to shareholders of the Company was RMB744.7 million, representing an increase of 44.4% as compared to the profit of RMB515.6 million in 2021.
- Gross profit margin was 43.2%, representing an increase of 5.0 percentage points as compared to 38.2% in 2021. Net profit margin was 26.0% representing an increase of 4.4 percentage points as compared to 21.6% in 2021.
- Basic earnings per share was RMB0.34 as compared to RMB0.23 in 2021, increased by RMB0.11.
- The Board proposed payment of final dividend of RMB0.15 per share, while there was no final dividend declared in 2021.

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 2022 (the “**Reporting Year**”).

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2022

		2022	2021
	Notes	RMB'000	RMB'000
Revenue	3	2,863,725	2,382,408
Less: Cost of sales	3	(1,626,400)	(1,471,712)
Taxes and surcharges	3(a)	(62,271)	(50,232)
Selling and distribution expenses		(7,053)	(15,482)
General and administrative expenses		(224,635)	(145,590)
R&D expenses		(94,094)	(69,089)
Financial expenses – net	5	(50,015)	(63,957)
Assets impairment losses	4(b)	(99,481)	(3,547)
Reversal of credit impairment losses	4(c)	182	6,501
Gains on the changes in fair value	4(d)	38,167	–
Add: Other income		10,149	4,347
Investment gains/(losses)	4(e)	96,189	(178)
Including: Share of gain of joint-venture		43,623	26,126
Losses on disposals of assets		(342)	(150)
Operating profit		844,121	573,319
Add: Non-operating income		799	1,565
Less: Non-operating expenses	4(a)	(11,459)	(4,700)
Total profit	4	833,461	570,184
Less: Income tax expenses	6	(90,225)	(55,922)
Net profit		743,236	514,262
Classified by continuity of operations			
Net profit from continuing operations		743,236	514,262
Net profit from discontinued operations		–	–
Classified by ownership of the equity			
Net profit attributable to shareholders of the Company		744,654	515,585
Profit or loss attributable to non-controlling interests		(1,418)	(1,323)

	<i>Notes</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Other comprehensive income after tax		<u><u>-</u></u>	<u><u>-</u></u>
Total comprehensive income		<u><u>743,236</u></u>	<u><u>514,262</u></u>
Total comprehensive income attributable to the Company		744,654	515,585
Total comprehensive loss attributable to non-controlling interests		<u><u>(1,418)</u></u>	<u><u>(1,323)</u></u>
Earnings per share			
Basic earnings per share (<i>RMB</i>)	7	0.34	0.23
Diluted earnings per share (<i>RMB</i>)	7	<u><u>0.34</u></u>	<u><u>0.23</u></u>

CONSOLIDATED BALANCE SHEET

As at 31 December 2022

		31 December 2022	31 December 2021
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
ASSETS			
Current assets			
Cash at bank and on hand		626,512	425,750
Financial assets held for trading		11,000	31,000
Notes receivable		29,410	68,012
Accounts receivable	9	26,911	71,083
Financing receivable	10	145,855	67,687
Advances to suppliers		30,764	24,605
Other receivables		16,978	19,394
Inventories		1,315,469	1,435,646
Other current assets		19,709	42,504
		<hr/>	<hr/>
Total current assets		2,222,608	2,185,681
		<hr/>	<hr/>
Non-current assets			
Long-term equity investments		229,603	154,459
Investment properties		216,391	221,434
Fixed assets		3,565,055	3,477,057
Construction in progress		320,657	481,087
Right of use assets		7,336	6,294
Intangible assets		1,124,188	744,941
Development cost		18,634	8,903
Goodwill		9,988	27,833
Long-term deferred expenses		2,277	2,035
Deferred tax assets		99,565	63,832
Other non-current assets		13,158	19,944
		<hr/>	<hr/>
Total non-current assets		5,606,853	5,207,819
		<hr/>	<hr/>
TOTAL ASSETS		7,829,460	7,393,500
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		31 December 2022	31 December 2021
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
LIABILITIES AND OWNERS' EQUITY			
Current liabilities			
Short-term borrowings		450,000	465,000
Notes payable	11	–	188,000
Accounts payable	12	272,438	394,223
Contract liabilities		16,234	14,476
Employee benefits payable		109,640	73,394
Taxes payable		21,296	34,648
Other payables		88,037	100,175
Current portion of non-current liabilities		58,662	600,953
		<hr/>	<hr/>
Total current liabilities		1,016,307	1,870,869
Non-current liabilities			
Long-term borrowings		521,100	389,000
Lease liabilities		4,280	3,149
Long-term payable	13	352,203	54,835
Provisions	14	126,980	9,778
Deferred income		28,614	26,066
Deferred income tax liabilities		90,310	93,374
		<hr/>	<hr/>
Total non-current liabilities		1,123,487	576,202
		<hr/>	<hr/>
Total liabilities		2,139,794	2,447,071

	31 December 2022	31 December 2021
<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	276,250	273,273
Undistributed profits/(Accumulated losses)	585,709	(155,969)
	<hr/>	<hr/>
Total equity attributable to shareholders of the Company	5,673,029	4,928,374
Non-controlling interests	16,637	18,055
	<hr/>	<hr/>
Total owners' equity	5,689,666	4,946,429
	<hr/>	<hr/>
TOTAL LIABILITIES AND OWNERS' EQUITY	7,829,460	7,393,500
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NOTES TO CONSOLIDATED FINANCIAL INFORMATION

For the year ended 31 December 2022

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 (hereafter collectively referred to as the “**Accounting Standard for Business Enterprises**”) and the Compilation Rules for Information Disclosure by Companies Offering Securities to the Public No. 15 – the General Provisions of Financial Reports issued by the China Securities and Regulatory Commission.

The financial statements are prepared on a going concern basis.

The Companies Ordinance (Cap. 622 of the Laws of Hong Kong) went into effect on 3 March 2014, and certain of the disclosures have been adjusted to comply with the requirements of the Companies Ordinance.

Significant changes in accounting policies

The Ministry of Finance released the Notice on Issuing Interpretation No. 15 of Accounting Standards for Business Enterprises (Interpretation No. 15) in 2021 and Q&A on Implementation of Accounting Standards for Business Enterprises in 2022. The financial statements for the year ended 31 December 2022 have been prepared by the Group and the Company in accordance with the above notice and Q&A. The revisions have no significant impacts on the financial statements of the Group.

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 2022 and 2021, 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 51%, 18% and 12% of the total revenue of the Group, respectively (2021: 39%, 15% and 13%).

3 REVENUE AND COST OF SALES

Revenue and cost of sales recognised during each of the years ended 31 December 2022 and 2021 are analysed as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	<i>RMB'000</i>
Revenue from principal businesses		
Nickel cathode	2,066,783	1,367,410
Copper cathode	582,664	674,562
Others	178,158	259,116
	2,827,605	2,301,088
Revenue from other operation	36,120	81,320
	2,863,725	2,382,408
Cost of sales from principal businesses		
Nickel cathode	950,564	695,030
Copper cathode	506,989	481,179
Others	159,147	249,278
	1,616,700	1,425,487
Cost of sales from other operation	9,700	46,225
	1,626,400	1,471,712
(a) Taxes and surcharges		
Resource tax	24,064	18,708
Property tax	11,824	11,542
Education surcharge	10,943	7,756
Urban construction tax	8,917	5,714
Land use tax	3,746	3,720
Stamp tax	2,694	2,700
Vehicle and Vessel tax	83	92
	62,271	50,232

4 TOTAL PROFIT

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

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Depreciation	283,874	232,355
Amortisation	43,737	27,134
Directors' remuneration	1,446	1,312
Government grants	(10,149)	(4,557)
Losses on disposal of assets	342	150
Donations (<i>Note (a)</i>)	7,549	739
Losses on scrap of fixed assets (<i>Note (a)</i>)	3,040	2,418
Assets impairment losses (<i>Note (b)</i>)	99,481	3,547
Reversal of credit impairment losses (<i>Note (c)</i>)	(182)	(6,501)
Gains on the changes in fair value (<i>Note (d)</i>)	(38,167)	–
Investment (income)/loss (<i>Note (e)</i>)	(96,189)	178
Auditors' remuneration	2,110	2,110
Including: non-audit service fees	90	90

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
(a) Non-operating expense		
Donations	7,549	739
Losses on scrap of fixed assets	3,040	2,418
Penalties, liquidated damages and fines	286	1,221
Others	584	322
	<u>11,459</u>	<u>4,700</u>
(b) Assets impairment losses		
Provision for impairment of fixed assets	65,810	–
Provision for impairment of goodwill	17,845	–
Provision for declines in value of inventories	15,826	3,547
	<u>99,481</u>	<u>3,547</u>
(c) Reversal of credit impairment losses		
Reversal of bad debts for accounts receivable	(416)	(679)
Provision for/(reversal of) bad debts for other receivables	234	(5,822)
	<u>(182)</u>	<u>(6,501)</u>
(d) Gains on the changes in fair value		
Metal trading contract	38,167	–
(e) Investment income/(loss)		
Net profit from a joint-venture under equity method	43,623	26,126
Unrealised net profit between the joint-venture and the Group	52,421	(27,001)
Investment income from disposal of financial assets	145	697
	<u>96,189</u>	<u>(178)</u>

Investment income were all from non-listed investments.

5 FINANCIAL EXPENSES – NET

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Borrowing interest expense	46,248	77,614
Add: Interest expenses on lease liabilities	187	89
Less: Capitalised interest	—	(5,175)
	<hr/>	<hr/>
Interest expense	46,435	72,528
Interest income	(13,217)	(10,161)
Bank charges	112	463
Unwinding of discount	16,685	1,127
	<hr/>	<hr/>
	50,015	63,957
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6 INCOME TAX EXPENSES

	Year ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax	129,022	41,688
Deferred income tax	<u>(38,797)</u>	<u>14,234</u>
	<u>90,225</u>	<u>55,922</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) The Company is a high-tech enterprise in Xinjiang Uygur Autonomous Region. On 1 December 2020, it obtained the certificate of high-tech enterprise jointly issued by the Department of Science and Technology of Xinjiang Uygur Autonomous Region, the Department of Finance of Xinjiang Uygur Autonomous Region, the State Administration of Taxation and the Xinjiang Uygur Autonomous Region Taxation Bureau. The certificate number is GR202065000296, and the validity period is three years. The Company calculated and paid corporate income tax using the preferential rate of 15% for the year ended 31 December 2022 (2021: 15%). 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.
- (b) The subsidiary of the Company, 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 2022 (2021: 15%).

- (c) The subsidiary of the Company, 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 2022 (2021: 15%).
- (d) The subsidiary of the Company, 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%).
- (e) The subsidiary of the Company, Xinjiang Mengxi Mining Co., Ltd. (hereafter “**Mengxi Mining**”), in accordance with the State Administration of Taxation Announcement No. 8, 2021, is a small scaled and minimal profit enterprise of which annual taxable income not exceeding RMB1 million, and thus, can calculate the taxable income at a reduced rate of 12.5%, and pay the company income tax at a tax rate of 20% (2021: 20%).
- (f) The subsidiary of the Company, Xinjiang Zhongxin Mining Co., Ltd. (hereafter “**Zhongxin Mining**”), is a high-tech enterprise in Xinjiang Uygur Autonomous Region. On 25 November 2021, Zhongxin Mining obtained the certificate of high-tech enterprise jointly issued by the Department of Science and Technology of Xinjiang Uygur Autonomous Region, the Department of Finance of Xinjiang Uygur Autonomous Region, the State Administration of Taxation and the Taxation Bureau of Xinjiang Uygur Autonomous Region. The certificate number is GR202116500397, and the validity period is three years. Zhongxin Mining enjoyed the tax incentive policy to calculate and pay enterprise income tax at the rate of 15% for the year ended 31 December 2022 (2021: 25%).

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

	Year ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Consolidated total profit	<u>833,462</u>	<u>570,184</u>
Income tax expenses calculated at applicable tax rate of 25%	208,365	142,546
Effect of tax reductions	(81,065)	(54,219)
Influence of tax rate change for income tax	–	(7,727)
Income not subject to tax	(7,283)	(4,105)
Expenses not deductible for tax purposes	889	225
Deductible losses for which no deferred tax assets were recognised	2,287	3,013
Reversing the deductible temporary differences of deferred tax assets recognised in prior year	4,996	–
Prior year unrealised deferred tax assets of deductible losses	<u>(37,964)</u>	<u>(23,811)</u>
Income tax expenses	<u>90,225</u>	<u>55,922</u>

7 EARNINGS PER SHARE

	Year ended 31 December	
	2022	2021
Consolidated net profit attributable to holders of ordinary shares of the Company (<i>RMB'000</i>)	744,654	515,585
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>0.34</u>	<u>0.23</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 proposed payment of final dividend of RMB0.15 per share 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 31 May 2023 (“AGM”).

	Year ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Proposed final dividend	331,500	Nil

9 ACCOUNTS RECEIVABLE

	As at 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Accounts receivable (<i>Note (a), (b)</i>)	32,838	77,426
Less: provision for bad debts (<i>Note (c)</i>)	(5,927)	(6,343)
	26,911	71,083

Notes:

- (a) The ageing of accounts receivable is analysed as follows:

	As at 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	23,438	54,876
One to two years	310	11,668
Two to three years	559	1,531
Three to four years	310	1,539
Four to five years	1,539	2,272
Over five years	6,682	5,540
	32,838	77,426

- (b) The Group conducted sales transactions mainly through cash on credit sales, and credit terms not exceeding 180 days were granted.

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

	2022	2021
	RMB'000	RMB'000
As at 1 January	6,343	7,022
Provision for bad debts	450	1,784
Reversal of provision for bad debts	(866)	(2,463)
	<hr/>	<hr/>
As at 31 December	5,927	6,343
	<hr/> <hr/>	<hr/> <hr/>

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

(d) As at 31 December 2022 and 31 December 2021, there was no accounts receivable pledged as collaterals to bank for borrowings.

10 FINANCING RECEIVABLES

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Bank acceptance notes	145,855	67,687
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The Group endorses most of its bank acceptance notes according to their daily cash management needs. Therefore, the bank acceptance notes are classified as financial assets measured at fair value and their changes in value are recognised in other comprehensive income and presented as financing receivables.

The Group considers that there was no significant credit risk associated with their bank acceptance notes and did not expect that there would be any significant losses from non-performance by these banks.

As at 31 December 2022, the Group had no pledged bank acceptance notes receivable listed in financing receivables. (31 December 2021: Nil).

As at 31 December 2022, the bank acceptance notes of the Group that had been endorsed or discounted but had not yet matured are as follows:

	Derecognised	Not derecognised
Bank acceptance notes (RMB'000)	345,124	–
	<hr/> <hr/>	<hr/> <hr/>

11 NOTES PAYABLE

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Bank acceptance notes	<u>–</u>	<u>188,000</u>

12 ACCOUNTS PAYABLE

	As at 31 December	
	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Payable for purchase of materials	221,771	329,062
Payable for purchase of services	46,486	54,912
Payable for transportation fees	3,423	8,322
Others	758	1,927
	<u>272,438</u>	<u>394,223</u>

- (a) As at 31 December 2022, accounts payable over one year with carrying amount of RMB26,619 thousand (31 December 2021: RMB35,434 thousand) were mainly payables for purchase of materials. Due to the dispute over the quality of materials, the payment has not been settled.
- (b) The ageing of accounts payable is analysed as follow:

	As at 31 December	
	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within 3 months	227,780	287,957
3 to 6 months	11,293	60,312
6 months to a year	6,746	10,520
Over a year	26,619	35,434
	<u>272,438</u>	<u>394,223</u>

13. LONG-TERM PAYMENT

	31 December 2022 RMB'000	31 December 2021 RMB'000
Mineral royalties (a)	372,195	45,386
Cash stock appreciate right payable	6,251	925
Water/power/air supply and property management	3,615	12,157
Less: current portion of long-term payable	<u>(29,858)</u>	<u>(3,633)</u>
	<u>352,203</u>	<u>54,835</u>

- (a) The Group has assessed the royalties of the relevant mining rights in accordance with the “Notice on the Issue of the Reform Plan of the mineral royalties System” issued by the State Council, the “Interim Measures for the Administration of Mining Rights Grant Proceeds Collection” issued by the Ministry of Finance and the “Implementation Plan for the Pilot Work of the Reform of the Mining Rights Transfer System in the Xinjiang Uygur Autonomous Region”, and the total amount of royalties has been determined after the review and approval by the relevant authorities.

As at 31 December 2022, the Group’s mineral royalties for the two copper-nickel deposits in Hami Huangshan East and Huangshan with a present value of RMB372,195 thousand will be paid to the Natural Resources Department of Xinjiang Uygur Autonomous Region in installments over a period of 10 years. The Group has included the present value of the mineral royalties into intangible assets cost of the mining right.

14. PROVISIONS

	31 December 2021	Current year increase (i)	Current year decrease	31 December 2022
Provision for close down, restoration and environmental costs (RMB'000)	9,778	127,992	(10,790)	126,980

- (i) A provision is recognised for the costs to be incurred for the closedown of mines and the restoration of the tailings dam of Kalatongke Mining, Xinjiang Yakesi and Hami Jubao, which has been determined by the management based on their past experience and best estimate of future environmental restoration costs by discounting the expected future expenditures to their net present value. As the effect of the current mining activities on land and the environment becomes apparent in the future years, this provision may be subject to revision in the future. The relevant amounts of close down, restoration and environmental costs will be reviewed annually based upon the facts and circumstances available at the time and the provisions will be updated accordingly.

The Group has formulated the mine sites environmental protection and land reclamation plan for the relevant mines in accordance with the “Measures for the Administration of the Xinjiang Uygur Autonomous Region Mine Geological Environment Governance and Restoration Fund” issued in January 2022 by the Department of Natural Resources of the Xinjiang Uygur Autonomous Region. According to the mine geological environment protection and land reclamation plan and the relevant provisions of the Accounting Standard for Business Enterprises, the mine geological environment restoration and treatment costs were recognized as the abandonment cost, included in the accounting cost of relevant assets, amortized in accordance with the output ratio and other methods within the expected mining life, and included in the production cost.

15 NET CURRENT ASSETS

	31 December 2022 RMB'000	31 December 2021 RMB'000
Current assets	2,222,608	2,185,681
Less: current liabilities	<u>(1,016,307)</u>	<u>(1,870,869)</u>
Net current asset	<u>1,206,301</u>	<u>314,812</u>

16 TOTAL ASSETS LESS CURRENT LIABILITIES

	31 December 2022 RMB'000	31 December 2021 RMB'000
Total assets	7,829,460	7,393,500
Less: Current liabilities	<u>(1,016,307)</u>	<u>(1,870,869)</u>
Total assets less current liabilities	<u>6,813,153</u>	<u>5,522,631</u>

MARKET OVERVIEW

In 2022, the average three-month future price of nickel cathode quoted on the London Metal Exchange was US\$25,899 per tonne, representing an increase of 40.36% as compared to that in 2021, and the average three-month future price of copper cathode was US\$8,807 per tonne, representing a decrease of 5.21% as compared to that in 2021.

In 2022, the average settlement price (tax inclusive) of nickel cathode quoted on the Shanghai Futures Exchange was RMB193,173 per tonne, representing an increase of 40.34% as compared to that in 2021; the average spot price (tax inclusive) of nickel cathode in Shanghai Yangtze River Non-ferrous Metals Spot Market was RMB198,807 per tonne, representing an increase of 42.81% as compared to that in 2021; and the average spot price (tax inclusive) of copper cathode was RMB67,645 per tonne, representing a decrease of 1.40% as compared to that in 2021.

The domestic price trends of nickel cathode and copper cathode were basically in line with the international market in 2022.

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 Nonferrous Metals Industry Association, the domestic nickel output in 2022 was 173,000 tonnes, representing an increase of 7.4% as compared to that in 2021. The Group produced 11,083 tonnes of nickel cathode in 2022, which is the second largest domestic manufacturer of nickel cathode produced with nickel sulfide resources in China.

BUSINESS REVIEW

Impact of the COVID-19 pandemic on the Group

In 2022, the world continued to face the ravages of COVID-19. With the rapid spread of new variants of the virus, various quarantine control measures and travel restrictions continued to be implemented at home and abroad. Although the development and promotion of vaccines have significantly reduced the adverse health impact brought by COVID-19, the Group remained affected by the travel restrictions and disruptions to logistics arrangements caused by COVID-19. The pandemic continued to bring inconvenience to the movement of staffs, in particular that it hindered the out-of-city employees from reporting to work and taking leave. In addition, the delivery of materials and equipment for engineering construction and the technical transformation projects was delayed to a certain extent, and the technicians of relevant projects were unable to provide on-site services. Despite the foregoing, the headquarter of the Group has maintained an effective information communication mechanism with its subsidiaries and adjusted the response measures in real time according to local circumstances. As of the date of this final results announcement, the pandemic has not brought material adverse effect on the normal operation and production of the Group. The Company and its subsidiaries actively responded to the call of the Xinjiang government in relation to COVID-19 and formulated and undertook strict pandemic prevention measures in accordance with the local government's pandemic prevention policies to ensure normal production and 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 2022, in order to cope with the adverse impact of the rising procurement prices of raw materials on enterprises, 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 to improve the overall enterprise operation efficiency. Such measures included enhancing the upgrade and

transformation of the production safety facilities, environmental protection facilities and the major production processes, strengthening the enterprise 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 performing technical commissioning to reach the level of production capacity and attain production standard as soon as possible. In the meantime, the Group intensified analysis and research of products market and adopted the marketing strategies of pricing sales by using a combination of spot and futures prices, in order to achieve the goal of realizing the sales of major products of the Group with a relatively higher market price to enhance the economic efficiency.

For the year of 2022, the Group recorded a total nickel cathode output of 11,083 tonnes, representing a decrease of 8.43% as compared to that in 2021, and a total copper cathode output of 9,302 tonnes, representing a decrease of 15.68% as compared to that in 2021.

For the year of 2022, the Group recorded total nickel cathode sales of 12,752 tonnes, representing an increase of 16.53% as compared to that in 2021, and total copper cathode sales of 9,775 tonnes, representing a decrease of 11.55% as compared to that in 2021.

For the year of 2022, the Group recorded an average selling price (tax exclusive) of nickel cathode of RMB162,075 per tonne, representing an increase of 29.70% as compared to that in 2021, and the average selling price (tax exclusive) of copper cathode amounted to RMB59,605 per tonne, representing a decrease of 2.35% as compared to that in 2021.

For the year of 2022, the Group recorded an average cost of sales of nickel cathode of RMB74,542 per tonne, representing an increase of 17.36% as compared to that in 2021, and the average cost of sales of copper cathode amounted to RMB51,866 per tonne, representing an increase of 19.12% as compared to that in 2021.

For the year of 2022, the Group achieved revenue of RMB2,863.7 million, representing an increase of 20.20% as compared to that in 2021; the Group realized a net profit of RMB743.2 million, while the net profit was RMB514.3 million in 2021; a comprehensive profit attributable to shareholders of the Company amounted to RMB744.7 million, as compared to a comprehensive profit attributable to shareholders of the Company of RMB515.6 million in 2021; earnings per share (basic and diluted) of RMB0.337 as compared to earnings per share (basic and diluted) of RMB0.233 in 2021.

Progress of Technological Renovation and Capacity Expansion Projects and Infrastructure Projects

For the year of 2022, the technological renovation and capacity expansion projects carried out by the Group mainly included the technological renovation project of Kalatongke Mining in relation to the enhancement of ore processing and smelting processes and the improvement of the mining, ore processing and smelting capacities as well as environmental protection standards; the technological renovation and capacity expansion project of Fukang Refinery in relation to the enhancement of the auxiliary facilities to improve the refining capacities of nickel cathode and copper cathode and the improvement of environmental protection standards; and the technological renovation and capacity expansion project of Xinjiang Yakesi for the addition of mining and ore processing capacities. The major technological renovation and capacity expansion projects of the Group proceeded smoothly as a whole in 2022 and the work progress requirements were completed as scheduled during the year. The investment on each major technological renovation and capacity expansion project is as follows:

For the year of 2022, a total of RMB81.3 million was invested in the technological renovation and capacity expansion project of Kalatongke Mining involving the further enhancement of the daily mining capacity to 3,400 tonnes, daily ore processing capacity to 3,000 tonnes, annual production capacity of water hardening and nickel matte to 8,000 tonnes as well as improvement of environmental protection standards.

For the year of 2022, a total of RMB31.2 million was invested in the technological renovation and capacity expansion project of Fukang Refinery in relation to the further enhancement of the refining capacities of nickel cathode and copper cathode, as well as the improvement of environmental protection standards.

In 2022, a total investment of RMB38.9 million was completed in the Xinjiang Yakesi project to improve production capacity and ore quality technical transformation and expansion.

Safety and Environmental Protection

The Group adheres to the safety and environmental protection work policies of “Safety First, Precaution Foremost” and “Equal Emphasis on both Resource Exploitation and Environmental Protection” and earnestly carries out the Group’s production safety and environmental protection work. In 2022, the Group achieved its target of production safety. The environmental protection work was conducted in strict compliance with the relevant national 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 material adverse impact on the Group's operating results during the Reporting Year. In 2022, the revenue of the Group amounted to RMB2,863.7 million, representing an increase of 20.20% as compared to RMB2,382.4 million in 2021; the comprehensive net profit of the Group amounted to RMB743.2 million, representing an increase of 44.51% as compared to the comprehensive net profit of the Group amounting to RMB514.3 million in 2021; the comprehensive net profit attributable to the shareholders of the Company amounted to RMB744.7 million, representing an increase of 44.43% as compared to the comprehensive net profit attributable to the shareholders of the Company amounting to RMB515.6 million in 2021. The increase in the comprehensive net profit in the Reporting Year was primarily due to the increase in market price of nickel cathode, the main product of the Group, and the reduction in production costs and various expenses due to the streamlining and optimization of the entire production process of mining, ore processing and smelting, and the adoption of the marketing strategies of pricing sales by using a combination of spot and futures prices to strive for the increase in selling price of products, thereby enhancing the economic efficiency of the Group.

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 2022 and 31 December 2021, respectively:

Product Name	For the year ended 31 December 2022			For the year ended 31 December 2021			Growth Rate in Amount +/(–)
	Sales volume	Amount	% to Revenue	Sales volume	Amount	% to Revenue	
	<i>Tonnes</i>	<i>RMB'000</i>		<i>Tonnes</i>	<i>RMB'000</i>		
Nickel cathode	12,752	2,066,783	73.1%	10,943	1,367,410	59.4%	51.1%
Copper cathode	9,775	582,664	20.6%	11,051	674,562	29.3%	(13.6%)
Copper concentrate	8,394	97,753	3.5%	10,946	145,799	6.4%	(33.0%)
Other products		80,405	2.8%		113,317	4.9%	(29.0%)
Of which:							
Electrolytic cobalt	93	41,331	1.5%	194	61,692	2.7%	(33.0%)
Total revenue from main operation		2,827,605	100.0%		2,301,088	100.0%	22.9%
Cost of sales from main operation		(1,616,700)	57.2%		(1,425,487)	61.9%	13.4%
Gross profit/ Gross margin		1,210,905	42.8%		875,601	38.1%	

In 2022, the revenue of nickel cathode of the Group amounted to RMB2,066.8 million, representing an increase of 51.1% as compared to that in 2021, which was mainly attributable to the increase in the selling price and volume of nickel cathode. The Group's average selling price of nickel cathode in 2022 amounted to RMB162,075 per tonne (tax exclusive), representing an increase of 29.70% as compared to RMB124,957 per tonne (tax exclusive) in 2021. In 2022, the Group's sales volume of nickel cathode was 12,752 tonnes, representing an increase of 16.53% as compared to 10,943 tonnes in 2021.

In 2022, the revenue of copper cathode of the Group amounted to RMB582.7 million, representing a decrease of 13.6% as compared to that in 2021, which was mainly due to the decrease in the selling price and sales volume of copper cathode. The Group's average selling price of copper cathode in 2022 was RMB59,605 per tonne (tax exclusive), representing a decrease of 2.35% as compared to RMB61,041 per tonne (tax exclusive) in 2021. The Group's sales volume of copper cathode in 2022 was 9,775 tonnes, representing a decrease of 11.55% as compared to 11,051 tonnes in 2021.

In 2022, the revenue of copper concentrate of the Group was RMB97.8 million, representing a decrease of 33.0% as compared to that in 2021, which was mainly due to the decrease in selling price and sales volume of copper concentrate. The Group's average selling price of copper concentrate in 2022 was RMB11,646 per tonne (tax exclusive), representing a decrease of 12.6% as compared to RMB13,320 per tonne (tax exclusive) in 2021. The Group's sales volume of copper concentrate in 2022 was 8,394 tonnes, representing a decrease of 23.3% as compared to 10,946 tonnes in 2021.

In 2022, the revenue of other products of the Group amounted to RMB80.4 million, representing a decrease of 29.0% as compared to that in 2021, which was mainly due to the decrease of the revenue of electrolytic cobalt by 33.0% to RMB41.3 million in 2022 as compared to RMB61.7 million in 2021.

In 2022, the gross profit from the Group's principal business amounted to RMB1,210.9 million, representing an increase of RMB335.3 million as compared to RMB875.6 million in 2021. The gross profit margin of the principal business was 42.8% in 2022, representing an increase of approximately 4.7 percentage points as compared to 38.1% in 2021.

SELLING EXPENSES

In 2022, selling expenses incurred by the Group decreased by 54.5% to RMB7.1 million, as compared to RMB15.5 million in 2021, which was mainly because the transportation fees that were incurred to fulfill sales contracts prior to the transfer of control of goods to customers were reclassified from selling expenses to cost of sales in the Reporting Year.

GENERAL AND ADMINISTRATIVE EXPENSES

In 2022, the general and administrative expenses incurred by the Group increased by 54.2% to RMB224.5 million, as compared to RMB145.6 million in 2021, which was mainly attributable to the increase of RMB41.6 million in the benefit wages in 2022 accrued based on the principle of wage-performance linkage. On the other hand, with the improvement of the Company's profitability in recent years, the exploration efforts have been strengthened, resulting in an increase of approximately RMB27.9 million in exploration expenses in 2022.

FINANCE EXPENSES – NET

In 2022, net finance expenses incurred by the Group amounted to RMB50.0 million, representing a decrease in finance expenses of RMB14.0 million as compared to net finance expenses of RMB64.0 million in 2021, which was mainly due to the cash flow management and timely adjustment as to the scale and rates of financing to reduce finance expenses in 2022.

NET LOSS FROM ASSET IMPAIRMENT

Net loss from asset impairment for the year was RMB99.5 million (2021: RMB3.5 million), which included increase in provision for impairment in fixed assets amounting to RMB65.8 million and increase in impairment of goodwill amounting to RMB17.8 million.

In 2022, Zhongxin Mining, a subsidiary of the Group, planned to complete the overall upgrade of its processing technology because its energy consumption cannot fully meet the energy consumption limits stipulated in the Energy Consumption Limits per Unit Product of Nickel Smelting Enterprises issued by the General Administration of Quality Supervision, Inspection and Quarantine and the National Standardization Administration of China, and therefore there was an indicator that the fixed assets currently used by Zhongxin Mining for production shall be impaired. According to the overall upgrade plan, a provision for impairment of RMB65.8 million was made for the fixed assets planned to be phased out.

Zhongxin Mining planned to complete the overall upgrade of its process technology and phase out some of its original fixed assets. In conducting the goodwill impairment test, the Group used the net of fair value less disposal costs to determine its recoverable amount and used the income method of assessment to determine the fair value less disposal costs for the goodwill arising from the acquisition of Zhongxin Mining. Based on the test results, a full impairment of RMB17.8 million was recorded for the goodwill corresponding to Zhongxin Mining.

FINANCIAL POSITION

In 2022, shareholders' equity increased from RMB4,946.4 million in 2021 to RMB5,689.7 million, primarily due to the increase in profit for the year of 2022. Total assets increased by 6.0% from RMB7,393.5 million in 2021 to RMB7,829.4 million in 2022, mainly due to the increase in profit of the Company for the year of 2022.

In 2022, the net cash inflow generated from the Group's operating activities amounted to RMB867.0 million, representing an increase of RMB184.0 million, as compared to the net cash inflow of RMB683.0 million in 2021. The net cash outflow used in investing activities was RMB16.4 million, which was mainly attributable to the acquisition of fixed assets and other long-term assets. The net cash outflow used in financing activities amounted to RMB605.7 million, of which the cash inflow was mainly attributable to the bank loans received by the Group of RMB1,050.0 million and the cash outflow was mainly attributable to the Group's repayment of bank loans and interest of RMB1,654.5 million.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2022, the Group had total cash and cash equivalents amounting to RMB621.5 million (2021: RMB376.6 million), and the total borrowings of the Group amounted to RMB996.5 million (2021: RMB1,449.0 million). As such, the net debts of the Group (total borrowings less cash and cash equivalents) amounted to RMB375.0 million (2021: RMB1,072.4 million) and the gearing ratio (net debts divided by total capital*) was 6.18% (2021: 17.82%).

	As at 31 December	
	2022	2021
Current ratio (<i>times</i>)	2.2	1.2
Gearing ratio (<i>net debts/total capital*</i>)	<u>6.18%</u>	<u>17.82%</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 PRC economic cycles as well as the fluctuations of the global currency markets. Both the international and domestic market prices of non-ferrous metals as well as the volatility of their supply and demand are beyond the control of the Company. Therefore, the volatility of commodity prices may materially affect the turnover and the comprehensive income of the Group.

FOREIGN EXCHANGE RATE FLUCTUATIONS

The Company's businesses are conducted in RMB. The fluctuations of exchange rates may affect the prices of the international and domestic non-ferrous products, and thus affecting the operating results of the Group. RMB is not a freely convertible currency, and the exchange rates between RMB and a basket of currencies may fluctuate. Given that the PRC government may adopt further actions and measures on the free trade conducted in RMB, fluctuations in exchange rates will have an adverse effect on the Group's conversion or translation of net assets, earnings and any declared dividends 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's environmental supervision will increase the volatility of output of enterprises to some extent. The Group will continue to strengthen the upgrade 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 long-term bank loans. Bank deposits and loans at floating rate 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 of 31 December 2022, the Group's long-term interest-bearing debts were mainly floating rate borrowings denominated in RMB, which amounted to RMB546.5 million (2021: RMB697.0 million) and the Group had no interest rate swap arrangement.

CHARGE ON ASSETS

The Group did not have any charges or pledges over its assets as at 31 December 2022.

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 for the related lenders of Hexin Mining in the amount of RMB64.0 million. Such corporate guarantees remained in force as at 31 December 2022. Save as disclosed above, the Group did not have any other material contingent liabilities as at 31 December 2022.

CAPITAL COMMITMENTS

Capital expenditures contracted for but not yet necessary to be recognised

	31 December 2022	31 December 2021
Buildings, machinery, mining structure and equipment (RMB'000)	<u>55,884</u>	<u>64,721</u>

EVENTS AFTER THE BALANCE SHEET DATE

In accordance with the resolution of the Board of Directors on 30 March 2023, the Board of Directors proposed the Company to distribute a dividend of 331.5 million to all shareholders, which is pending the consideration and approval at the Company's AGM and has not been recognized as a liability in the financial statements.

The Group has no other events after the balance sheet date that need to be disclosed or adjusted as at the date of this announcement.

OUTLOOK

Operating Environment

For the year of 2023, although there will be 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 and robust growth (the Chinese government forecasts China's GDP growth rate to be approximately 5% in 2023). 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 2023.

For the year of 2023, 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 of 2023, the Group plans to produce 8,500 tonnes of nickel cathode, representing a decrease of 10.5% as compared with the planned production of nickel cathode in 2022, and plans to produce 6,829 tonnes of copper cathode for the year 2023, representing a decrease of 26.0% as compared with the planned production of copper cathode in 2022. The expected decrease in production of nickel cathode and copper cathode is mainly contributed by the relatively long 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-term, and the production capacity of nickel cathode and copper cathode of the Group for the year of 2024 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 actual 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 (which was updated and applicable to financial years commencing on or after 1 January 2022) (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 during the period from 1 January 2022 to 31 December 2022, save for the deviation from code provision C.1.6 of the CG Code due to the reason below.

In respect of code provision C.1.6 of the CG Code, the Company held its 2021 annual general meeting on 2 June 2022. Save for Mr. Zhou Chuanyou, a non-executive director of the Company, and Mr. Lee Tao Wai, an independent non-executive director of the Company, who were absent from the annual general meeting due to the rigid quarantine requirements in the PRC for personnel from overseas and other provinces or regions of the PRC during the COVID-19 pandemic, all other members of the Board attended the annual general meeting. After the annual general meeting, the Company dispatched the relevant meeting minutes to all members of the Board to keep the absent director(s) informed of the proposals resolved during the annual general meeting.

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 83.3%. The 2021 annual results announcement and annual report, the 2022 annual audit plan and the 2022 interim results announcement and interim report of the Company were reviewed at the meetings of the Audit Committee. The Audit Committee has also 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 of Hong Kong Limited (the “**Stock Exchange**”). The annual report of the Company will also be available at the Company’s and the Stock Exchange’s websites in early April 2023 and will be despatched to shareholders of the Company in early April 2023.

DIVIDEND

At the meeting of the Board held on 30 March 2023, the Board proposed that payment of final dividend of RMB0.15 per share for the Reporting Year is to be made by the Company, which is subject to the approval of the Company’s shareholders at the AGM.

For the distribution of dividends, dividends payable to the holders of domestic shares of the Company will be paid in Renminbi (“**RMB**”), while dividends payable to the holders of H-shares of the Company (“**H Shares**”) will be declared in RMB but paid in Hong Kong dollars. The relevant exchange rate between Hong Kong dollars and RMB shall be the average exchange rate between RMB and Hong Kong dollars as announced by the People’s Bank of China one calendar week preceding the date when the AGM of the Company is held.

Pursuant to the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法》), the Implementation Regulations of the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法實施條例》), the Administrative Measures of the State Administration of Taxation on Tax Convention Treatment for Non-resident Taxpayers (No. 35 of the Announcement of the State Administration of Taxation for 2019) (《國家稅務總局非居民納稅人享受協定待遇管理辦法》) (國家稅務總局公告2019年第35號), the Notice of the State Administration of Taxation on the Questions Concerning the Levy and Administration of Individual Income Tax After the Repeal of Guo Shui Fa [1993] No. 045 (Guo Shui Han [2011] No. 348) (《國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》(國稅函[2011]348號)), other relevant laws and regulations and other regulatory documents, the Company shall, as a withholding agent, withhold and pay individual income tax for the individual holders of H Shares in respect of the dividend to be distributed to them. However, the individual holders of H Shares may be entitled to certain tax preferential treatments pursuant to the tax treaties between the PRC and the countries (regions) in which the individual holders of H Shares are domiciled and the tax arrangements between Mainland China and Hong Kong or Macau. For individual holders of H Shares in general, the Company will withhold and pay individual income tax at the rate of 10% on behalf of the individual holders of H Shares in the distribution of the dividend. However, the tax rates applicable to overseas individual holders of H Shares may vary depending on the tax treaties between the PRC and the countries (regions) in which the individual holders of H Shares are domiciled, and the Company will withhold and pay individual income tax on behalf of the individual holders of H Shares in the distribution of the dividend accordingly.

For non-resident enterprise holders of H Shares, i.e., any shareholders of the Company who hold the shares in the name of non-individual shareholders, including but not limited to HKSCC Nominee Limited, other nominees, trustees, or holders of H Shares registered in the name of other groups or organisations, the Company will withhold and pay the enterprise income tax at the tax rate of 10% for such holders of H Shares pursuant to the Notice of the State Administration of Taxation on the Issues Concerning Withholding the Enterprises Income Tax on the Dividends Paid by Chinese Resident Enterprises to H Share Holders Who Are Overseas Non-resident Enterprises (Guo Shui Han [2008] No. 897) (《國家稅務總局關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》(國稅函[2008]897號)).

Should the holders of H Shares have any doubt in relation to the aforesaid arrangements, they are recommended to consult their tax advisors for relevant tax impact in the PRC, Hong Kong and other countries (regions) on the possession and disposal of H Shares.

The Company assumes no responsibility and disclaims all liabilities whatsoever in relation to the tax status or tax treatment of the holders of H Shares and for any claims arising from any delay in or inaccurate determination of the tax status or tax treatment of the holders of H Shares or any disputes over the withholding mechanism or arrangements.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the identity of the shareholders who are entitled to attend and vote at the AGM, the register of members of the Company will be closed from Saturday, 29 April 2023 to Wednesday, 31 May 2023 (both dates inclusive). All transfer documents accompanied by the relevant share certificates must be lodged with the H share registrar of the Company, Computershare Hong Kong Investor Services Limited, whose address is at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Friday, 28 April 2023.

In order to determine the identity of the shareholders who are entitled to receive the final dividend for the year ended 31 December 2022, the register of members of the Company will be closed from Tuesday, 6 June 2023 to Monday, 12 June 2023 (both dates inclusive). All transfer documents accompanied by the relevant share certificates must be lodged with the H share registrar of the Company, Computershare Hong Kong Investor Services Limited, whose address is at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Monday, 5 June 2023.

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

Xinjiang, the PRC, 30 March 2023

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. Guo Quan, Mr. Zhou Chuanyou, Mr. Hu Chengye and Mr. Wang Lijian; 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*