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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)

**PROPOSED REVISION OF ANNUAL CAPS FOR
EXISTING CONTINUING CONNECTED TRANSACTIONS
UNDER THE 2018 MUTUAL SUPPLY AGREEMENT
AND
PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**



Crescendo Capital Limited

A letter from the Board of the Company is set out on pages 1 to 19 of this circular.

A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 20 to 21 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 22 to 43 of this circular.

The Company will convene the EGM at 11:00 a.m. on Friday, 18 December 2020 at the Conference Room, 3/F, Tower 1, Business Residence Community of Youse Mingyuan Science and Technology Park, No. 52, East 2nd Lane, Binhe Middle Road, Saybagh District, Urumqi, Xinjiang, the People's Republic of China. The notice convening the EGM is set out on pages 54 to 55 of this circular and the relevant notice of attendance and proxy form are enclosed with this circular. Shareholders who wish to attend the EGM are required to return the notice of attendance in accordance with the instructions printed thereon as soon as possible and in any event not later than 28 November 2020.

Completion and return of the proxy form shall not preclude you from attending and voting in person at the EGM or at any adjourned meetings should you so wish.

3 November 2020

* For identification purposes only

CONTENTS

	<i>Pages</i>
DEFINITIONS	ii
LETTER FROM THE BOARD	1
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	20
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER	22
APPENDIX I – GENERAL INFORMATION	44
APPENDIX II – PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION . . .	49
NOTICE OF THE EGM	54

DEFINITIONS

In this circular, unless otherwise indicated in the context, the following expressions have the meaning set out below:

“2018 Circular”	the circular dated 20 November 2018 of the Company in respect of, among other things, the continuing connected transactions under the 2018 Mutual Supply Agreement
“2018 December Announcement”	the announcement dated 20 December 2018 of the Company in respect of, among other things, the continuing connected transactions under the 2018 Mutual Supply Agreement
“2018 Mutual Supply Agreement”	the master mutual supply agreement dated 26 October 2018 entered into between the Company and Xinjiang Non-ferrous in respect of the mutual provision of production supplies and ancillary services, details of which please refer to the circular of the Company dated 20 November 2018
“2018 October Announcement”	the announcement dated 26 October 2018 of the Company in respect of, among other things, the continuing connected transactions under the 2018 Mutual Supply Agreement
“Articles of Association”	the articles of association of the Company
“Associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board” or “Board of Directors”	the board of directors of the Company
“Company”	Xinjiang Xinxin Mining Industry Co., Ltd.* (新疆新鑫礦業股份有限公司), a joint stock limited company incorporated in the PRC with limited liability, the H Shares of which are listed on the Stock Exchange
“Company’s Products”	nickel cathode, copper cathode, copper concentrates, self-produced precious metals, sulphuric acid, water, electricity and other ancillary materials provided/to be provided by the Company to the Xinjiang Nonferrous Group under the 2018 Mutual Supply Agreement
“connected person”	has the meaning ascribed to it under the Listing Rules
“Construction Services”	construction-related services, including project design, construction and facilities installation provided/to be provided by the Xinjiang Non-ferrous Group to the Company under the 2018 Mutual Supply Agreement

DEFINITIONS

“Director(s)”	one or all of the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company of 2020 to be held at 11 a.m. on Friday, 18 December 2020 at the Conference Room, 3/F, Tower 1 , Business Residence Community of Youse Mingyuan Science and Technology Park, No. 52 , East 2nd Lane, Binhe Middle Road, Saybagh District, Urumqi, Xinjiang, the PRC for the approval of the Revised Construction Services Annual Caps, the Revised Company’s Products Annual Caps and the proposed amendments to the Articles of Association, notice of which is set out on pages 54 to 55 of this circular
“Fukang Refinery”	the refinery located in Fukang, Xinjiang where Fukang Branch of the Company(阜康冶煉廠)carries out its business activities
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board comprising the independent non-executive Directors, namely Mr. Hu Benyuan, Mr. Wang Qingming and Mr. Lee Tao Wai, to advise the Independent Shareholders in respect of the Revised Construction Services Annual Caps and the Revised Company’s Products Annual Caps
“Independent Financial Adviser” or “Crescendo Capital”	Crescendo Capital Limited, a corporation licensed to carry out type 6 regulated activities (advising on corporate finance) under the SFO, and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Revised Construction Services Annual Caps and the Revised Company’s Products Annual Caps
“Independent Shareholders”	in respect of the Revised Construction Services Annual Caps and the Revised Company’s Products Annual Caps and the transactions contemplated by the 2018 Mutual Supply Agreement, Shareholders other than the Xinjiang Non-ferrous and its Associates
“Kalatongke Mining”	Xinjiang Kalatongke Mining Company Limited* (新疆喀拉通克礦業有限公司), a limited liability company incorporated in the PRC and a wholly-owned subsidiary of the Company

DEFINITIONS

“Latest Practicable Date”	28 October 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Original Company’s Products Annual Caps”	the revised annual caps in respect of the Company’s Products fees payable by the Xinjiang Non-ferrous Group to the Group under the 2018 Mutual Supply Agreement
“Original Construction Services Annual Caps”	the original annual caps in respect of the Construction Services fees payable by the Group to the Xinjiang Non-ferrous Group under the 2018 Mutual Supply Agreement
“PRC”	the People’s Republic of China (for the purpose of this circular, excluding Hong Kong, Taiwan and the Macau Special Administrative Region of the PRC)
“Relevant Subsidiary”	Urumuqi Tianshan Star Precious Metal Smelting Co., Ltd.* (烏魯木齊天山星貴金屬冶煉有限公司), a limited liability company incorporated in the PRC and a subsidiary of Xinjiang Non-ferrous
“Revised Company’s Products Annual Caps”	the revised annual caps in respect of the Company’s Products fees payable by the Xinjiang Non-ferrous Group to the Group under the 2018 Mutual Supply Agreement
“Revised Construction Services Annual Caps”	the revised annual caps in respect of the Construction Services fees payable by the Group to the Xinjiang Non-ferrous Group under the 2018 Mutual Supply Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	holder(s) of the Shares in the register of members of the Company from time to time
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed to it under section 2 of the Companies Ordinance (Chapter 32, Laws of Hong Kong)

DEFINITIONS

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

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Liu Jun

Mr. Qi Xinhui

Non-executive Directors:

Mr. Zhang Guohua

Mr. Zhou Chuanyou

Mr. Guo Quan

Mr. Hu Chengye

Independent Non-executive Directors:

Mr. Hu Benyuan

Mr. Wang Qingming

Mr. Lee Tao Wai

*Statutory address and principal place of
business in the PRC:*

3/F, Tower 1, Business Residence

Community of Youse Mingyuan

Science and Technology Park

No. 52, East 2nd Lane

Binhe Middle Road, Saybagh District

Urumqi, Xinjiang

Registered office in Hong Kong:

9/F The Center

99 Queen's Road Central

Hong Kong

3 November 2020

To the Shareholders

Dear Sir or Madam,

**PROPOSED REVISION OF ANNUAL CAPS FOR
EXISTING CONTINUING CONNECTED TRANSACTIONS
UNDER THE 2018 MUTUAL SUPPLY AGREEMENT
AND
PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the announcements of the Company dated 14 October 2020 in relation to the proposed revision of annual caps for the Construction Services and the Company's Products under the 2018 Mutual Supply Agreement and proposed amendments to the Articles of Association, respectively.

* For identification purposes only

LETTER FROM THE BOARD

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

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

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

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

The purpose of this circular is:

- (i) to give you details of the Revised Construction Services Annual Caps and the Revised Company's Products Annual Caps;
- (ii) to set out the recommendation of the Independent Board Committee;
- (iii) to set out the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders advising on the Revised Construction Services Annual Caps and the Revised Company's Products Annual Caps; and
- (iv) to give you details of the proposed amendments to the Articles of Association.

LETTER FROM THE BOARD

REVISIONS OF THE ANNUAL CAPS

Original Annual Caps

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

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

Revised Annual Caps

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

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

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

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

LETTER FROM THE BOARD

Basis for Determining the Revised Annual Caps

(A) Construction Services

(i) Original Construction Services Annual Caps

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

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

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

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

LETTER FROM THE BOARD

For the years ending 31 December

2020

2021

(RMB'000)

(RMB'000)

(approximately)

(approximately)

Fukang Refinery

Workshop pressurized leaching technical
renovation project and extended sewage
disposal works civil engineering projects

21,000

6,000

Yakesi

Factory maintenance projects

2,500

2,600

Mine transportation

7,020

7,312

Ore crushing

6,206

6,206

Other projects

3,545

3,562

19,271

19,680

Zhongxin

Smelting factory technical renovation
phase II project

8,730

4,000

Maintenance for factory area and
engineering projects

5,000

5,000

13,730

9,000

LETTER FROM THE BOARD

(ii) *Revised Construction Services Annual Caps*

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

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

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

For the years ending 31 December	2020 (RMB'000) (approximately)	2021 (RMB'000) (approximately)
Kalatongke Mining		
2019 new project-sulphuric acid tail suction projects and sewage disposal works civil engineering projects	14,878*	7,290*
No. 3 air shaft ladder compartment installation project	9,630*	7,250
Sundry equipment installation projects and maintenance of side blow furnace	5,500	5,500
Projects not contemplated under the Original Construction Services Annual Caps:		
– Construction of a new cafeteria	3,500 [#]	–
– No.3 subsidiary shaft renovation project in the subsequent period of mining expansion	–	15,000 [#]
– Equipment installation projects for the concentrator factory	–	5,400 [#]
	33,508	40,440

LETTER FROM THE BOARD

For the years ending 31 December	2020 (RMB'000) (approximately)	2021 (RMB'000) (approximately)
Fukang Refinery		
Workshop pressurized leaching technical renovation project and extended sewage disposal works civil engineering projects	21,000	6,000
Projects not contemplated under the Original Construction Services Annual Caps:		
– Construction of new steam pipe gallery and installation of pipelines	4,500 [#]	5,000 [#]
– Pressure pump renovation project	–	3,000 [#]
– Construction of a new composite scrap warehouse	–	5,500 [#]
– Construction of various energy-saving and consumption-reduction projects	–	4,000 [#]
	<u>25,500</u>	<u>23,500</u>
Yakesi		
Factory maintenance projects	2,500	2,600
Mine transportation	7,020	7,312
Ore crushing	6,206	6,206
Other projects	3,545	3,562
Items not contemplated under the Original Construction Services Annual Caps:		
– Final settlement for the previous Huangshan Nickel-copper Mine mining and ore-processing project		
– civil works	6,420 [#]	–
– installation works	10,852 [#]	–
	<u>36,543</u>	<u>19,680</u>
Zhongxin		
Smelting factory technical renovation phase II project	8,730	4,000
Maintenance for factory area and engineering projects	5,000	5,000
	<u>13,730</u>	<u>9,000</u>

LETTER FROM THE BOARD

Notes:

- (1) * indicates change from the amount contemplated under the Original Construction Services Annual Caps.
- (2) # indicates amount not contemplated under the Original Construction Services Annual Caps.

Kalatongke Mining

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

Such increases are attributed to the following reasons:

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

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

LETTER FROM THE BOARD

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

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

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

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

New Projects	Reasons
1. Construction of a new cafeteria (2020: approximately RMB3.5 million)	The construction project is expected to be carried out in 2020 to conform to the latest regulations in respect of disease control and prevention due to the COVID-19 pandemic. As the Covid-19 crowd/traffic control measures prevent the inflows of external workers into the relevant areas, the Company engaged a subsidiary of the Xinjiang Non-ferrous Group to facilitate the construction work.
2. No.3 subsidiary shaft renovation project in the subsequent period of mining expansion (2021: approximately RMB 15.0 million)	The renovation of No.3 subsidiary shaft is expected to be carried out in 2021 to enhance the shaft mouth room and gallery room and improve the system construction and installation.

LETTER FROM THE BOARD

New Projects

Reasons

Since 2020, No.2 subsidiary shaft has been the only passenger-and-freight elevator shaft for No.2 and No.3 ore bodies of Kalatongke Mining. In order to tackle the impact on the production and operation of Kalatongke Mining caused by the increasing lifting work No.2 subsidiary shaft is required to perform, the technical renovation of No.3 subsidiary shaft is expected to be carried out in 2021. After the technical renovation, No.3 subsidiary shaft will be upgraded from a single purpose venting shaft to a passenger-and-freight elevator shaft. The efficiency of the ore transportation and transportation of the passengers and freight as well as the mining production will be improved when the No.3 subsidiary shaft is put into operation as a passenger-and-freight elevator shaft together with the No.2 subsidiary shaft.

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

Fukang Refinery

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

LETTER FROM THE BOARD

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

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

LETTER FROM THE BOARD

Yakesi

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

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

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

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

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

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

The Company received the final settlement audit reports and relevant documents for the Huangshan Nickel-copper Mine in December 2019 and the reconciliations between the relevant construction services provider and the Group were completed in May 2020. The amount for the final settlement for both civil and installation works was approximately RMB17.3 million higher than the amount calculated by the Group in aggregate, but was approximately RMB36.9 million lower than the amount originally

LETTER FROM THE BOARD

calculated by the counter party in aggregate. Such increase in the final settlement amount was due to the disputes between parties arising in the course of the civil and installation works, which were unpredictable. Independent engineering consulting firm and construction supervision firm were engaged to resolve the disputes and ensure that the final settlement amount is fair and reasonable to the Company. As the various verification works and negotiation processes as mentioned above were ongoing and the final settlement reports were still pending in 2018 when the Original Construction Services Annual Caps were calculated, no provision on final settlement amount was included in the Original Construction Services Annual Caps.

Zhongxin

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

(B) Company's Products

(i) Original Company's Products Annual Caps

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

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

LETTER FROM THE BOARD

(ii) Revised Company's Products Annual Caps

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

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

Note:

- (1) * indicates change from the amount contemplated under the Original Company's Products Annual Caps.

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

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

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

LETTER FROM THE BOARD

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

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

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

(2) Increase in the sales of sulphuric acid

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

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

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

LETTER FROM THE BOARD

Pricing Policies and Internal Control Measures Relating to Pricing Policies

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

General

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

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

The Directors (including the independent non-executive Directors whose views are set out in the "Letter from the Independent Board Committee" in this circular) consider that the Revised Construction Services Annual Caps and the Revised Company's Products Annual Caps are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

INFORMATION RELATING TO THE COMPANY

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

INFORMATION RELATING TO THE XINJIANG NON-FERROUS GROUP

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

LISTING RULES IMPLICATIONS

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

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

LETTER FROM THE BOARD

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

Pursuant to Rule 14A.36 of the Hong Kong Listing Rules, any shareholder with a material interest in the relevant connected transaction is required to abstain from voting on the relevant resolution at the EGM. Xinjiang Non-ferrous and its Associate(s) are beneficially interested in 885,204,000 domestic shares of the Company, representing approximately 40.06% of the entire issued share capital of the Company. Xinjiang Non-ferrous and its Associate(s) are required to and will be abstained from voting at the EGM in relation to the approval of the Revised Construction Services Annual Caps and the Revised Company's Products Annual Caps.

APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

The Company has appointed Crescendo Capital as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the Revised Construction Services Annual Caps and the Revised Company's Products Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and its Shareholders as a whole. A letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders is set out on pages 22 to 43 of this circular. The letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders indicates that the Independent Financial Adviser considers the Revised Construction Services Annual Caps and the Revised Company's Products Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and Shareholders as a whole.

INDEPENDENT BOARD COMMITTEE

The Company has established an Independent Board Committee comprising all independent non-executive Directors to advise the Independent Shareholders as to whether the Revised Construction Services Annual Caps and the Revised Company's Products Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and its Shareholders as a whole. The letter from the Independent Board Committee to the Independent Shareholders is set out on pages 20 to 21 of this circular. Having taking into account the advice of the Independent Financial Adviser, the independent non-executive Directors are of the view that the Revised Construction Services Annual Caps and the Revised Company's Products Annual Caps to be fair and reasonable and are in the interests of the Company and the Independent Shareholders as a whole.

LETTER FROM THE BOARD

BOARD'S APPROVAL

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

PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

In order to comply with the relevant requirements of Regulations on the Work of Basic Organizations of the State-owned Enterprises of the Communist Party of China (Trial)* (《中國共產黨國有企業基層組織工作條例(試行)》) issued by the Communist Party of China Central Committee, the Company proposed to make amendments to certain provisions of the Articles of Association.

According to the Articles of Association and the relevant laws and regulations, the proposed amendments to the Articles of Association are subject to approval of the Shareholders by way of special resolution at the general meeting of the Company. Further, the proposed amendments to the Articles of Association will become effective after the relevant procedures for the approval and/or registration or filing in the PRC have been completed.

Please refer to Appendix II of this circular for details of the proposed amendments to the Articles of Association.

EGM

A notice of the EGM to be held at 11 a.m. on Friday, 18 December 2020 at the Conference Room, 3/F, Tower 1, Business Residence Community of Youse Mingyuan Science and Technology Park, No. 52, East 2nd Lane, Binhe Middle Road, Saybagh District, Urumqi, Xinjiang, the PRC is set out on pages 54 to 55 of this circular. The EGM will be held to consider and, if thought fit, approve the Revised Construction Services Annual Caps, the Revised Company's Products Annual Caps and the proposed amendments to the Articles of Association.

LETTER FROM THE BOARD

Whether or not you are able to attend the meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's H share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 24 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

PROCEDURES FOR VOTING AT THE EGM

According to Rule 13.39(4) of the Listing Rules, any vote at a general meeting must be taken by poll.

RECOMMENDATION

The Directors consider that the proposed resolutions for consideration and approval by the Shareholders at the EGM are in the best interests of the Company and its Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of all the resolutions to be proposed at the EGM as set out in the notice of the EGM.

GENERAL

Your attention is drawn to the letter from the Independent Board Committee, the letter from the Independent Financial Adviser, the proposed amendments to the Articles of Association and the additional information set out in the appendices to this circular and the notice of the EGM.

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



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)

3 November 2020

To the Independent Shareholders

Dear Sir or Madam,

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

We refer to the circular dated 3 November 2020 (the “**Circular**”) of Xinjiang Xinxin Mining Industry Co., Ltd. (the “**Company**”) of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless otherwise specified.

We, being the independent non-executive Directors, have been appointed by the Board as members of the Independent Board Committee to advise the Independent Shareholders on the Revised Construction Services Annual Caps and the Revised Company's Products Annual Caps. Crescendo Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Shareholders and us on the fairness and reasonableness of the Revised Construction Services Annual Caps and the Revised Company's Products Annual Caps. Details of Crescendo Capital's advice, together with the principal factors and reasons it has taken into consideration in giving such advice, are set out in the “Letter from the Independent Financial Adviser” on pages 22 to 43 of the Circular.

The Independent Shareholders' attention is drawn to the “Letter from the Board”, the advice of Crescendo Capital in its capacity as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of whether the Revised Construction Services Annual Caps and the Revised Company's Products Annual Caps are fair and reasonable and in the interest of the Company and the Independent Shareholders as a whole, as set out in the “Letter from the Independent Financial Adviser” as well as other additional information set out in other parts of the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account the independent advice of Crescendo Capital, in particular the principal factors, reasons and recommendations set out in the “Letter from the Independent Financial Adviser” on pages 22 to 43 of the Circular and having considered the terms of Revised Construction Services Annual Caps and the Revised Company’s Products Annual Caps, we consider the Revised Construction Services Annual Caps and the Revised Company’s Products Annual Caps to be fair and reasonable and are in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Revised Construction Services Annual Caps and the Revised Company’s Products Annual Caps.

Yours faithfully,

Independent Board Committee

Mr. Hu Benyuan, Mr. Wang Qingming and

Mr. Lee Tao Wai

Independent Non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter of advice from Crescendo Capital to the Independent Board Committee and the Independent Shareholders in relation to the revision of the annual caps for the years ending 31 December 2020 and 2021 in respect of the existing continuing connected transactions contemplated under the 2018 Mutual Supply Agreement, which has been prepared for the purpose of inclusion in this circular.



1506 Tai Tung Building
8 Fleming Road
Wanchai
Hong Kong

3 November 2020

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

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

INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders with respect to the revision of the annual caps for the years ending 31 December 2020 and 2021 in respect of the continuing connected transactions contemplated under the 2018 Mutual Supply Agreement in relation to the provision of (i) the Construction Services by Xinjiang Non-ferrous Group to the Group; and (ii) the Company's Products by the Group to Xinjiang Non-ferrous Group (the "**Continuing Connected Transactions**"), details of which are set out in the letter from the Board contained in the circular dated 3 November 2020 to the Shareholders (the "**Circular**"), of which this letter forms part. Capitalized terms used in this letter shall have the same meanings as defined elsewhere in the Circular unless the context requires otherwise.

As disclosed in the 2018 October Announcement and the 2018 Circular, on 26 October 2018, the Company and Xinjiang Non-ferrous entered into the 2018 Mutual Supply Agreement in respect of the continuing provision of the Construction Services, the Supporting and Ancillary Services and the Company's Products, which constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. The 2018 Mutual Supply Agreement and the annual caps for the provisions of the Construction Services, the Supporting and Ancillary Services and the Company's Products were approved at the extraordinary general meeting of the Company held on 20 December 2018.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

To cope with the practical needs of increased continuing connected transactions between the Group and Xinjiang Non-ferrous Group, on 14 October 2020, the Board announced that the Company proposed to revise the Original Construction Services Annual Caps and the Original Company's Products Annual Caps (collectively, the "**Original Annual Caps**") for the years ending 31 December 2020 and 2021.

Pursuant to Rule 14A.54 of the Listing Rules, if the Company proposes to revise the annual caps for continuing connected transactions, the Company will have to re-comply with the relevant provisions of Chapter 14A of the Listing Rules in relation to the relevant continuing connected transactions. Given that the highest applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) of each of the revised annual caps for the two years ending 31 December 2021 (the "**Revised Annual Caps**") exceed 5% on an annual basis, the Continuing Connected Transactions are subject to the reporting, announcement, annual review and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Xinjiang Non-ferrous, being a contracting party of the 2018 Mutual Supply Agreement and a controlling Shareholder interested in 885,204,000 domestic shares of the Company, representing approximately 40.06% of the entire issued share capital of the Company, and its Associates are required to, and will, abstain from voting in relation to the approval of the Continuing Connected Transactions at the EGM.

The Independent Board Committee, comprising all independent non-executive Directors, namely Mr. Hu Benyuan, Mr. Wang Qingming and Mr. Lee Tao Wai, has been established to advise the Independent Shareholders as to whether the terms of the Continuing Connected Transactions are on normal commercial terms, and such transactions are conducted in the ordinary and usual course of business of the Group, and, including the Revised Annual Caps, are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and Shareholders as a whole. We, Crescendo Capital Limited, have been appointed to give an independent opinion to the Independent Board Committee and the Independent Shareholders in this regard and how to vote on the resolution to be proposed at the EGM.

We are not associated with the Group and its Associates and do not have any shareholding in any member of the Group or right (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, securities in any member of the Group. Save for acting as an independent financial adviser in this appointment and the occasion as detailed in the 2018 Circular, we have not acted as a financial adviser or an independent financial adviser to the Company and its Associates in the past two years. Apart from normal professional fees payable to us in connection with this appointment, no arrangements exist whereby we will receive any fee or benefit from the Group and its Associates. We are not aware of any relationship or interest between our firm and the Company or other parties that would be reasonably considered to affect our independence to act as an independent financial adviser to the Independent Board Committee and the Independent Shareholders.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have relied on the information and representations supplied, and the opinions expressed, by the Directors and management of the Company and have assumed that such information and statements, and representations made to us or referred to in the Circular are true, accurate and complete in all material respects as of the date hereof and will continue as such at the date of the EGM. The Directors have collectively and individually accepted full responsibility for the Circular, including particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group and having made all reasonable enquiries have confirmed that, to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in the Circular misleading.

We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. We have no reasons to suspect that any material information has been withheld by the Directors or management of the Company, or is misleading, untrue or inaccurate, and consider that they may be relied upon in formulating our opinion. We have not, however, for the purpose of this exercise, conducted any independent investigation or audit into the businesses or affairs or future prospects of the Group and the related subject of, and parties to, the agreement of the Continuing Connected Transactions. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change this opinion.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion regarding the Continuing Connected Transactions, we have considered the following principal factors and reasons:

1. Background of the Continuing Connected Transactions and reasons for the revision of the Original Annual Caps

(a) The 2018 Mutual Supply Agreement

The Group is principally engaged in mining, ore processing, smelting and sales of nickel, copper and other non-ferrous metal products.

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

On 26 October 2018, the Company entered into the 2018 Mutual Supply Agreement with Xinjiang Non-ferrous in relation to the provision of the Construction Services and Supporting and Ancillary Services by Xinjiang Non-ferrous Group to the Group and the provision of the Company's Products by the Group to Xinjiang Non-ferrous Group. The entering into of the 2018 Mutual Supply Agreement and annual caps thereof were approved by the Independent Shareholders at the extraordinary general meeting of the Company held on 20 December 2018.

(b) *Provision of the Construction Services*

Xinjiang Non-ferrous Group has been providing construction related services, including project design, construction and facility installation, to the Group from time to time in its ordinary and usual course of business. We understand from management of the Company that Xinjiang Non-ferrous Group is a major player in the non-ferrous metal industry in Xinjiang and is actively engaged in mining, ore processing, smelting, processing, repairing, manufacturing, equipment installation, construction, transportation, storage and design. The design institute of Xinjiang Non-ferrous Group has the expertise in design of production facilities in respect of mining, ore processing and refining of non-ferrous and precious metals, and Xinjiang Non-ferrous Group has an experienced and stable construction team in shafts construction and facility installation. The Company considers that Xinjiang Non-ferrous Group has competitive advantages over other suppliers of similar services in Xinjiang. In addition, with the capability and techniques of Xinjiang Non-ferrous Group in designing and producing non-standardized production facilities and equipment, the Group's smelting operation was enhanced through the co-operations with Xinjiang Non-ferrous Group in relation to the Group's previous technical improvement projects. The Group has also been satisfied with the quality of services rendered by Xinjiang Non-ferrous Group in relation to the Group's previous technical improvement projects. Therefore, the Company considers that it is appropriate to continue to engage Xinjiang Non-ferrous Group as one of the construction service providers of the Group if its terms of services are no less favourable than those offered by other service providers.

In view of the postponement of certain construction projects contemplated under the Original Construction Services Annual Caps and the addition of new construction projects not originally planned under the Original Construction Services Annual Caps that are required to be carried out in 2020 and/or 2021 for compliance with the amended government regulations on production requirement, the Company expected that the transaction amount for the Construction Services in 2020 and 2021 would increase and thus proposed to revise the Original Construction Services Annual Caps for the two years ending 31 December 2021.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(c) *Provision of the Company's Products*

Pursuant to the 2018 Mutual Supply Agreement, the Company's Products to be supplied by the Group to Xinjiang Non-ferrous Group include nickel cathode, copper cathode, copper concentrates, self-produced precious metals, sulphuric acid, water, electricity and other ancillary materials. The Directors consider that the sale of the Company's Products to Xinjiang Non-ferrous Group can help securing a stable sales channel and turnover for the Group.

Previously, the Group procured from Xinjiang Non-ferrous Group the gold processing services for processing crude gold into commodity gold and the distribution services for sale of commodity gold to Independent Third Parties. In order to facilitate the transactions between the parties and save time and cost for negotiation on the gold recovery rate of the gold refining process, the Group started to sell crude gold directly to Xinjiang Non-ferrous Group, instead of procuring the processing and distribution services from Xinjiang Non-ferrous Group, in the last quarter of 2018. Therefore, the transaction amount for sale of the Company's Products to Xinjiang Non-ferrous Group increased significantly with the additional sales amount of crude gold which were not included in the Original Company's Products Annual Caps.

In addition, the Group started to sell sulphuric acid to a then Independent Third Party in July 2019 and such party has become a member of Xinjiang Non-ferrous Group since September 2019. Therefore, the sales of sulphuric acid to such member of Xinjiang Non-ferrous Group has become Continuing Connected Transactions since then.

Given the significant increase in transaction amount of the sale of the Company's Products arising from the change in the Company's business arrangement of gold with Xinjiang Non-ferrous Group and the change of identity of a then independent customer of the Company from an Independent Third Party to a connected person of the Company, the Company proposed to revise the Original Company's Products Annual Caps for the two years ending 31 December 2021.

(d) *Provision of the Supporting and Ancillary Services*

Pursuant to the 2018 Mutual Supply Agreement, the Supporting and Ancillary Services to be provided by Xinjiang Non-ferrous Group to the Group shall include (i) provision of production supplies such as supplemental production materials (including copper concentrates, chemical materials, coal, coke and product packaging materials) and work safety products; (ii) storage, transportation and loading services, including warehousing services for the sales and distribution of nickel cathode to the Company's end-customers in Beijing and its surrounding areas, Hebei province and the north-eastern region of the PRC,

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

and transportation services for delivery of materials including coke and coal; and (iii) other supporting and ancillary services like machinery repair and improvement and geological exploration in the mining areas. The Directors consider that it is in the interest of the Company to maintain a long-term supplier relationship with Xinjiang Non-ferrous Group for securing a stable supply of the Supporting and Ancillary Services, which is essential for the operations of the Group.

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

The Original Annual Caps were not set out in the 2018 Mutual Supply Agreement. Therefore, the revisions to the Original Annual Caps do not entail a revision to the 2018 Mutual Supply Agreement. The terms of the 2018 Mutual Supply Agreement as disclosed in the 2018 October Announcement and the 2018 Circular remain unchanged.

Having considered that (i) Xinjiang Non-ferrous Group is a major player in the non-ferrous metal industry in Xinjiang which has been offering high quality Construction Services that meet the Company's stringent standards in the previous technical improvement and construction projects; (ii) the Group has established a long-term business relationship with Xinjiang Non-ferrous Group and is satisfied with the quality of the Construction Services provided by Xinjiang Non-ferrous Group; (iii) the Group requires the Construction Services for fulfilling its production needs from time to time; and (iv) the sale of the Company's Products is carried out in the ordinary and usual course of business of the Group and provides additional turnover to the Group, we are of the opinion that the Continuing Connected Transactions are commercial transactions conducted in the ordinary and usual course of business of the Group and they are in the interests of the Company and Shareholders as a whole.

We also considered that the revision of the Original Annual Caps is fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and Shareholders as a whole, having taken into account that (i) the Group needs additional Construction Services in 2020 and 2021 to execute its operation and development plans as well as to cope with the delay of certain projects originally planned to be commenced in 2019 and thus there shall be a substantial increase in transaction amount in respect of the Construction Services for the years ending 31 December 2020 and 2021; and (ii) the Original Company's Products Annual Caps did not take into account the significant increase in transaction amount of the sale of the Company's Products arising from the change in the Company's business arrangement of gold with Xinjiang Non-ferrous Group and the change of identity of a then independent customer of the Company from an Independent Third Party to a connected person of the Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2. Principal terms of the Continuing Connected Transactions

Pursuant to the 2018 Mutual Supply Agreement, Xinjiang Non-ferrous agreed to provide, among others, the Construction Services to the Group, and the Group agreed to provide the Company's Products to Xinjiang Non-ferrous Group, for a period of three years, commencing from 1 January 2019, which may be renewed upon agreement by Xinjiang Non-ferrous and the Company, subject to the approval of the Stock Exchange and/or the Independent Shareholders, if applicable. The Company and Xinjiang Non-ferrous Group are at liberty to procure from, or provide to, any Independent Third Party any of the required services and products save and except that Xinjiang Non-ferrous Group must provide the Company with services or supplies on terms no less favourable than those offered to any Independent Third Party.

Either party of the 2018 Mutual Supply Agreement may terminate the mutual provision of products and services by giving to the other party not less than six months' prior written notice. However, unless the Company has provided written consent to the termination by Xinjiang Non-ferrous Group, Xinjiang Non-ferrous Group may not terminate its supply of services and/or products if the Company has informed them by written notice that the Company is unable to obtain similar products and/or services from an Independent Third Party. The 2018 Mutual Supply Agreement is conditional and effective upon having complied with the relevant Listing Rules and approved by the Independent Shareholders, if applicable, at the extraordinary general meeting of the Company.

The 2018 Mutual Supply Agreement is a framework agreement which sets out the principles upon which detailed terms and conditions of the transactions are to be determined between the parties. The Company and Xinjiang Non-ferrous will ensure that any specific agreement, which sets out the specific terms and conditions for the provisions of services or products, to be entered into between the parties shall be in accordance with the terms and conditions of the 2018 Mutual Supply Agreement.

Under the 2018 Mutual Supply Agreement, the Company and Xinjiang Non-ferrous agreed that the actual price of the services and products would be determined principally by commercial negotiations between the parties according to the principles of fairness and reasonableness with reference to the market price of the services and products from time to time and would be on normal commercial terms and on terms not less favourable to the Company than terms available to or from, as appropriate, Independent Third Parties. The mutual supply services will be provided according to the following general pricing policies in order of priority and shall be settled on a monthly basis:

- the State-prescribed price, including any price prescribed by any relevant local government, if applicable;
- where there is no State-prescribed price, then the State-guidance price;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- where there is neither a State-prescribed price nor a State-guidance price, the market price which shall be determined by (i) the price offered by an Independent Third Party for providing similar products or services in an area where such products or services are provided under general commercial terms; or (ii) where not applicable, the price offered by an Independent Third Party for providing similar products or services in the PRC under general commercial terms; and
- where none of the above is applicable, the price shall be determined by the parties based on reasonable costs, being costs (including relevant taxes and surcharges) as calculated under the Accounting Standards for Business Enterprises of the PRC, incurred by them in providing the products or services plus a profit margin of not more than 5% of such reasonable costs (the “**Cost-plus Method**”).

We have reviewed the Company’s pricing policies and practices for price determination in relation to the Continuing Connected Transactions and our findings are set out below:

(a) *Provision of the Construction Services*

According to management of the Company, the service fees for the Construction Services are, and will continue to be, determined with reference to the price as determined by the tendering process as there is neither a State-prescribed price nor a State-guidance price for the Construction Services. Pursuant to the Company’s internal guidance on construction projects, the Company is required to select service providers for all major construction projects, including the technical improvement projects, through an open tender process, through which the price and terms of services offered by the vendors will be compared and rated by the tender evaluation committee of the Company and the service contracts will be awarded to vendor(s) which offer(s) the best price and/or terms of service. The tender evaluation committee of the Company consists of the Company’s general manager, deputy general manager, financial controller, chairman of board of supervisors, secretary of the Party Commission for Discipline Inspection of the Company, managers from safety production and security department, sales department and internal audit department and internal experts. For each tender evaluation, in addition to the tender(s) from connected person(s), there should be at least two or more valid tenders obtained from Independent Third Parties for comparison purposes. In case the only bidder/tenderer of a transaction is a connected person, the Company would not proceed with the transaction.

Since the Construction Services carried out in the past three years were tailor-made to fit the specific requirements of the Company, we were unable to compare the terms of Construction Services offered by Xinjiang Non-ferrous Group to the Group with the terms of construction services offered by Xinjiang Non-ferrous Group to other Independent Third Parties. However, we have reviewed the tender assessment reports of projects in relation to

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

heating renovation of Yakesi, electrolyzer heat preservation in nickel workshop of Fukang Refinery and sewage disposal works of Kalatongke Mining. We noted that the bidding parties of the aforementioned projects included both member(s) of Xinjiang Non-ferrous Group and Independent Third Parties. We also noted that the contracts were awarded to tenderers with the highest scores, which were rated by the tender evaluation committee based on the same assessment criteria such as qualification, experience, technical expertise, reputation and quality of work of the tenderers and the proposed pricing and duration of services. We considered the results of the tender process fair and reasonable. With a similar open tender system in place and taking into account the nature of services and the prevailing market circumstances, we believe that the prices and terms of transactions in respect of the Construction Services under the 2018 Mutual Supply Agreement are, and will be, on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned.

(b) *Provision of the Company's Products*

We understand from management of the Company that the prices for all previous transactions regarding the sales of the Company's Products were determined with reference to the prevailing market price as neither the State-prescribed prices nor State-guidance prices were available for such transactions. Management of the Company confirmed that none of the previous transactions regarding the Company's Products were transacted based on the Cost-plus Method as all the Company's Products have a market price. Management of the Company also expected that the Cost-plus Method would not be applicable for the Company's Products in the foreseeable future.

In order to ensure each sales transaction is/was on terms no more favourable to Xinjiang Non-ferrous Group than to other Independent Third Parties, the selling prices of the Company's Products are, and were, determined by sales department of the Company with reference to the prevailing market prices as quoted at Shanghai Yangtze River Non-ferrous Metals Spot Market as set out in the website of Yangtze River Non-ferrous Metals (www.ccmn.cn), an independent e-commerce website hosted by 長江有色(廈門)科技股份有限公司 (Yangtze River Non-ferrous (Xiamen) Technology Co., Ltd.) that provides an online platform for information and trading in relation to transactions of major non-ferrous metals (namely copper, aluminum, zinc, tin, lead and nickel) and major precious metals (including gold), approved by the sales department manager, checked by the finance department manager and finally approved by the pricing committee of the Company, which consists of the general manager, financial controller and the managers of the sales department and the finance department.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have visited the website of Yangtze River Non-ferrous Metals and noted that it summarized the pricing information of six major non-ferrous metals, namely copper, aluminum, zinc, tin, lead and nickel in different markets such as London Metal Exchange and Shanghai Metals Spot Market, and major precious metals, including gold. We understand from management of the Company that the website of Yangtze River Non-ferrous Metals is one of the leading internet platforms widely recognized by the players in the PRC non-ferrous metals and precious metals industry regarding trading and pricing information. Based on the above, we concur with the view of the Directors that it is a valid reference for information in relation to the trading and/or pricing of the relevant non-ferrous metals and precious metals.

We have reviewed five samples of contracts entered into between the Group and Xinjiang Non-ferrous Group regarding the sales of copper cathode and the relevant prevailing market prices quoted from the website of Yangtze River Non-ferrous Metals and noted that the prices charged by the Group are the same as the prevailing market prices. We have also reviewed five samples of invoices issued by the Group to Xinjiang Non-ferrous Group regarding the sales of crude gold and the market prices of gold quoted from the website of Yangtze River Non-ferrous Metals at the relevant time and noted that the prices charged by the Group fall within the range of the prevailing market prices on the same transaction date. In view of the above, we believe that the above-mentioned internal control policy has been properly followed by the Group in its daily operations and consider that the prices of the transactions in respect of the sales of Company's Products under the 2018 Mutual Supply Agreement are on normal commercial terms, and be fair and reasonable so far as the Independent Shareholders are concerned.

We were given to understand that the internal audit department of the Company would perform periodic audit on the transactions with Xinjiang Non-ferrous Group by comparing the invoiced prices with the prevailing market prices of the relevant products and ensure that the abovementioned internal control procedures were adhered to. Management of the Company also confirmed us that the aforementioned pricing policy was and would be consistently applied to all transactions in respect of the supply of the Company's Products by the Group to Xinjiang Non-ferrous Group.

As advised by management of the Company, the profit margin of not more than 5% under the Cost-plus Method was arrived at after negotiations between the parties to the 2018 Mutual Supply Agreement. In order to assess the fairness and reasonableness of the 5% margin under the Cost-plus Method, we have tried to look for public information regarding the profit margin of similar products for comparison purposes but no such information was available. Given that (i) both parties to the 2018 Mutual Supply Agreement are mutually bound by the same maximum profit margin of 5% under the Cost-plus Method; (ii) the Cost-plus Method will be adopted only if there are no State-prescribed prices, State-guidance prices or market

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

prices; and (iii) the Cost-plus Method has not been applied for transactions under the 2018 Mutual Supply Agreement so far and the Directors consider that the chance of using the Cost-plus Method in determining the prices of the Company's Products is remote as the pricing of all the existing Company's Products can be determined with reference to the market price, we concur with the view of the Directors that the Cost-plus Method is commercially justifiable.

Based on the above and taking into account that (i) the Company has the liberty to procure from, or provide to, any Independent Third Party any of the Construction Services and the Company's Products; (ii) Xinjiang Non-ferrous Group must provide the Company with services or supplies on terms no less favourable to the Company than those offered to any Independent Third Party and such practices have been and will be consistently applied by Xinjiang Non-ferrous Group; and (iii) the Company may terminate the mutual provision of products and services by giving to Xinjiang Non-ferrous Group not less than six months' prior written notice while the termination of the provision of services and products by Xinjiang Non-ferrous Group is subject to the consent of the Company, and Xinjiang Non-ferrous Group may not terminate its supply of services and/or products if the Company has informed them by written notice that the Company is unable to obtain similar products and/or services from other Independent Third Parties, we consider that the Continuing Connected Transactions are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and Shareholders as a whole.

3. The Revised Annual Caps

The historical transaction amounts, the Original Annual Caps and the Revised Annual Caps of the Continuing Connected Transactions are summarized as follows:

	Historical transaction amounts			Original Annual Caps		Revised Annual Caps	
	For the period from 1 January			For the year ending		For the year ending	
	For the year ended 31 December		2020 to 30 September	31 December		31 December	
	2018	2019	2020	2020	2021	2020	2021
	<i>approximately</i>	<i>approximately</i>	<i>approximately</i>	<i>approximately</i>	<i>approximately</i>	<i>approximately</i>	<i>approximately</i>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Provision of the Construction Services	<u>49,103</u>	<u>73,714</u>	<u>61,915</u>	<u>70,801</u>	<u>51,930</u>	<u>110,281</u>	<u>92,620</u>
Provision of the Company's Products	<u>76,864</u>	<u>83,955</u>	<u>88,993</u>	<u>90,564</u>	<u>96,991</u>	<u>126,138</u>	<u>133,347</u>

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The breakdown of the Original Annual Caps and the Revised Annual Caps are summarized as follows:

	Original Annual Caps		Revised Annual Caps	
	For the year ending 31 December		For the year ending 31 December	
	2020	2021	2020	2021
	<i>approximately</i>	<i>approximately</i>	<i>approximately</i>	<i>approximately</i>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Provision of the Construction Services				
– Kalatongke Mining	15,800	17,250	33,508	40,440
– Fukang Refinery	21,000	6,000	25,500	23,500
– Yakesi	19,271	19,680	36,543	19,680
– Zhongxin	13,730	9,000	13,730	9,000
– Hami Jubao Resources Co. Ltd. (“Jubao”)	1,000	–	1,000	–
Annual caps	70,801	51,930	110,281	92,620
Provision of the Company's Products				
– Sales of copper concentrates	43,624	47,476	43,624	47,476
– Sales of copper cathode	25,862	28,016	25,862	28,016
– Sales of sulphuric acid	11,638	11,638	18,275	21,594
– Sales of crude gold	–	–	28,937	26,400
– Sales of other Company's Products	9,440	9,861	9,440	9,861
Annual caps	90,564	96,991	126,138	133,347

(a) Provision of the Construction Services

We understand from management of the Company that the Revised Construction Services Annual Caps were determined by the Directors with reference to the Original Construction Services Annual Caps and the estimations on the Group's demand for the Construction Services for its existing developments, having taken into account the works required, the expected construction progress and the prevailing market price for similar construction services.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We noted that save for additions to the original budgeted amounts in respect of No.3 air shaft ladder compartment installation projects and the sulphuric acid tail suction projects and sewage disposal works civil engineering projects for Kalatongke Mining and Huangshan Nickel-copper Mine's mining and ore-processing projects for Yakesi, and the additional projects scheduled for Kalatongke Mining and Fukang Refinery, for the years ending 31 December 2020 and 2021, there would be no changes in the original budgeted amounts for other Construction Services, details of which are set out in the 2018 Circular. Therefore, our analysis focuses only on the additional budgeted amounts proposed for the years ending 31 December 2020 and 2021.

We have reviewed, and discussed with management of the Company, the Company's additional budgets for the Construction Services. A summary of the additional budgeted amounts is set out as follows:

Additional budgeted amounts		
For the year ending 31 December		
	2020	2021
	<i>approximately</i>	<i>approximately</i>
	<i>RMB'000</i>	<i>RMB'000</i>
Kalatongke Mining		
– No. 3 air shaft ladder compartment installation project <i>(Note 1)</i>	3,830	–
– Sulphuric acid tail suction projects and sewage disposal works civil engineering projects <i>(Note 2)</i>	10,378	2,790
– Construction of a new cafeteria	3,500	–
– No. 3 subsidiary shaft renovation project in the subsequent period of mining expansion	–	15,000
– Equipment installation projects for the concentrator factory	–	5,400
	17,708	23,190

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

		Additional budgeted amounts	
		For the year ending 31 December	
		2020	2021
		<i>approximately</i>	<i>approximately</i>
		<i>RMB'000</i>	<i>RMB'000</i>
Fukang Refinery			
– Construction of new steam pipe gallery and installation of pipelines		4,500	5,000
– Pressure pump renovation project		–	3,000
– Construction of a new composite scrap warehouse		–	5,500
– Construction of various energy-saving and consumption-reduction projects		–	4,000
		<u>4,500</u>	<u>17,500</u>
Yakesi			
– Final settlement for the previous civil works for Huangshan Nickel-copper Mine's mining and ore-processing projects		6,420	–
– Final settlement for the previous installation works for Huangshan Nickle-copper Mine's mining and ore-processing projects		10,852	–
		<u>17,272</u>	<u>–</u>
Total		<u><u>39,480</u></u>	<u><u>40,690</u></u>

Notes:

1. With reference to the 2018 Circular, the original budgeted amounts for the No. 3 air shaft ladder compartment installation project for the years ending 31 December 2020 and 2021 were RMB5.8 million and RMB7.25 million respectively. An additional budget of RMB3.83 million was proposed for the year ending 31 December 2020 due to additional works proposed to be done in 2020.
2. With reference to the 2018 Circular, the original budgeted amounts for the sulphuric acid tail suction projects and sewage disposal works civil engineering projects for the years ending 31 December 2020 and 2021 were RMB4.5 million and RMB4.5 million respectively. Additional budgeted amounts of RMB10.378 million and RMB2.79 million were proposed for the years ending 31 December 2020 and 2021 respectively due to the postponement of the projects.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(i) *Kalatongke Mining*

We have reviewed, and discussed with management of the Company, the Company's latest budgets for the Construction Services in relation to No. 3 air shaft ladder compartment installation project. We understand from management of the Company that due to the complexity of the ore body and the existence of uncertainties in the geological boundary of the mine when the original budget for installation of No.3 air shaft ladder compartment was planned in 2018, the original budgeted amount for the No. 3 air shaft ladder compartment installation project for the year ending 31 December 2020 was later found to be underestimated. Based on the latest information of the mine, additional exploration engineering works of RMB3.83 million is required for the year ending 31 December 2020. As at the Latest Practicable Date, approximately 39% of the Construction Services in respect of No. 3 air shaft ladder compartment installation project had been completed and construction fee of approximately RMB10.99 million had been paid/payable by the Company to Xinjiang Non-ferrous Group. The Company anticipated that approximately 35% and 26% of such Construction Services would be completed in 2020 and 2021 respectively and therefore construction fees of RMB9.63 million and RMB7.25 million, including the additional budget of RMB3.83 million and nil for the years ending 31 December 2020 and 2021 respectively, were scheduled to be paid to Xinjiang Non-ferrous Group in the years ending 31 December 2020 and 2021 respectively.

Moreover, the sulphuric acid tail suction projects and sewage disposal works civil engineering projects, which were planned with a total construction fee budget of approximately RMB29 million, originally expected to commence construction in 2019 were postponed to 2020 as (i) several changes were made to the original engineering drawings and design for compliance with the relevant environmental regulations promulgated after the inclusion of Fuyun County, where the relevant mine locates, into the Execution Zone of the Special Emission Limits by the local government; and (ii) the processing procedures for issuing the relevant permits were delayed following the institutional reforms, redeployment of posts and functions and full-scale upgrade of the government affairs administration from manual work to an electronic services platform by the relevant handling departments of the local government in 2019. The projects are expected to continue in 2021. As at the Latest Practicable Date, approximately 23% of the Construction Services in respect of sulphuric acid tail suction projects and sewage disposal works civil engineering projects had been completed and construction fee of approximately RMB6.80 million had been paid/payable by the Company to Xinjiang Non-ferrous Group. The Company anticipated that approximately 52% and 25% of such Construction Services would be completed in 2020 and 2021 respectively and therefore construction fees of RMB14.878 million and RMB7.29 million, including the additional budget of RMB10.378 million and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RMB2.79 million for the years ending 31 December 2020 and 2021 respectively, were scheduled to be paid to Xinjiang Non-ferrous Group in the years ending 31 December 2020 and 2021 respectively.

According to the Group's latest development plan, three additional new construction projects, namely (i) construction of a new cafeteria; (ii) No. 3 subsidiary shaft renovation project in the subsequent period of mining expansion; and (iii) equipment installation projects for concentrator factory, will be carried out in 2020 and 2021. The new cafeteria will be constructed in 2020 to conform to the latest regulations in respect of disease control and prevention due to the COVID-19 pandemic. The Company anticipated that such Construction Services would be completed by the end of 2020 and therefore total construction fees of RMB3.5 million were scheduled to be paid to Xinjiang Non-ferrous Group in the year ending 31 December 2020 if the construction work is carried out by Xinjiang Non-ferrous Group.

The No. 3 subsidiary shaft renovation project to enhance the shaft mouth room and gallery room and improve the system construction and installation; and the equipment installation projects for concentrator factory in respect of floatation system and tailing projects shall be carried out in 2021. As at the Latest Practicable Date, such Construction Services had not been commenced yet. The Company anticipated that the Construction Services regarding No.3 subsidiary shaft renovation project and the equipment installation projects of the concentrator factory would be completed in 2021 and therefore construction fees in the amount of approximately RMB15.0 million and RMB5.4 million respectively will be payable to Xinjiang Non-ferrous Group in the year ending 31 December 2021 if the construction work is carried out by Xinjiang Non-ferrous Group.

We have reviewed, and discussed with management of the Company, the Company's budgets, the payment schedules and the expected work progress for the above projects and noted that the payment schedule for each of the abovementioned projects is generally commensurate with the respective expected work progress.

(ii) Fukang Refinery

We have reviewed, and discussed with management of the Company, the Company's budgets for the additional Construction Services regarding Fukang Refinery and noted that four additional new construction projects, namely (i) construction of new steam pipe gallery and installation of pipelines; (ii) pressure pump renovation project; (iii) construction of a new composite scrap warehouse; and (iv) construction of various energy-saving and consumption-reduction projects have been planned for the years ending 31 December 2020 and 2021. We were advised by management of

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

the Company that the construction project of new steam pipe gallery and installation of pipelines is to be carried out in 2020 and expected to continue in 2021 in order to comply with the requirement under《特種設備安全監察指令》(“Safety Supervision Order on Special Equipment”) promulgated by the relevant authority of Fukang County on 29 November 2018. The Company anticipated that approximately 47% and 53% of such Construction Services would be completed in 2020 and 2021 respectively and therefore construction fees of RMB4.5 million and RMB5.0 million were scheduled to be paid to Xinjiang Non-ferrous Group in the years ending 31 December 2020 and 2021 respectively.

The pressure pump renovation project is expected to be carried out in 2021 following the implementation of the pressure leaching technology upgrade renovation project for copper and nickel in 2019. The pump should have a higher stability in order to use the upgraded pressure leaching technology. Therefore, the Company has to carry out modification works to replace its existing low outflow pressure pumps with higher outflow pressure pumps. As at the Latest Practicable Date, such construction services had not been commenced yet. The Company anticipated that the construction services regarding pressure pump renovation project would be completed in 2021 and therefore construction fee in the amount of approximately RMB3.0 million will be payable to Xinjiang Non-ferrous Group in the year ending 31 December 2021 if the construction work is carried out by Xinjiang Non-ferrous Group.

The construction project of a new composite scrap warehouse is expected to be carried out in 2021 to comply with the requirements set out in《阜康冶煉廠銅鎳浸出系統技術升級改造項目環境影響報告書》(“Report of Environmental Impact of the Leaching System Technological Upgrade and Renovation Project by Fukang Refinery”) and《污染源現場檢查情況表》(“Source of Contamination On-site Inspection Table”) issued by the Environmental Inspection Branch of Changji Prefecture, Xinjiang on 29 June 2020. As at the Latest Practicable Date, such construction services had not been commenced yet. The Company anticipated that the construction of the new composite scrap warehouse shall be completed in 2021 and therefore construction fee in the amount of approximately RMB5.5 million will be payable to Xinjiang Non-ferrous Group in the year ending 31 December 2021 if the construction work is carried out by Xinjiang Non-ferrous Group.

The construction of various energy-saving and consumption-reduction projects, such as reformation of the air-duct and heat preservation of the factory, outer wall heat preservation for black-nickel and sodium-removal factory, are expected to be carried out in 2021 based on the new and higher national energy-saving standards (replacing the lower local energy-saving standards previously adopted) as required by《國家市場監督管理總局令第26號地方標準管理辦法》(“Measures for the Administration of

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Local Standards, the State Administration for Market Regulation Order No. 26”) which came into effect in March 2020. As at the Latest Practicable Date, the construction works of the aforementioned projects had not been commenced yet. The Company anticipated that the construction services regarding such construction projects shall be completed in 2021 and therefore construction fee in the amount of approximately RMB4.0 million will be payable to Xinjiang Non-ferrous Group in the year ending 31 December 2021 if the construction work is carried out by Xinjiang Non-ferrous Group.

We have reviewed, and discussed with management of the Company, the Company’s budgets, the payment schedules and the expected work progress for the abovementioned projects and noted that the payment schedule for each of the projects is generally commensurate with the respective expected work progress.

(iii) *Yakesi*

We understand from management of the Company that the additional budgeted amount of RMB17.272 million for the project of Yakesi represents the amount for the final settlement in respect of the previous civil works and installation works for Huangshan Nickel-copper Mine’s mining and ore-processing projects, which commenced in 2014 and largely completed by the end of 2016. As stated in the Letter from the Board, there were disputes between the parties on the final settlement amount in relation to certain Construction Services for Huangshan Nickel-copper Mine’s mining and ore-processing projects. The parties engaged independent engineering consulting firms for auditing and the final settlement audit reports were issued in December 2019. The reconciliations between the relevant construction service providers and the Group were completed in May 2020.

We have reviewed the final settlement audit reports and the original budgeted amounts in respect of the relevant civil works and installation works for Huangshan Nickel-copper Mine’s mining and ore-processing projects. Based on the final settlement audit reports, the Company’s budgets for the civil works and installation works for Huangshan Nickel-copper Mine’s mining and ore-processing projects were underestimated by approximately RMB6.42 million and RMB10.85 million respectively. Given the obligation of the Company to pay for the underestimated amount, we consider that it is fair and reasonable for the Company to increase the Original Construction Services Annual Caps for the year ending 31 December 2020 by the total underestimated amount of approximately RMB17.27 million.

Having considered the Company’s needs, the budgets and expected work progress of the scheduled construction works mentioned in the previous sections, we consider that the proposed Revised Construction Services Annual Caps are fair and reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(b) *Provision of the Company's Products*

We have discussed with management of the Company, and reviewed, the calculation of the Revised Company's Products Annual Caps. It was noted that save for the expected increases in sales of sulphuric acid and crude gold to Xinjiang Non-ferrous Group, there would be no changes in the original budgeted amounts for other Company's Products, details of which are set out in the 2018 Circular. Therefore, our analysis focuses only on the additional sales of sulphuric acid and crude gold.

(i) *Increase in sales of sulphuric acid*

Having considered the projected increases in sales volume of sulphuric acid as detailed below, the Company anticipated that the additional transaction amounts for sulphuric acid for the years ending 31 December 2020 and 2021 would be approximately RMB6.64 million and RMB9.96 million respectively.

We noted that approximately 3,940 tonnes (i.e. 11,820 tonnes if annualized for comparison purpose) and 2,990 tonnes (i.e. 3,987 tonnes if annualized for comparison purpose) of sulphuric acid were sold to the new member of Xinjiang Non-ferrous Group during the period from September 2019 to December 2019 and the period from January 2020 to September 2020 respectively. The decrease of sales volume of sulphuric acid in 2020 was due to the temporary close down of factory production of the new member of Xinjiang Non-ferrous Group as a result of the outbreak of COVID-19 in the first half of 2020. With the easing of COVID-19 restrictions, the new member of Xinjiang Non-ferrous Group resumed its production and started to increase its production in the fourth quarter of 2020. It was also planned that the production would be accelerating in 2021 and thus the demand of sulphuric acid from the Group would increase significantly in late 2020 and 2021. Based on the discussions between the Group and the new member of Xinjiang Non-ferrous Group, it is expected that the sales volume of sulphuric acid for sales to the new member of Xinjiang Non-ferrous Group would increase to 10,000 tonnes in 2020 and 15,000 tonnes in 2021, having considered the estimated increasing demand of sulphuric acid by Xinjiang Non-ferrous Group for its increase in budgeted production volume of electrolytic manganese in 2020 and 2021. We have reviewed the memorandum of understanding entered into between the Group and Xinjiang Non-ferrous Group regarding the projected sales volume of sulphuric acid between the parties and noted that the tentative purchase volume of sulphuric acid agreed by both parties is in line with the projected sales volumes adopted by the Group in budgeting the increase in sales of sulphuric acid.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

According to the speech presented by the representative of China Sulphuric Acid Industry Association in The 15th China International Copper Industry Chain Summit held in July 2020, the national price of sulphuric acid dropped by approximately 56% in 2019. The price of sulphuric acid continued to drop in early 2020 and showed a rebound in September 2020. Management of the Company expected that the price of sulphuric acid in Xinjiang would remain relatively stable in 2020 and 2021 following the significant drop in 2019. Given the price of sulphuric acid rebounded recently and having considered that the budgeted transaction amounts represent only the maximum amounts that can be transacted between the Group and Xinjiang Non-ferrous Group during the relevant period and the actual selling price of sulphuric acid to be charged will depend on the prevailing market price at the time of the transactions, we consider that the selling price of sulphuric acid adopted by the Group for estimating the annual caps for the years ending 31 December 2020 and 2021 is reasonable and the budgeted transaction amounts for the additional sales of sulphuric acid are fair and reasonable.

(ii) Change of business arrangement in respect of gold products

We were given to understand that having considered the Group's stock volume of crude gold in 2020 and the annual production capacity of crude gold of 60,000 grams, the Company expected that the volume of crude gold available for sales for the years ending 31 December 2020 and 2021 would be approximately 70,000 grams and 60,000 grams respectively assuming all the crude gold available for sales in 2020 would be sold. Management of the Company anticipated that the price of gold would remain at a high level before the end of 2020 and continue to increase in 2021. Therefore, the Company targeted to realize the profit by selling all the available crude gold in each of 2020 and 2021. Based on the discussions between the Group and Xinjiang Non-ferrous Group and having considered the volume of crude gold available for sales by the Group, it is expected that the sales volumes of crude gold for sales to Xinjiang Non-ferrous Group would be 70,000 grams and 60,000 grams in 2020 and 2021 respectively. We have reviewed the memorandum of understanding entered into between the Group and Xinjiang Non-ferrous Group regarding the projected sales volume of crude gold between the parties and noted that the tentative purchase volume of crude gold agreed by both parties is in line with the projected sales volumes adopted by the Group in budgeting the sales of crude gold.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

With reference to the statistics released by China Gold Association, a nation-wide organization approved by State Economy and Trade Committee and the Ministry of Civil Affairs, the gold price as quoted in Shanghai Gold Exchange increased by approximately 13.7%⁽¹⁾ in 2019, and 28.3%⁽²⁾ in the first half of 2020, as compared with the previous year/corresponding period. Based on the information provided by the Company, the historical average selling price of crude gold has been increasing since 2018 and recorded a growth rate of approximately 13.7% in 2019 as compared to that of 2018 and 32.6% for the first nine months of 2020 as compared to that of the corresponding period in 2019. Management of the Company expected that the selling price of crude gold would continue to increase, but at a lower growth rate of approximately 6.4% for the year ending 31 December 2021 after a long rising period in the past two years. Having considered that the aggressive monetary policy easing, ultra-low interest rates, negative US real yields and fiscal stimulus in major economies all support gold prices, we consider that the growth rate adopted by the Group in projecting the average selling price of crude gold for the year ending 31 December 2021 is reasonable. Based on the projected sales volume and selling price of crude gold, the Company anticipated that the transaction amounts for crude gold for the years ending 31 December 2020 and 2021 would be approximately RMB28.94 million and RMB26.40 million respectively. In view of that the budgeted transaction amounts represent only the maximum amounts that can be transacted between the Group and Xinjiang Non-ferrous Group during the relevant period and the actual selling price of crude gold to be charged will depend on the prevailing market price at the time of the transactions, we consider that the budgeted transaction amounts of sales of crude gold as well as the Revised Company's Products Annual Caps proposed by the Directors are fair and reasonable.

(1) Source: <http://www.cngold.org.cn/statsinfo.aspx?id=2416>

(2) Source: <http://www.cngold.org.cn/statsinfo.aspx?id=2849>

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

Having considered the abovementioned principal factors and reasons, we consider that (i) the Continuing Connected Transactions are conducted in the ordinary and usual course of business of the Group; and (ii) the terms of the Continuing Connected Transactions (and the Revised Annual Caps thereunder) are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and Shareholders as a whole. We therefore recommend the Independent Board Committee to advise the Independent Shareholders, and ourselves also recommend the Independent Shareholders, to vote in favour of the resolution to approve the Continuing Connected Transactions (including the Revised Annual Caps) at the upcoming EGM.

Yours faithfully,
For and on behalf of
Crescendo Capital Limited

Amilia Tsang	Helen Fan
<i>Managing Director</i>	<i>Director</i>

Notes:

- (i) Ms. Amilia Tsang is a licensed person under the SFO permitted to engage in Type 6 (advising on corporate finance) regulated activity and has over 15 years of experience in corporate finance.
- (ii) Ms. Helen Fan is a licensed person under the SFO permitted to engage in Type 6 (advising on corporate finance) regulated activity and has approximately 13 years of experience in corporate finance.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS**Directors, supervisors and chief executive of the Company**

- (i) As at the Latest Practicable Date, save and except for Mr. Zhou Chuanyou, being a Director, who has interests in 5,000,000 H shares and 480,924,000 domestic shares of the Company as set out in the section headed “Substantial shareholders of the Company” at page 45 of this circular, none of the Directors, supervisors and chief executive of the Company had any interests and short positions in the shares, underlying shares and/or debentures (as the case may be) of the Company or any of its associated corporations (within the meaning of the SFO) which was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest and short position which any such Director, chief executive or supervisor is taken or deemed to have under such provisions of the SFO) or which was required to be entered into the register required to be kept by the Company under section 352 of the SFO or which was otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules.
- (ii) As at the Latest Practicable Date, none of the Directors, proposed Directors, supervisors or proposed supervisors of the Company had any direct or indirect interest in any assets which have since 31 December 2019 (being the date to which the latest published audited financial statements of the Company were made up) been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

Substantial shareholders of the Company

As at the Latest Practicable Date, so far as the Directors are aware, each of the following persons, not being a Director, chief executive or supervisor of the Company, had an interest in the Shares which falls to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name	Number of shares held	Class of share	Approximate percentage of shareholding on relevant class of shares (%)	Approximate percentage of the total share capital (%)
Xinjiang Non-ferrous Metal Industry (Group) Ltd.* (新疆有色金屬工 業(集團)有限責任公司)	885,204,000(L)	Domestic share	61.01	40.06
Shanghai Yilian Kuangneng Co. Ltd.* (上海怡聯礦能實業有 限公司)(Note)	282,896,000(L)	Domestic share	19.50	12.80
Zhongjin Investment (Group) Ltd.* (中金 投資(集團)有限公司) (Note)	198,028,000(L)	Domestic share	13.65	8.96

(L) = Long positions

Note: The entire shareholding/equity interests of both Shanghai Yilian Kuangneng Co. Ltd* (上海怡聯礦能實業有限公司) (“**Shanghai Yilian**”) and Zhongjin Investment (Group) Ltd.* (中金投資(集團)有限公司) (“Zhongjin Investment”) are beneficially owned by Mr. Zhou Chuanyou (周傳有).

* *The English name is a translation of the Chinese name and provided for reference only.*

Save as disclosed above, as at the Latest Practicable Date, there was no other person (other than a Director, supervisor or chief executive of the Company), who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

3. SERVICE AGREEMENTS

As at the Latest Practicable Date, each of the Directors and supervisors of the Company has entered into a service contract for a term of three years with the Company from 14 October 2020 or the date of new appointment to the expiration of the term of the sixth session of the Board of Directors and of the Supervisors Committee of the Company.

Pursuant to Articles 106 and 145 of the Articles of Association, the term for Directors and supervisors of the Company is three years commencing from the date of their respective appointment or re-appointment, subject to re-appointment at a general meeting.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or supervisors of the Company had any existing or proposed service contract with any member of the Group (except contracts expiring or determinable by the Group within one year without payment of compensation (other than statutory compensation)).

4. INTEREST IN CONTRACT

As at the Latest Practicable Date, none of the Directors or supervisors of the Company had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which any member of the Group was a party.

5. NO MATERIAL ADVERSE CHANGES

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2019, the date to which the latest published consolidated audited accounts of the Company were made up.

6. COMPETING INTEREST

As at the Latest Practicable Date, the following Directors are considered to have interests in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Company, as defined in the Listing Rules:

Mr. Zhang Guohua is the chairman of Xinjiang Non-ferrous and also acts as the legal representative of Xinjiang Non-ferrous to sign any deeds, material contracts and other material documents of Xinjiang Nonferrous. Mr. Guo Quan is the deputy manager of Xinjiang Non-ferrous. Mr. Qi Xinhui and Mr. Liu Jun, were appointed by the Party Committee of Xinjiang Non-ferrous as the secretary and deputy secretary to the Party Committee of the Company, respectively. Mr. Zhang Guohua, Mr. Guo Quan, Mr. Qi Xinhui and Mr. Liu Jun have not given any confidential or sensitive commercial information of the Company to Xinjiang Non-ferrous or any other third party and have physically

abstained the voting right of directors for the approval of the Revised Construction Services Annual Caps and the Revised Company's Products Annual Caps. As the Board of Directors is independent from the board of directors of Xinjiang Non-ferrous and the above Directors do not control the Board of the Company, the Group is capable of carrying out its businesses independent from, and at arm's length from, the business of Xinjiang Non-ferrous.

Save as disclosed above, as at the Latest Practicable Date, none of the directors of the Company and its subsidiary, or their respective associates (as defined in the Listing Rules) had interests in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

7. EXPERT AND CONSENT

- (a) The following is the qualifications of the expert who has given opinions and advice which are included in this circular:

Name	Qualification
Crescendo Capital	A licensed corporation to carry out type 6 regulated activity (advising on corporate finance) under the SFO

- (b) As at the Latest Practicable Date, Crescendo Capital did not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.
- (c) Crescendo Capital has given and has not withdrawn its written consent to the issue of this circular, with the inclusion of the references to its name and/or its opinion in the form and context in which they are included.
- (d) As at the Latest Practicable Date, Crescendo Capital did not have any direct or indirect interest in any asset which had been acquired, or disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group since 31 December 2019, the date to which the latest published audited financial statements of the Group were made up.

8. MISCELLANEOUS

- (a) The statutory address and principal place of business of the Company in the PRC is situated at 3/F, Tower 1, Youse Mingyuan Kejiyuan Complex Buildings, 52 East 2nd Lane, Binhe Middle Road, Saybagh District, Urumqi, Xinjiang, the PRC.

- (b) The registered office of the Company in Hong Kong is 9/F, The Center, 99 Queen's Road Central, Hong Kong.
- (c) The Hong Kong share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong.
- (d) The joint company secretaries of the Company are Mr. Li Zhenzhen and Mr. Lam Cheuk Fai.
- (e) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the registered office of the Company in Hong Kong at 9/F, The Center, 99 Queen's Road Central, Hong Kong, up to and including the date of the EGM:

- (a) the letter from the Independent Board Committee dated 3 November 2020, the text of which is set out on page 20 of this circular;
- (b) the letter from the Independent Financial Adviser dated 3 November 2020, the text of which is set out on page 22 of this circular;
- (c) the letter of consent dated from the Independent Financial Adviser dated 3 November 2020 and referred to under the paragraph headed "Expert and Consent" in this appendix; and
- (d) copy of the 2018 Mutual Supply Agreement.

APPENDIX II PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

1. The original Article 1 which provides:

Article 1 In order to protect the legitimate rights and interests of Xinjiang Xinxin Mining Industry Co., Ltd. (the “Company”), shareholders and creditors and regulate the constitution and act of the Company, the Articles of Association (the “Articles”) are formulated in accordance with the Company Law of the People’s Republic of China (the “Company Law”), the Securities Law of the People’s Republic of China, the Special Provisions of the State Council Concerning the Flotation and Listing Abroad of Stocks by Limited Stock Companies (the “Special Provisions”), the Prerequisite Clauses for Articles of Association of Companies Seeking Listing outside the PRC (the “Prerequisite Clauses”), the Letter of Opinions on the Supplemental Amendments to Articles of Association of Companies Seeking Listing in Hong Kong (the “Letter of Opinions on Supplemental Amendments”) and other relevant regulations.

is proposed to be amended as follows:

Article 1 In order to regulate the composition and act of Xinjiang Xinxin Mining Industry Co., Ltd. (the “Company”), insist on and consolidate the comprehensive leadership of the Party, protect the legitimate rights and interests of shareholders and creditors, the Articles of Association (the “Articles”) are formulated in accordance with the Company Law of the People’s Republic of China (the “Company Law”), the Securities Law of the People’s Republic of China, the Special Provisions of the State Council Concerning the Flotation and Listing Abroad of Stocks by Limited Stock Companies (the “Special Provisions”), the Prerequisite Clauses for Articles of Association of Companies Seeking Listing outside the PRC (the “Prerequisite Clauses”), the Letter of Opinions on the Supplemental Amendments to Articles of Association of Companies Seeking Listing in Hong Kong (the “Letter of Opinions on Supplemental Amendments”) and other relevant regulations.

2. The original Article 2 which provides:

Article 2 The Company is a company limited by shares established in accordance with the Company Law, the Special Provisions and other relevant regulations and shall observe and comply with the Company Law, Special Provisions and the Articles.

The Company was approved by the People’s Government of Xinjiang Uygur Autonomous Region through the approval letter regarding the Establishment of Xinjiang Xinxin Mining Industry Co., Ltd. (Xin Zheng Han (2005) No. 127) to be incorporated by way of promotion on 1 September 2005. The Company was registered with the Administration for Industry and Commerce of Xinjiang Uygur Autonomous Region and obtained the enterprise legal person business license on 1 September 2005. The unified social credit code of the Company is: 91650100778968995G.

APPENDIX II PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The promoters of the Company are as follows: Xinjiang Non-ferrous Metal Industry (Group) Co., Ltd.* (新疆有色金屬工業(集團)有限責任公司), Shanghai Yilian Mining and Energy Industry Co., Ltd.* (上海怡聯礦能實業有限公司), Zhongjin Investment (Group) Co., Ltd.* (中金投資(集團)有限公司), Zijin Mining Group (Xiamen) Investment Co., Ltd.* (紫金礦業集團(廈門)投資有限公司), Xinjiang Xinying New Material Co., Ltd.* (新疆信盈新型材料有限公司) and Shaanxi Honghao Industry Co., Ltd.* (陝西鴻浩實業有限公司).

In accordance with the requirements of the Constitution of the Communist Party of China (《中國共產黨章程》), the Company has established an organization under the Party to accomplish the tasks assigned by the Party. The Party Committee of the Company shall play the core leadership and core political role of providing direction, managing the overall situation and ensuring implementation. The Company shall also establish the working organs of the Party, which shall be equipped with sufficient staff to deal with Party affairs and provided with sufficient funds to operate the Party organization.

is proposed to be amended as follows:

Article 2 The Company is a company limited by shares established in accordance with the Company Law, the Special Provisions and other relevant regulations and shall observe and comply with the Company Law, Special Provisions and the Articles.

The Company was approved by the People's Government of Xinjiang Uygur Autonomous Region through the approval letter regarding the Establishment of Xinjiang Xinxin Mining Industry Co., Ltd. (Xin Zheng Han (2005) No. 127) to be incorporated by way of promotion on 1 September 2005. The Company was registered with the Administration for Industry and Commerce of Xinjiang Uygur Autonomous Region and obtained the enterprise legal person business license on 1 September 2005. The unified social credit code of the Company is: 91650100778968995G.

The promoters of the Company are as follows: Xinjiang Non-ferrous Metal Industry (Group) Co., Ltd.* (新疆有色金屬工業(集團)有限責任公司), Shanghai Yilian Mining and Energy Industry Co., Ltd.* (上海怡聯礦能實業有限公司), Zhongjin Investment (Group) Co., Ltd.* (中金投資(集團)有限公司), Zijin Mining Group (Xiamen) Investment Co., Ltd.* (紫金礦業集團(廈門)投資有限公司), Xinjiang Xinying New Material Co., Ltd.* (新疆信盈新型材料有限公司) and Shaanxi Honghao Industry Co., Ltd.* (陝西鴻浩實業有限公司).

According to the requirements of the Constitution of the Communist Party of China (《中國共產黨章程》), the Company has established a Communist Party of China organization to accomplish the tasks assigned by the Party. The Company shall also establish the working organs of the Party, which shall be equipped with sufficient and competent staff to deal with Party affairs and provided with sufficient funds to operate the Party organization.

3. The original Article 158 which provides:

Article 158 The Company shall establish the Party Committee consisting of a secretary and several other members. The Party Committee shall establish a deputy secretary responsible for the Party building works of the Company. Eligible members of the Party Committee can join the Board, the board of supervisors and senior management through legal procedures. Eligible members in the Board, the board of supervisors and senior management can join the Party Committee in accordance with relevant provisions and procedures. Meanwhile, commission for discipline inspection shall be established in accordance with relevant requirements.

is proposed to be amended as follows:

Article 158 According to the requirements of the Constitution of the Communist Party of China (《中國共產黨章程》) and subject to the approval by upper Party organization, the Company shall establish the Communist Party of China Committee of Xinjiang Xinxin Mining Industry Co., Ltd. (hereafter abbreviated as the “Party Committee”). Meanwhile, according to relevant regulations, the Company shall establish the commission for discipline inspection of the Party.

4. Approving the addition of Article 159 to the Articles of Association as follows:

Article 159 The Party Committee of the Company shall be elected from the Party member congress or the Party representative congress; each term of office is five (5) years. Regular re-election shall be conducted upon the expiration of its term of office. Each term of office of the Discipline Inspection Commission under the Party shall be the same as the Party Committee.

5. Approving the addition of Article 160 to the Articles of Association as follows:

Article 160 The Party Committee of the Company generally consists of 3 to 7 members, with a maximum number of 9. There should be 1 party secretary, and 1–2 deputy party secretaries as and when they are needed.

6. The original Article 159 which provides:

Article 159 The Party Committee of the Company shall perform its duties in accordance with the Constitution of the Communist Party of China and other internal rules of the Party.

- (1) to uphold the consciousness of political integrity, overall situation, the core and conformity, ensure and supervise the Company’s implementation of guidelines and policies of the Party and the State, implement major strategic decisions of the Central Committee of the Party and the State Council as well as the relevant material work arrangement of the Party

APPENDIX II PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Committee, the government of the Autonomous Region, implement relevant material working requirements of the Party Committee of the State-owned Assets Supervision and Administration Commission of the State Council and the superior Party organizations.

- (2) to focus on the overall goal of social stability and long-term stability in Xinjiang, strengthen the collective leadership, promote scientific decision-making, and promote the Company's full implementation of economic, political, stability, and social responsibilities.
- (3) to uphold the integration of the principle of management of cadres by the Party with the lawful selection of the operation management by the board of directors and with the lawful exercise of authority of deployment of personnel by the operation management. The Party organization shall consider and comment on the candidates nominated by the board of directors or the general manager, or shall recommend candidates to the board of directors or the general manager. The Party organization, together with the board of directors shall evaluate the proposed candidates and put forth comments and suggestions collectively.
- (4) to analyse and discuss major issues such as the reform, development and stability of the Company, major operational and management issues and major issues concerning employee interests, and to provide comments and suggestions thereon.
- (5) to undertake the main responsibility exercising strict self-governance of the Party in every respect. Lead the building of the Company's primary Party organizations, the Company's ideological and political work, united front work, spiritual civilization construction, corporate culture construction and the work of mass organizations such as the labour union and the communist youth league. Lead the construction of the Party's working style to uphold anti-corruption and integrity and support the discipline inspection committee in fulfilling its supervisory responsibility.

is proposed to be renumbered to Article 161 and amended as follows:

Article 161 Party Committee of the Company shall play a leading role, supervising the Company's direction of development, monitoring the whole picture and ensuring implementation, discussing and making decisions on significant matters of the Company in accordance with the regulations. The main responsibilities are:

- (1) to enhance the building of politics of the Party in the Company, adhere to and implement the fundamental system, basic system and important system of socialism with Chinese characteristics as well as educate and guide all Party members to maintain a high degree of consistency with the Party Central Committee with Comrade Xi Jinping as the core in the political stance, political direction, political principles and political path;

APPENDIX II PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

- (2) to thoroughly study and implement Xi Jinping's Socialism Ideology with Chinese characteristics in the new era, learn and propagate the Party's theory, thoroughly implement the Party's line, principles and policies as well as supervise and guarantee the implementation of major strategy deployments of the Party Central Committee as well as the resolutions of the Party organisation at a higher level in the Company;
- (3) to investigate and discuss the significant operation and management matters of the Company and support the shareholders' general meeting, the Board of Directors, the Supervisory Committee and the management to exercise their rights and perform their duties in accordance with the laws;
- (4) to strengthen the leadership and gatekeeping role in the process of selection and appointment of personnel of the Company, and the building of the leading team, cadre and talents team of the Company;
- (5) to undertake the main responsibility in improving Party conduct and upholding integrity, lead and support discipline inspection institutions to fulfil their supervisory and disciplining responsibilities as well as exercise strict administrative discipline and political rules and promote Party self-governance exercised fully and with rigor into the grassroots level;
- (6) to strengthen the building of grassroot Party organisations and the Party member service, unit and lead officials and employees to devote themselves into the reform and development of the Company;
- (7) to lead the Company's ideological and political work, the spirit and civilization progress, the United Front work and lead mass organisations such as the Labour Union, Communist Youth League and Women's Organisation of the Company.

7. Approving the addition of Article 162 to the Articles of Association as follows:

Article 162 By insisting on and improving the leadership mechanism of "Dual Entry and Cross Appointment", eligible members of the Party Committee may take seats in the Board of Directors, the Supervisory Committee and the management through statutory procedures, while eligible members of the Board of Directors, the Supervisory Committee and the management who are also Party members may take seats in the Party Committee in accordance with related regulations and procedures.

8. Approving the numbering of the original "Article 160" to "Article 234" of the Articles of Association to be updated to "Article 163" to "Article 237" accordingly and the contents stated remain the same.

NOTICE OF THE EGM



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)

NOTICE OF THE EGM

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (“**EGM**”) of Xinjiang Xinxin Mining Industry Co., Ltd. (the “**Company**”) will be held at 11:00 a.m. on Friday, 18 December 2020 at Conference Room, 3/F, Tower 1, Business Residence Community of Youse Mingyuan Science and Technology Park, No. 52, East 2nd Lane, Binhe Middle Road, Saybagh District, Urumqi, Xinjiang, the People's Republic of China (the “**PRC**”) to consider and, if thought fit, to pass the following resolutions:

Unless otherwise defined, capitalized terms used in this notice and the following resolutions shall have the same meanings as those defined in the circular of the Company dated 3 November 2020.

ORDINARY RESOLUTION

1. To consider and approve the following matter:

THAT the Revised Construction Services Annual Caps and the Revised Company's Products Annual Caps be and are hereby approved and confirmed. Any one director of the Company be and is hereby authorised to do all such acts and things and execute such other documents as he in his sole and absolute discretion deems necessary, desirable or expedient in relation to the implementation of the above (if necessary).

SPECIAL RESOLUTION

1. To consider and approve the proposed amendments to the articles of association of the Company.
(Note 5)

By order of the Board
Li Zhenzhen, Lam Cheuk Fai
Joint Company Secretaries

Xinjiang, the PRC
3 November 2020

NOTICE OF THE EGM

Notes:

1. Closure of register of members and eligibility for attending the EGM

The register of members of the Company will be closed from Wednesday, 18 November 2020 to Friday, 18 December 2020 (both days inclusive), during which time no share transfers will be registered. In order to be eligible to attend the EGM, instruments of transfer accompanied by share certificates and other appropriate documents must be lodged with the Company's H share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Tuesday, 17 November 2020. Shareholders of the Company whose names appear on the register of members of the Company at the opening of business on Friday, 18 December 2020 are entitled to attend the EGM.

2. Notice of attendance

Shareholders who intend to attend the EGM should complete and lodge the accompanying reply slip and return it to the Company's H Share registrar, Computershare Hong Kong Investor Services Limited, on or before Saturday, 28 November 2020. The reply slip may be delivered by hand, by post or by fax to the Company's H Share registrar. Completion and return of the reply slip does not affect the right of a shareholder of the Company to attend the EGM. However, the failure to return the notice of attendance may result in an adjournment of the EGM, if the number of shares carrying the right to vote represented by the shareholders of the Company proposing to attend the EGM by the notice of attendance does not reach more than half of the total number of shares of the Company carrying the right to vote at the EGM.

3. Proxy

Every shareholder of the Company who has the right to attend and vote at the EGM is entitled to appoint one or more proxies, whether or not they are members of the Company, to attend and vote on his behalf at the EGM.

A proxy must be appointed by an instrument in writing and signed by the appointer or his attorney duly authorised in writing. If the appointer is a legal person, then the instrument shall be signed under a legal person's seal or signed by its director or an attorney duly authorised in writing. The instrument appointing the proxy shall be deposited at the Company's H Share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not less than 24 hours before the time appointed for the holding of the EGM. If the instrument appointing the proxy is signed by a person authorised by the appointer, the power of attorney or other document of authority under which the instrument is signed shall be notarised. The notarised power of attorney or other document of authority shall be deposited together and at the same time with the instrument appointing the proxy at the Company's H Share registrar. Return of a form of proxy will not preclude a shareholder of the Company from attending in person and voting at the EGM if he so wishes.

Shareholders or their proxies are required to produce their identification documents when attending the EGM.

4. Others

The EGM is expected to last for approximately two hours. Shareholders and their proxies attending the meeting shall be responsible for their own travelling and accommodation expenses.

5. Please refer to the circular of the Company dated 3 November 2020 for details of the amendments to the articles of association of the Company.

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

** For identification purposes only*