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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)

2023 FINAL RESULTS ANNOUNCEMENT

FINANCIAL HIGHLIGHTS

- Revenue was approximately RMB2,049.8 million, representing a decrease of approximately 28.4% as compared to RMB2,863.7 million in 2022.
- Comprehensive profit attributable to shareholders of the Company was approximately RMB162.7 million, representing a decrease of approximately 78.2% as compared to RMB744.7 million in 2022.
- Gross profit margin was approximately 33.9%, representing a decrease of approximately 9.3 percentage points as compared to 43.2% in 2022. Net profit margin was approximately 7.9%, representing a decrease of approximately 18.1 percentage points as compared to 26.0% in 2022.
- Basic earnings per share was approximately RMB0.07, representing a decrease of approximately RMB0.27 as compared to RMB0.34 in 2022.
- The Board proposed payment of final dividend of RMB0.05 per share, representing a decrease of RMB0.1 per share as compared to the final dividend of RMB0.15 per share for 2022.

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 2023 (the “**Reporting Year**”).

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December

	<i>Notes</i>	2023 RMB'000	2022 RMB'000
Revenue	3	2,049,837	2,863,725
Less: Cost of sales	3	(1,354,798)	(1,626,400)
Taxes and surcharges	3(a)	(43,082)	(62,271)
Selling and distribution expenses		(10,098)	(7,053)
General and administrative expenses		(202,256)	(224,635)
R&D expenses		(57,999)	(94,094)
Financial expenses – net	5	(49,659)	(50,015)
Assets impairment losses	4(b)	(34,499)	(99,481)
Credit impairment (losses)/reversal	4(c)	(3,646)	182
(Losses)/gains on changes in fair value	4(d)	(64,088)	38,167
Add: Other income		9,200	10,149
Investment (losses)/gains	4(e)	(32,855)	96,189
Including: (Losses)/gains on investments in joint ventures		(15,819)	43,623
Losses on disposals of assets		–	(342)
Operating profit		206,057	844,121
Add: Non-operating income		6,612	799
Less: Non-operating expenses	4(a)	(2,715)	(11,459)
Total profit	4	209,954	833,462
Less: Income tax expenses	6	(47,611)	(90,225)
Net profit		162,343	743,236

	<i>Notes</i>	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Classified by continuity of operations			
Net profit from continuing operations		162,343	743,236
Net profit from discontinued operations		<u>–</u>	<u>–</u>
Classified by ownership of the equity			
Net profit attributable to shareholders of the Company		162,664	744,654
Profit and loss attributable to non-controlling interests		<u>(321)</u>	<u>(1,418)</u>
Other comprehensive income after tax		<u>–</u>	<u>–</u>
Total comprehensive income		<u>162,343</u>	<u>743,236</u>
Total comprehensive income attributable to the Company		162,664	744,654
Total comprehensive loss attributable to non-controlling interests		<u>(321)</u>	<u>(1,418)</u>
Earnings per share			
Basic earnings per share (<i>RMB</i>)	7	0.07	0.34
Diluted earnings per share (<i>RMB</i>)	7	<u>0.07</u>	<u>0.34</u>

CONSOLIDATED BALANCE SHEET

As at 31 December

	Notes	2023 RMB'000	2022 RMB'000
ASSETS			
Current assets			
Cash at bank and on hand		553,829	626,512
Financial assets held for trading		11,000	11,000
Notes receivable		9,786	29,410
Accounts receivable	9	130,201	26,911
Financing receivables	10	119,681	145,855
Advances to suppliers		26,695	30,764
Other receivables		14,503	16,978
Inventories		1,284,579	1,315,469
Other current assets		13,744	19,709
Total current assets		2,164,018	2,222,608
Non-current assets			
Long-term equity investments		186,086	229,603
Investment properties		224,135	216,391
Fixed assets		3,566,731	3,565,055
Construction in progress		438,516	320,657
Rights of use assets		1,339	7,336
Intangible assets		1,124,052	1,124,188
Development cost		20,075	18,634
Goodwill		9,988	9,988
Long-term deferred expenses		2,344	2,277
Deferred tax assets		88,259	99,565
Other non-current assets		12,035	13,158
Total non-current assets		5,673,560	5,606,852
TOTAL ASSETS		7,837,578	7,829,460

		2023	2022
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
LIABILITIES AND OWNERS' EQUITY			
Current liabilities			
Short-term borrowings		200,000	450,000
Financial liabilities held for trading		48,977	–
Notes payable	11	224,100	–
Accounts payable	12	302,063	272,438
Contract liabilities		16,764	16,234
Employee benefits payable		120,083	109,640
Taxes payable		16,739	21,296
Other payables		212,210	88,037
Current portion of non-current liabilities		41,854	58,662
Other current liabilities		2,179	–
		<hr/>	<hr/>
Total current liabilities		1,184,969	1,016,307
Non-current liabilities			
Long-term borrowings		563,700	521,100
Lease liabilities		–	4,280
Long-term payable	13	333,569	352,203
Provisions	14	120,469	126,980
Deferred income		25,182	28,614
Deferred income tax liabilities		89,181	90,310
		<hr/>	<hr/>
Total non-current liabilities		1,132,101	1,123,487
		<hr/>	<hr/>
TOTAL LIABILITIES		2,317,070	2,139,794

	<i>Notes</i>	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Owners' equity			
Share capital		552,500	552,500
Capital surplus		4,258,570	4,258,570
Surplus reserve		276,250	276,250
Undistributed profits		416,873	585,709
		<hr/>	<hr/>
Total equity attributable to shareholders of the Company		5,504,193	5,673,029
Non-controlling interests		16,315	16,637
		<hr/>	<hr/>
Total owners' equity		5,520,508	5,689,666
		<hr/>	<hr/>
TOTAL LIABILITIES AND OWNERS' EQUITY		7,837,578	7,829,460
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NOTES TO CONSOLIDATED FINANCIAL INFORMATION

For the year ended 31 December 2023

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 Group had no significant changes in accounting policies during the Reporting Year.

Significant changes in accounting estimates

In accordance with the Group’s accounting policy for mining rights in intangible assets, mining rights are amortized on a straight-line basis (18 to 33 years) over the term of the mining rights. The economic value of a mining right is reflected in the inflow of economic benefits through the sale and extraction of raw ore. The value of a mining right is directly linked to the amount of available resource reserves, and the amortization of a mining right is related to the amount of ore mined. In order to reflect the amortized cost of mining rights more objectively and fairly, the Group has amortized the mining rights in accordance with the production method from 1 July 2023, as considered and approved by the seventh session of the Board.

Such change in the method of amortization of mining rights is a change in accounting estimates, which is accounted for prospectively without retrospective adjustment, and will not have any impact on the financial position and operating results of previous years. The items and amounts in the financial statements affected by such change in accounting estimates are set out below:

Affected items	Before the change RMB'000	After the change RMB'000	Change in amount RMB'000
As at 31 December 2023			
Intangible assets – accumulated amortization	20,875	14,549	-6,326
Deferred tax liabilities	–	949	949
For the six months from 1 July 2023 to 31 December 2023			
Cost of sales	20,875	14,549	-6,326
Income tax expenses	–	949	949

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 requirements for segment information in enterprise reporting stipulated by No. 3 Interpretation of Accounting Standard for Business Enterprises, management of the Group deems the Group itself as one operating segment.

For the two years ended 31 December 2023 and 2022, 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 35%, 14% and 11% of the total revenue of the Group, respectively (2022: 51%, 18% and 12%).

3 REVENUE AND COST OF SALES

Revenue and cost of sales recognised during each of the years ended 31 December 2023 and 2022 are analysed as follows:

	Year ended 31 December	
	2023 <i>RMB'000</i>	2022 <i>RMB'000</i> <i>(Note 17)</i>
Revenue from principal operations		
Nickel cathode	1,171,991	2,066,783
Copper cathode	296,104	582,664
Others	559,517	198,811
	<u>2,027,612</u>	<u>2,848,258</u>
Revenue from other operations	<u>22,225</u>	<u>15,467</u>
	<u>2,049,837</u>	<u>2,863,725</u>
Cost of sales from principal operations		
Nickel cathode	636,156	950,564
Copper cathode	339,437	506,989
Others	370,139	159,398
	<u>1,345,732</u>	<u>1,616,951</u>
Cost of sales from other operations	<u>9,066</u>	<u>9,449</u>
	<u>1,354,798</u>	<u>1,626,400</u>
Gross profit margin	<u>33.9%</u>	<u>43.2%</u>

(a) Taxes and surcharges

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Resource tax	16,443	24,064
Property tax	11,228	11,824
Education surcharge	5,261	10,943
Urban maintenance and construction tax	4,093	8,917
Land use tax	3,815	3,746
Stamp tax	1,861	2,694
Vehicle and vessel tax	103	83
Environmental protection tax	279	–
	<u>43,082</u>	<u>62,271</u>

4 TOTAL PROFIT

The following items have been deducted from/(included in) the total profit:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Depreciation	279,344	283,874
Amortisation of assets	41,179	43,737
Directors' remuneration	1,016	1,446
Government grants	(9,200)	(10,149)
Losses on disposal of assets	–	342
Donations (<i>Note (a)</i>)	248	7,492
Losses on scrap of fixed assets (<i>Note (a)</i>)	451	3,040
Assets impairment losses (<i>Note (b)</i>)	34,499	99,481
Credit impairment losses/(reversal) (<i>Note (c)</i>)	3,646	(182)
Losses/(gains) on the changes in fair value (<i>Note (d)</i>)	64,088	(38,167)
Investment losses/(gains) (<i>Note (e)</i>)	32,855	(96,189)
Auditors' remuneration	1,790	2,110
Including: non-audit service fees	–	90
	<u>–</u>	<u>–</u>

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
(a) Non-operating expenses		
Donations	248	7,492
Losses on scrap of fixed assets	451	3,040
Penalties, liquidated damages and fines	72	334
Others	<u>1,944</u>	<u>593</u>
	<u>2,715</u>	<u>11,459</u>
(b) Assets impairment losses		
Impairment losses of fixed assets	6,071	65,810
Impairment losses of goodwill	–	17,845
Provision for declines in value of inventories	<u>28,428</u>	<u>15,826</u>
	<u>34,499</u>	<u>99,481</u>
(c) Credit impairment losses/(reversal)		
Losses/(reversal) of bad debts for accounts receivable	951	(416)
Provision for/(reversal of) bad debts for other receivables	<u>2,695</u>	<u>234</u>
	<u>3,646</u>	<u>(182)</u>
(d) (Losses)/gains on changes in fair value		
Metal trading contract	(65,839)	38,167
Cash-settled share-based payments	<u>1,751</u>	<u>–</u>
	<u>(64,088)</u>	<u>38,167</u>

	Year ended 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
(e) Investment (losses)/gains		
Net (loss)/profit from joint-ventures under equity method	(15,819)	43,623
Unrealised net (loss)/profit between the joint-venture and the Group	(17,248)	52,421
Investment gain from disposal of financial assets	212	145
	(32,855)	96,189

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

5 FINANCIAL EXPENSES – NET

	Year ended 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Interest expense	37,498	46,435
Interest income	(12,090)	(13,217)
Exchange losses	2,786	–
Other expenditures	21,465	16,797
	49,659	50,015

6 INCOME TAX EXPENSES

	Year ended 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax	37,435	129,022
Deferred income tax	10,176	(38,797)
	<u>47,611</u>	<u>90,225</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, and Xinjiang Uygur Autonomous Region Tax Service, State Taxation Administration. The certificate number is GR202065000296, and the validity period is three years. On 16 October 2023, it obtained the certificate of high-tech enterprise jointly issued by the above-mentioned units. The certificate number is GR202365000012, and the validity period is three years. The Company continued to calculate and pay corporate income tax using the preferential rate of 15% for the year 2023 (2022: 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 in previous years.
- (b) The subsidiary of the Company, Xinjiang Yakesi Resources Co., Ltd. (hereafter referred to as “**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 in previous years. Xinjiang Yakesi continued to calculate and pay corporate income tax using the preferential rate of 15% for the year 2023 (2022: 15%).

- (c) The subsidiary of the Company, Hami Jubao Resources Development Co., Ltd. (hereafter referred to as “**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 in previous years. Hami Jubao continued to calculate and pay corporate income tax using the preferential rate of 15% for the year 2023 (2022: 15%).
- (d) The subsidiary of the Company, Xinjiang Kalatongke Mining Co., Ltd. (hereafter referred to as “**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 in previous years. Kalatongke Mining continued to calculate and pay corporate income tax using the preferential 15% for the year 2023 (2022: 15%).
- (e) The subsidiary of the Company, Xinjiang Mengxi Mining Industry Co., Ltd. (hereafter referred to as “**Mengxi Mining**”), in accordance with the State Taxation Administration Announcement No. 8 of 2021, is a small-scaled and minimal profit enterprise of which annual taxable income does not exceed RMB1 million, and thus, can calculate the taxable income at a reduced rate of 25%, and pay corporate income tax at a tax rate of 20% (2022: 20%).
- (f) The subsidiary of the Company, Xinjiang Zhongxin Mining Co., Ltd. (hereafter referred to as “**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, and Xinjiang Uygur Autonomous Region Tax Service, State Taxation Administration. The certificate number is GR202116500397, and the validity period is three years. Zhongxin Mining enjoyed the tax incentive policy to calculate and pay corporate income tax at the rate of 15% for the year 2023 (2022: 15%).

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

	Year ended 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Consolidated total profit	209,954	833,462
Income tax expenses calculated at the statutory income tax rate	52,489	208,365
Effect of tax deductions	(21,041)	(81,065)
Income not subject to tax	2,132	(7,283)
Costs, expenses and losses not deductible for tax purposes	1,350	889
Deductible losses for which no deferred tax assets were recognised in the current period	1,865	2,287
Reversing the deductible temporary differences of deferred tax assets recognised in prior period	–	4,996
Utilisation of deductible losses not recognised as deferred tax assets in prior years	(1,916)	(37,964)
Effect of prior income tax reconciliation	12,732	–
Income tax expenses	47,611	90,225

7 EARNINGS PER SHARE

	Year ended 31 December	
	2023	2022
Consolidated net profit attributable to holders of ordinary shares of the Company (<i>RMB'000</i>)	162,664	744,654
Weighted average number of ordinary shares in issue of the Company (<i>in thousands</i>)	2,210,000	2,210,000
Basic and diluted earnings per share (<i>RMB</i>)	0.07	0.34

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 a final dividend of RMB0.05 (2022: 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 20 May 2024 (“AGM”).

	Year ended 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Proposed final dividend	110,500	331,500

9 ACCOUNTS RECEIVABLE

	As at 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Accounts receivable (<i>Note (a), (b)</i>)	137,079	32,838
Less: provision for bad debts (<i>Note (c)</i>)	(6,878)	(5,927)
	130,201	26,911

Notes:

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

	As at 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	130,703	23,438
One to two years	460	310
Two to three years	310	559
Three to four years	559	310
Four to five years	310	1,539
Over five years	4,737	6,682
	<u>137,079</u>	<u>32,838</u>

- (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:

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
As at 1 January	5,927	6,343
Provision for bad debts	951	450
Reversal of provision for bad debts	—	(866)
As at 31 December	<u>6,878</u>	<u>5,927</u>

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

- (d) As at 31 December 2023 and 31 December 2022, there were no accounts receivable pledged as collaterals to bank for borrowings.

10 FINANCING RECEIVABLES

	As at 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Bank acceptance notes	119,681	145,855

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 the bank acceptance notes held have similar credit risk characteristics, therefore there are no bank acceptance notes for which provision for impairment is made on an individual basis. In addition, there is no significant credit risk associated with the bank acceptance notes and no significant loss is expected to be incurred due to bank defaults.

As at 31 December 2023, the Group had no pledged bank acceptance notes receivable listed in financing receivables (31 December 2022: Nil).

As at 31 December 2023, 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 (<i>RMB'000</i>)	390,186	–

11 NOTES PAYABLE

	As at 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Bank acceptance notes	224,100	–

12 ACCOUNTS PAYABLE

	As at 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Payable for purchase of materials	229,118	221,771
Payable for purchase of services	63,933	46,486
Payable for transportation fees	6,872	3,423
Others	2,140	758
	<u>302,063</u>	<u>272,438</u>

- (a) As at 31 December 2023, accounts payable over one year with a carrying amount of RMB38,617 thousand (31 December 2022: RMB26,619 thousand) were mainly payables for the purchase of materials. The payment has not been finally settled yet.
- (b) The ageing of accounts payable is analysed as follows:

	As at 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	263,446	245,819
1 to 2 years	23,115	7,402
2 to 3 years	4,794	4,579
Over 3 years	10,708	14,638
	<u>302,063</u>	<u>272,438</u>

13 LONG-TERM PAYABLES

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Mineral resources royalties (a)	365,909	372,195
Cash stock appreciate right payable	127	6,251
Grant projects for water/electricity/heat (gas) supply and property management maintenance and renovation	3,615	3,615
Less: Long-term payables due within one year	<u>(36,082)</u>	<u>(29,858)</u>
	<u>333,569</u>	<u>352,203</u>

- (a) The Group has assessed the royalties of the relevant mining rights in accordance with the Notice on Issuing the Plan for Reforming the Royalty System for Mineral Resources 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 2023, the Group's unpaid mineral resources royalties in the two copper-nickel mines in Hami Huangshan East and Huangshan with a present value of RMB365,909 thousand will be paid to the Department of Natural Resources of Xinjiang Uygur Autonomous Region in installments over a period of 10 years. The Group has included the present value of the mineral resource royalties in the original value of the intangible asset, mining rights.

14 PROVISIONS

	As at 31 December 2022	Current year increase (i)	Current year decrease	As at 31 December 2023
Provision for mine closure and environmental restoration (RMB'000)	<u>126,980</u>	<u>902</u>	<u>(7,413)</u>	<u>120,469</u>

- (i) A provision for mine closure and environmental restoration is recognised for the costs to be incurred for the closedown of mine shafts and 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 more apparent in the following years, this provision may be subject to revision accordingly in the future. The relevant amounts of mine closure and environmental restoration costs will be reviewed and updated annually as appropriate.

The Group has formulated a mine geo-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 Xinjiang Uygur Autonomous Region. According to the mine geo-environmental protection and land reclamation plan and the relevant provisions of the Accounting Standard for Business Enterprises, the mine geo-environmental 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

	As at 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Current assets	2,164,018	2,222,608
Less: Current liabilities	<u>(1,184,969)</u>	<u>(1,016,307)</u>
Net current assets	<u>979,049</u>	<u>1,206,301</u>

16 TOTAL ASSETS LESS CURRENT LIABILITIES

	As at 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Total assets	7,837,578	7,829,460
Less: Current liabilities	<u>(1,184,969)</u>	<u>(1,016,307)</u>
Total assets less current liabilities	<u>6,652,609</u>	<u>6,813,153</u>

17 EXPLANATION OF OTHER MATTERS

Certain 2022 year figures have been reclassified to conform to the current year presentation.

MARKET OVERVIEW

In 2023, the average three-month future price of nickel cathode quoted on the London Metal Exchange was US\$21,550 per tonne, representing a decrease of approximately 16.8% as compared to that in 2022, and the average three-month future price of copper cathode was US\$8,698 per tonne, representing a decrease of approximately 1.2% as compared to that in 2022.

In 2023, the average settlement price (tax inclusive) of nickel cathode quoted on the Shanghai Futures Exchange was RMB171,222 per tonne, representing a decrease of approximately 11.4% as compared to that in 2022; the average spot price (tax inclusive) of nickel cathode and copper cathode quoted on Shanghai Yangtze River Non-ferrous Metals Spot Market were RMB174,355 per tonne and RMB68,401 per tonne, representing a decrease of approximately 12.3% and an increase of approximately 1.1% as compared to those in 2022, respectively.

The domestic price trends of nickel cathode and copper cathode were basically in line with the international market in 2023.

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 2023 was 232,000 tonnes, representing an increase of approximately 34.1% as compared to that in 2022. The Group produced 7,513 tonnes of nickel cathode in 2023, making it the second largest domestic manufacturer of nickel cathode produced with nickel sulfide resources in China.

BUSINESS REVIEW

Impact of the temporary production suspension on the Group during the national safety production assistance guidance period

In order to strengthen safety production and improve the safety level of mining in Xinjiang Uyghur Autonomous Region, with the approval of the State Council's Work Safety Committee, the State Council's Work Safety Committee Office has dispatched a National Mine Safety Assistance and Guidance Working Group to provide guidance for mine safety assistance in Xinjiang Uyghur Autonomous Region. Since February 2023, the Ministry of Emergency Management and the State Administration of Mine Safety have organized relevant departments, scientific research institutes, and safety production experts of mining enterprises to provide assistance and guidance to the work of mine safety in Xinjiang Uyghur Autonomous Region ("**National Assistance Guidance on Production Safety**" or "**Assistance Guidance**"). At the same time, due to the impact of the technical upgrade project of Kalatongke Mining, a subsidiary of the Group, the Group temporarily suspended production for the first half of 2023, resulting in a decrease in the production and sales volume of the Group's main products. Currently, the Assistance Guidance and technical upgrade project have been completed, and all units of the Group have gradually resumed production since June 2023. The production impact on the Group has been eliminated.

Production and Operation

For the year of 2023, 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 enhancing production safety and improvement on environmental protection indicators, the Group continued to enhance its major measures 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 production standard as soon as possible. In the meantime, the Group continued 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 2023, the Group recorded a total nickel cathode output of 7,513 tonnes, representing a decrease of approximately 32.2% as compared to that in 2022, and a total copper cathode output of 5,768 tonnes, representing a decrease of approximately 38.0% as compared to that in 2022.

For the year of 2023, the Group recorded total nickel cathode sales of 7,747 tonnes, representing a decrease of approximately 39.2% as compared to that in 2022, and total copper cathode sales of 4,908 tonnes, representing a decrease of approximately 49.8% as compared to that in 2022.

For the year of 2023, the Group recorded an average selling price (tax exclusive, including gains and losses from changes in fair value) of nickel cathode of approximately RMB142,601 per tonne, representing a decrease of approximately 13.7% as compared to that in 2022, and the average selling price (tax exclusive, including gains and losses from changes in fair value) of copper cathode of approximately RMB60,334 per tonne, representing an increase of approximately 1.2% as compared to that in 2022.

For the year of 2023, the Group recorded an average cost of sales of nickel cathode of approximately RMB82,113 per tonne, representing an increase of approximately 10.2% as compared to that in 2022, and the average cost of sales of copper cathode of approximately RMB69,164 per tonne, representing an increase of approximately 33.4% as compared to that in 2022.

For the year of 2023, the Group achieved revenue of approximately RMB2,049.8 million, representing a decrease of approximately 28.4% as compared to that in 2022; the Group realized a net profit of approximately RMB162.3 million, while the net profit was approximately RMB743.2 million in 2022; a comprehensive profit attributable to shareholders of the Company amounted to approximately RMB162.7 million, as compared to a comprehensive profit attributable to shareholders of the Company of approximately RMB744.7 million in 2022; earnings per share (basic and diluted) of approximately RMB0.07 as compared to earnings per share (basic and diluted) of approximately RMB0.34 in 2022.

Progress of Technological Renovation and Capacity Expansion Projects and Infrastructure Projects

For the year of 2023, 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 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 and automation of nickel cathode and copper cathode; and the technological renovation and capacity expansion project of Xinjiang Yakesi in relation to the improvement of the production capacity and ore quality. The major technological renovation and capacity expansion projects of the Group proceeded smoothly as a whole in 2023 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 2023, a total of approximately RMB204.2 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 2023, a total of approximately RMB79.9 million was invested in the technological renovation and capacity expansion project of Fukang Refinery in relation to the enhancement of the auxiliary facilities to improve the refining capacities and automation of nickel cathode and copper cathode.

For the year of 2023, a total of approximately RMB42.4 million was invested in the technological renovation and capacity expansion project of Xinjiang Yakesi in relation to the improvement of the production capacity and ore quality.

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 2023, 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

In 2023, the revenue of the Group amounted to approximately RMB2,049.8 million, representing a decrease of approximately 28.4% as compared to approximately RMB2,863.7 million in 2022; the comprehensive net profit of the Group amounted to approximately RMB162.3million, representing a decrease of approximately 78.2% as compared to the comprehensive net profit of the Group amounting to approximately RMB743.2 million in 2022; the comprehensive net profit attributable to the shareholders of the Company amounted to approximately RMB162.7million, representing a decrease of approximately 78.2% as compared to the comprehensive net profit attributable to the shareholders of the Company amounting to approximately RMB744.7 million in 2022. The significant decrease in the annual operation results in 2023 as compared to that in 2022 was primarily due to: (1) the sales volume of nickel cathode decreased from 12,752 tonnes in 2022 to 7,747 tonnes in 2023, representing a decrease of approximately 39.2%; (2) the sales volume of copper cathode decreased from 9,775 tonnes in 2022 to approximately 4,908 tonnes in 2023, representing a decrease of approximately 49.8%; (3) the average selling price of nickel cathode (tax exclusive, including gains and losses from change in fair value) decreased from approximately RMB165,303 per tonne in 2022 to approximately RMB142,601 per tonne in the Reporting Year, representing a decrease of approximately 13.7%; and (4) the Group's investment income decreased from an investment income of approximately RMB96.19 million in 2022 to an investment loss of approximately RMB32.86 million in 2023, representing a decrease in income of approximately 134.2%, mainly due to the loss in 2023 of a joint venture which had made a profit in 2022.

The decrease in the sales volume of the Group's main products, including nickel cathode and copper cathode, in the Reporting Year was mainly contributable to (1) the introduction of the National Assistance Guidance on Production Safety (For details, please refer to the profit warning announcement of the Company dated 26 July 2023); and (2) the temporary suspension of production by one of the Group's subsidiaries as a result of its technical upgrade. As mentioned above, the National Assistance Guidance On Production Safety and technical upgrade have been completed and all units of the Group have gradually resumed production since June 2023.

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 2023 and 31 December 2022, respectively:

Product Name	For the year ended 31 December 2023			For the year ended 31 December 2022			Growth Rate in Amount +/(–)
	Sales volume Tonnes	Amount RMB'000	% to Revenue from principal operation	Sales volume Tonnes	Amount RMB'000	% to Revenue from principal operation	
Nickel cathode	7,747	1,171,991	57.8%	12,752	2,066,783	72.6%	(43.3%)
Copper cathode	4,908	296,104	14.6%	9,775	582,664	20.5%	(49.2%)
Copper concentrate	7,703	93,862	4.6%	8,394	97,753	3.4%	(4.0%)
Other products		465,655	23.0%		101,058	3.5%	360.8%
Of which:							
Electrolytic cobalt	–	–	–	93	41,331	1.5%	(100.0%)
Precious metal materials	1,561	93,368	4.6%	–	–	–	100.0%
Copper leaching tailings	6,623	227,665	11.2%	–	–	–	100.0%
Total revenue from principal operation		<u>2,027,612</u>	<u>100.0%</u>		<u>2,848,258</u>	<u>100.0%</u>	<u>(28.8%)</u>
Gains or losses on changes in fair value		(65,839)			38,167		(272.5%)
Cost of sales from principal operation		<u>(1,345,732)</u>	<u>66.4%</u>		<u>(1,616,951)</u>	<u>56.8%</u>	<u>(16.8%)</u>
Gross profit/ Gross margin*		<u><u>616,041</u></u>	<u><u>31.4%</u></u>		<u><u>1,269,474</u></u>	<u><u>44.0%</u></u>	<u><u>(51.5%)</u></u>

* *Gross profit = (total revenue of principal operation ± gains or losses on changes in fair value - cost of sales from principal operation)/(total revenue of principal operation ± gains or losses on changes in fair value)*

In 2023, the revenue of nickel cathode of the Group (including gains or losses on changes in fair value of approximately RMB-67.2 million) amounted to approximately RMB1,104.8 million, representing a decrease of approximately 47.6% as compared to that in 2022, which was mainly attributable to the decrease in the selling price of nickel cathode and the decrease in the production and sales volume of nickel cathode under the impact of National Assistance Guidance, as well as the temporary suspension of production in Kalatongke Mining due to technical upgrade. The Group's average selling price of nickel cathode in 2023 amounted to approximately RMB142,601 per tonne (tax exclusive, including gains and losses from changes in fair value), representing a decrease of approximately 13.7% as compared to approximately RMB165,303 per tonne (tax exclusive, including gains and losses from changes in fair value) in 2022. In 2023, the Group's sales volume of nickel cathode was 7,747 tonnes, representing a decrease of approximately 39.2% as compared to 12,752 tonnes in 2022.

In 2023, the revenue of copper cathode of the Group amounted to approximately RMB296.1 million, representing a decrease of approximately 49.2% as compared to that in 2022, which was mainly due to the decrease in the production and sales volume of copper cathode under the impact of National Assistance Guidance, as well as the temporary suspension of production in Kalatongke Mining due to technical upgrade. The Group's average selling price of copper cathode in 2023 was approximately RMB60,334 per tonne (tax exclusive), representing an increase of approximately 1.2% as compared to approximately RMB59,605 per tonne (tax exclusive) in 2022. The Group's sales volume of copper cathode in 2023 was 4,908 tonnes, representing a decrease of approximately 49.8% as compared to 9,775 tonnes in 2022.

In 2023, the revenue of copper concentrate of the Group (including gains and losses from changes in fair value of approximately RMB1.4 million) was approximately RMB95.2 million, representing a decrease of approximately 1.4% as compared to that in 2022, which was mainly due to the decrease in sales volume of copper concentrate. The Group's average selling price of copper concentrate in 2023 was approximately RMB12,364 per tonne (tax exclusive, including gains and losses from changes in fair value), representing an increase of approximately 7.5% as compared to approximately RMB11,503 per tonne (tax exclusive, including gains and losses from changes in fair value) in 2022. The Group's sales volume of copper concentrate in 2023 was approximately 7,703 tonnes, representing a decrease of approximately 8.2% as compared to 8,394 tonnes in 2022.

In 2023, the revenue of other products of the Group amounted to approximately RMB465.7 million, representing an increase of approximately 360.8% as compared to that in 2022, which was mainly attributable to the revenue from the sales of previous metal materials amounting to approximately RMB93.4 million and revenue from the sales of copper leaching tailings amounting to approximately RMB227.7 million in 2023, as compared to the revenue from the sales of electrolytic cobalt amounting to approximately RMB41.3 million in 2022, resulting in significant increase in the revenue from other products in 2023.

In 2023, the gross profit from the Group's principal business amounted to approximately RMB616.0 million, representing a decrease of approximately RMB653.4 million as compared to approximately RMB1,269.5 million in 2022. The gross profit margin of the principal business was approximately 31.4% in 2023, representing a decrease of approximately 12.6 percentage points as compared to approximately 44.0% in 2022.

SELLING EXPENSES

In 2023, selling expenses incurred by the Group increased by approximately 42.3% to approximately RMB10.1 million, as compared to approximately RMB7.1 million in 2022, which was mainly because the transportation fees that were incurred for the sales of products to the regions outside of Xinjiang were charged to cost of sales in the Reporting Year.

GENERAL AND ADMINISTRATIVE EXPENSES

In 2023, the general and administrative expenses incurred by the Group decreased by approximately 9.9% to approximately RMB202.3 million, as compared to approximately RMB224.6 million in 2022, which was mainly attributable to the decrease of approximately RMB29.8 million in the benefit wages in 2023 accrued based on the principle of wage-performance linkage.

FINANCE EXPENSES – NET

In 2023, net finance expenses incurred by the Group amounted to approximately RMB49.7 million, representing a decrease in finance expenses of approximately RMB0.3 million as compared to net finance expenses of approximately RMB50.0 million in 2022, basically remaining at the same level with that in 2022.

NET LOSS FROM ASSET IMPAIRMENT

Net loss from asset impairment for the year was approximately RMB34.5 million (2022: RMB99.5 million), which included provision for declines in value of inventories amounting to approximately RMB28.4 million and impairment losses of fixed assets amounting to approximately RMB6.1 million.

FINANCIAL POSITION

In 2023, shareholders' equity decreased from approximately RMB5,689.7 million at the end of 2022 to approximately RMB5,520.5 million, primarily due to the distribution of dividends of approximately RMB331.5 million and a profit of RMB162.3 million in 2023. Total assets increased by approximately 0.1% from approximately RMB7,829.5 million in 2022 to approximately RMB7,837.6 million in 2023, basically remaining at the same level with that in 2022.

In 2023, the net cash inflow generated from the Group's operating activities amounted to approximately RMB558.0 million, representing a decrease of approximately RMB309.0 million, as compared to the net cash inflow of approximately RMB867.0 million in 2022. The net cash outflow used in investing activities was approximately RMB94.1 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 approximately RMB601.6 million, of which the cash inflow was mainly attributable to the bank loans received by the Group of approximately RMB770.0 million and the cash outflow was mainly attributable to the Group's repayment of bank loans and interest of approximately RMB1,040.1 million and distribution of dividends of approximately RMB331.5 million.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2023, the Group had total cash and cash equivalents amounting to approximately RMB483.7 million (2022: RMB621.5 million), and the total borrowings of the Group amounted to approximately RMB768.1 million (2022: RMB996.5 million). As such, the net debts of the Group (total borrowings less cash and cash equivalents) amounted to approximately RMB284.4 million (2022: RMB375.0 million) and the gearing ratio (net debts divided by total capital*) was approximately 4.90% (2022: 6.18%).

	As at 31 December	
	2023	2022
Current ratio (<i>times</i>)	1.8	2.2
Gearing ratio (<i>net debts/total capital*</i>)	4.90%	6.18%

* *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 their supply and demand changes 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. The volatility of the RMB exchange rate has intensified in recent years due to uncertainties in the global economic cycle, the trading environment and the monetary policies of certain major countries. Fluctuations in exchange rates may 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 enhancing production safety and improvement of environmental protection standard.

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 2023, the Group's long-term interest-bearing debts were mainly floating rate borrowings denominated in RMB, which amounted to approximately RMB568.1 million (2022: RMB546.5 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 2023.

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, of which the Company provided a corporate guarantee for Hexin Mining in the amount of RMB62.75 million (2022: RMB64.0 million). Such corporate guarantees remained in force as at 31 December 2023. Save as disclosed above, the Group did not have any other material contingent liabilities as at 31 December 2023.

CAPITAL COMMITMENTS

Capital expenditures contracted for but not yet necessary to be recognised

	As at 31 December	
	2023	2022
Buildings, machinery, mining structure and equipment (RMB'000)	<u>49,362</u>	<u>55,884</u>

EVENTS AFTER THE BALANCE SHEET DATE

In accordance with the resolution of the Board on 27 March 2024, the Board proposed the Company to distribute a dividend of approximately RMB110.5 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 2024, uncertainties that have an impact on global economic development still persist, while the global economy is facing insufficient growth momentum. Meanwhile, China is undergoing a transitional phase towards high-quality development, placing greater emphasis on deepening reform and opening up, technological innovation, and optimizing industrial structure, and yet it is expected to maintain a relatively stable growth (the Chinese government forecasts China's GDP growth rate to be approximately 5% in 2024). In this regard, the Group expects the consumption volume of nickel cathode and copper cathode in the domestic non-ferrous metal market will increase in 2024.

For the year of 2024, 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 2024, the Group plans to produce 11,000 tonnes of nickel cathode, representing an increase of approximately 29.4% as compared with the planned production of nickel cathode in 2023, and plans to produce 9,900 tonnes of copper cathode for the year 2024, representing an increase of approximately 45.0% as compared with the planned production of copper cathode in 2023, mainly due to the elimination of the impact of the temporary production suspension caused by the National Assistance Guidance and the implementation of technical upgrade project of Kalatongke Mining, and the resumption of the Group's production activities. 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 (the “**CG Code**”) as set out in Appendix C1 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 2023 to 31 December 2023.

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 C3 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 three meetings during the Reporting Year. The average attendance rate was approximately 100%. The 2022 annual results announcement and annual report, the 2023 annual audit plan and the 2023 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 mid to late April 2024.

DIVIDEND

At the meeting of the Board held on 27 March 2024, the Board proposed that payment of final dividend of RMB0.05 per share for the Reporting Year 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, 20 April 2024 to Monday, 20 May 2024 (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, 19 April 2024. Shareholders of the Company whose names appear on the register of members of the Company at the opening of business on Monday, 20 May 2024 are entitled to attend the AGM.

In order to determine the identity of the shareholders who are entitled to receive the final dividend for the year ended 31 December 2023, the register of members of the Company will be closed from Saturday, 25 May 2024 to Friday, 31 May 2024 (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, 24 May 2024. Shareholders whose names appear on the registers of members of the Company on Friday, 31 May 2024 shall be entitled to receive the 2023 final dividend.

By Order of the Board
Xinjiang Xinxin Mining Industry Co., Ltd.*
Qi Xinhui
Chairman

Xinjiang, the PRC, 27 March 2024

As at the date of this announcement, the executive Director of the Company is Mr. Qi Xinhui; the non-executive Directors of the Company are Mr. Guo Quan, Mr. Zhou Chuanyou, Mr. Wang Lijian, Ms. Chen Yang 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*