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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold** all your shares in Jinchuan Group International Resources Co. Ltd, you should at once hand this circular accompanying proxy form to the purchaser or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser.

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**JINCHUAN 金川**

**JINCHUAN GROUP INTERNATIONAL RESOURCES CO. LTD**

**金川集團國際資源有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2362)**

**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS**

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



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A letter from the Board is set out on pages 4 to 14 of this circular. A letter from the Independent Board Committee is set out on page 15 of this circular. A letter from Investec Capital Asia Limited containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 16 to 26 of this circular.

A notice convening the EGM to be held at Suite 4003-04, 40/F, Tower Two, Lippo Centre, 89 Queensway, Hong Kong at 11:00 a.m. on Monday, 30 December 2013 is set out on pages 33 and 34 of this circular.

Whether or not you are able to attend the EGM in person, you are requested to complete the accompanying proxy form in accordance with the instructions printed thereon and return it to the branch share registrar of the Company in Hong Kong, Hong Kong Registrars Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible but in any event not less than 48 hours before the time fixed for the holding of the EGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM if you so wish.

11 December 2013

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions shall have the meanings set out below:*

“2011 Agreement”	the framework agreement dated 18 July 2011 entered into between the Company and Jinchuan for trading of Mineral and Metal Products between the Group and the Jinchuan Group
“2011 Circular”	the circular of the Company in relation to the 2011 Agreement dated 8 August 2011
“2011 Continuing Connected Transactions”	collectively, the continuing connected transactions between the Group and the Jinchuan Group for the period from 24 August 2011 to 31 December 2013 under the 2011 Agreement
“2013 Agreement”	the framework agreement dated 2 December 2013 entered into between the Company and Jinchuan for trading of Mineral and Metal Products between the Group and the Jinchuan Group for the three years commencing 1 January 2014 up to 31 December 2016
“2013 Continuing Connected Transactions”	collectively, the continuing connected transactions between the Group and the Jinchuan Group contemplated under the 2013 Agreement
“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day”	any day (other than a Saturday or Sunday or public holiday) on which banks in Hong Kong are generally open for the transaction of normal business
“Company”	Jinchuan Group International Resources Co. Ltd, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
“connected person”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting to be convened on Monday, 30 December 2013 for, among other matters, approving the 2013 Agreement and the 2013 Continuing Connected Transactions (including the Proposed Annual Caps)

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## DEFINITIONS

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“Group”	collectively, the Company and its subsidiaries and associates controlled by the Company from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board, consisting of the three independent non-executive Directors, established to advise the Independent Shareholders in connection with the 2013 Agreement and the 2013 Continuing Connected Transactions (including the Proposal Annual Caps)
“Independent Shareholders”	the Shareholders but excluding Jinchuan and its associates
“Investec”	Investec Capital Asia Limited, the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in connection with the 2013 Agreement and the 2013 Continuing Connected Transactions (including the Proposed Annual Caps)
“Jinchuan”	金川集團股份有限公司 (Jinchuan Group Co., Ltd*), a stated-owned enterprise established in the PRC and the controlling shareholder of the Company
“Jinchuan Group”	collectively, Jinchuan and its subsidiaries and associates controlled by it from time to time, for the purpose of this circular, excluding the Group
“Latest Practicable Date”	10 December 2013, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
“LBMA”	London Bullion Market Association
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“LME”	London Metal Exchange
“Mineral and Metal Products”	mineral products, metal products and other raw materials the Jinchuan Group needs for its own production and for its sale to third parties, including but not limited to copper or nickel ores and concentrates, copper or nickel cathodes and other forms of copper, nickel or other metals bearing raw materials

\* For identification purpose only

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## DEFINITIONS

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“PRC”	the People’s Republic of China, for the purpose of this circular only, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Proposed Annual Caps”	the proposed annual caps in respect of the 2013 Continuing Connected Transactions for the years ending 31 December 2014, 2015 and 2016 respectively
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) for the time being in force
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the meaning ascribed to it under the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“USD”	US dollars, the lawful currency of the United States
“%”	per cent

*For the purpose of this circular, unless otherwise indicated, the exchange rate of USD1.00 = HK\$7.78 has been used for currency translation, where applicable. Such exchange rate is for illustration purpose only and does not constitute a representation that any amount in HK\$ or USD have been, could have been or may be converted at such or any other rates or at all.*

*Certain English translation of Chinese names or words in this circular are included for information only, and are not official English translations of such Chinese names or words.*

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## LETTER FROM THE BOARD

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**JINCHUAN金川**

**JINCHUAN GROUP INTERNATIONAL RESOURCES CO. LTD**

**金川集團國際資源有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2362)**

*Executive Directors:*

Mr. Yang Zhiqiang

*(Chairman of the Board and Chief Executive Officer)*

Mr. Zhang Sanlin

Mr. Zhang Zhong

*Registered office:*

P.O. Box 309

Ugland House

Grand Cayman KY1-1104

Cayman Islands

*Non-executive Directors:*

Mr. Gao Tianpeng

Mr. Qiao Fugui

Ms. Zhou Xiaoyin

*Head office and principal place  
of business in Hong Kong:*

Suite 4003-04, 40/F

Tower Two, Lippo Centre,

89 Queensway,

Hong Kong

*Independent non-executive Directors:*

Mr. Gao Dezhu

Mr. Wu Chi Keung

Mr. Yen Yuen Ho, Tony

11 December 2013

*To the Shareholders*

Dear Sir or Madam,

### **RENEWAL OF CONTINUING CONNECTED TRANSACTIONS**

#### **INTRODUCTION**

Reference is made to the announcement of the Company dated 2 December 2013 in relation to, among other things, the 2013 Agreement and the 2013 Continuing Connected Transactions (including the Proposed Annual Caps).

As at the Latest Practicable Date, Jinchuan is the controlling shareholder of the Company. Through its wholly-owned subsidiaries, Jinchuan indirectly owns 3,263,022,857 Shares, representing approximately 75.0% of the issued share capital of the Company. Accordingly, Jinchuan is a connected person of the Company under Chapter 14A of the Listing Rules and the transactions contemplated under the 2013 Agreement will constitute continuing connected transactions for the Company. Based on the Proposed Annual Caps, the 2013 Agreement and the 2013 Continuing Connected Transactions are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

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## LETTER FROM THE BOARD

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The Independent Board Committee, consisting of Mr. Gao Dezhu, Mr. Wu Chi Keung and Mr. Yen Yuen Ho, Tony, being all the independent non-executive Directors, has been established to advise the Independent Shareholders on (i) whether the terms and conditions of the 2013 Agreement are on normal commercial terms that are fair and reasonable; (ii) whether the Proposed Annual Caps are fair and reasonable; and (iii) whether the 2013 Agreement and the 2013 Continuing Connected Transactions will be conducted in the ordinary and usual course of business of the Company and its subsidiaries and are in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote at the EGM, taking into account the recommendations of Investec.

Investec has been appointed to advise the Independent Board Committee and the Independent Shareholders on (i) whether the terms and conditions of the 2013 Agreement are on normal commercial terms that are fair and reasonable; (ii) whether the Proposed Annual Caps are fair and reasonable; and (iii) whether the 2013 Agreement and the 2013 Continuing Connected Transactions will be conducted in the ordinary and usual course of business of the Company and its subsidiaries and are in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote at the EGM.

The purposes of this circular are, among other things:

- (i) to provide the Shareholders with the details of the 2013 Agreement and the 2013 Continuing Connected Transactions (including the Proposed Annual Caps);
- (ii) to set out the letter of the Independent Board Committee to the Independent Shareholders;
- (iii) to set out the letter from Investec to the Independent Board Committee and the Independent Shareholders; and
- (iv) to give notice to convene the EGM to consider and, if thought fit, to approve, among other things, the 2013 Agreement and the 2013 Continuing Connected Transactions (including the Proposed Annual Caps).

### **THE 2013 AGREEMENT**

**Date:** 2 December 2013

**Parties:** (a) The Company (as vendor)  
(b) Jinchuan (as purchaser)

**Term:**

The effective period of the 2013 Agreement should commence from 1 January 2014 and up to, and inclusive of, 31 December 2016.

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## LETTER FROM THE BOARD

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### **Subject matter:**

Pursuant to the 2013 Agreement:

- (i) The Company has agreed to sell to Jinchuan, and Jinchuan has agreed to purchase from the Company, the Mineral and Metal Products that the Group sourced from third parties pursuant to the 2013 Agreement; and
- (ii) The Company has agreed to cause the Group to sell to the Jinchuan Group, and Jinchuan has agreed to cause the Jinchuan Group (for the purpose of this circular, excluding the Group) to purchase from the Group, the Mineral and Metal Products pursuant to the 2013 Agreement.

### **Condition precedent:**

The undertaking of the 2013 Continuing Connected Transactions is conditional upon the Company obtaining the Independent Shareholders' approval at the EGM for the 2013 Agreement, the 2013 Continuing Connected Transactions and the Proposed Annual Caps.

### **Basis of determining the trading prices of the Mineral and Metal Products:**

The trading prices of the Mineral and Metal Products are primarily based on the purchase costs to the Group (which are determined by reference to the prices of copper, nickel and other relevant metals as announced by the LME and/or LBMA) after making certain adjustments in accordance with the relevant market practices.

### **General transaction principles:**

The 2013 Continuing Connected Transactions should be conducted in accordance with the following general principles:

- (i) the Mineral and Metal Products provided by the Group shall be of good quality and at fair and reasonable prices;
- (ii) the Group and the Jinchuan Group shall enter into separate contracts for trading of the Mineral and Metal Products contemplated under the 2013 Agreement. Such trading contracts should comply with the relevant regulatory requirements in Hong Kong (including but not limited to the Listing Rules) and should set out, among other things, the parties of the transaction(s), the terms and conditions of the transaction(s), the relevant product(s) and the trading price (which shall be determined on the basis as described above), the delivery time and the payment terms. The terms of such trading contracts should be on normal commercial terms and should be no less favourable than those available to independent third parties; and
- (iii) the terms offered by the Group should be competitive in terms of the quality and trading price of the Mineral and Metal Products. Priority should only be given to the Group by the Jinchuan Group if the quality and trading price of the Mineral and Metal Products provided by the Group to the Jinchuan Group are no less favourable than those available from independent third parties.



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## LETTER FROM THE BOARD

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### HISTORICAL ANNUAL CAPS AND TRADING AMOUNTS UNDER THE 2011 AGREEMENT

The following table sets out the historical annual caps under the 2011 Agreement respectively for the periods indicated below, as disclosed in the 2011 Circular:

	<b>From 24 August 2011 to 31 December 2011</b> <i>(USD)</i>	<b>Year ended 31 December 2012</b> <i>(USD)</i>	<b>Year ending 31 December 2013</b> <i>(USD)</i>
Historical annual caps	300 million	1,200 million	2,000 million

The following table sets out the historical trading amounts of Mineral and Metal Products between the Group and the Jinchuan Group under the 2011 Agreement respectively for the periods indicated below:

	<b>From 24 August 2011 to 31 December 2011</b> <i>(USD)</i>	<b>Year ended 31 December 2012</b> <i>(USD)</i>	<b>Six months ended 30 June 2013</b> <i>(USD)</i>
Historical amounts	– <i>(Note)</i>	224 million	147 million

*Note:* From the effective date of the 2011 Agreement (namely, 24 August 2011) to 31 December 2011, the Group had no trading of Mineral and Metal Products.

### PROPOSED ANNUAL CAPS UNDER THE 2013 AGREEMENT

The following table sets out the Proposed Annual Caps in respect of the 2013 Continuing Connected Transactions:

	<b>Year ending 31 December</b>		
	<b>2014</b> <i>(USD)</i>	<b>2015</b> <i>(USD)</i>	<b>2016</b> <i>(USD)</i>
Proposed Annual Caps	1,000 million	1,200 million	1,500 million

The Proposed Annual Caps are determined by reference to: (i) the respective financial resources of the parties to the 2013 Agreement; and (ii) the respective needs of the business development of the Group and the Jinchuan Group; (iii) historical trading volume under the 2011 Agreement; (iv) historical prices of the Mineral and Metal Products; (v) possible fluctuations in prices of the Mineral and Metal Products in the future; and (vi) a buffer to cater for potential business growth.

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## LETTER FROM THE BOARD

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Following the completion of the acquisition of Jin Rui Mining Investment Limited, the Group has become the flagship of Jinchuan for undertaking overseas operations in mineral resources exploitation and related trading. As the Group's assets base has been enlarged through the acquisition of Jin Rui Mining Investment Limited, the Company intends to grow its trading business by, among others, continuing to source new suppliers to expand the portfolio its trading business. The Proposed Annual Caps are therefore mainly driven by such business development plan of the Company as well as the future demand of the Mineral and Metal Products of the Jinchuan Group, which can be reasonably estimated with reference to the historical purchase volume of the Jinchuan Group and the future outlook of the metals industry in PRC. In arriving at the monetary value of the Proposed Annual Caps, the Board has also taken into account the existing trade business and planned expansions of such business of the Company, the historical prices of the Mineral and Metal Products and the possible fluctuations in prices of the Mineral and Metal Products in the future which are outside the control of the Company. As there have been recent increases in commodity trading prices, the Company has determined the Proposed Annual Caps to allow more head room for future increases in commodity trading prices during the term of the 2013 Agreement. In addition, the Company's capacity to undertake the 2013 Continuing Connected Transactions through external trading would be constrained by its ability to obtain necessary bank financing. The Company may be required by its bank to place a deposit of cash margin as collateral representing certain percentage of the amount of the back-to-back letter of credit to be issued by the bank to finance the 2013 Continuing Connected Transactions as described below. Therefore the available cash position of the Company is also considered by the Board in determining the Proposed Annual Caps.

The undertaking of the 2013 Continuing Connected Transactions is conditional upon the Company obtaining the Independent Shareholders' approval at the EGM. The Company expects that the 2013 Continuing Connected Transactions will commence in January 2014 should the Independent Shareholders' approval is obtained at the EGM. On an annualised basis, the Proposed Annual Caps represent approximately 50% decrease from the last year of the term of the 2011 Continuing Connected Transactions (i.e. 2013) to the first year (i.e. 2014) of the term of the 2013 Continuing Connected Transactions, 20.0% growth from the first year (i.e. 2014) to the second year (i.e. 2015) of the term of the 2013 Continuing Connected Transactions and an approximate 25.0% growth from the second year to the third year (i.e. 2016) of the term of the 2013 Continuing Connected Transactions. As mentioned above, one of the main drivers for the Proposed Annual Caps is the future demand of the Mineral and Metal Products of the Jinchuan Group. The Company understands that there have been changes in the market for metals in the PRC since 2012, which may have affected the overseas purchase volume for Mineral and Metal Products of the Jinchuan Group. As a result, the Board has taken a more conservative approach in the Proposed Annual Caps and considers the year-on-year growth in the Proposed Annual Caps to be in line with the needs of business development of the Jinchuan Group.

The Board considers that the Proposed Annual Caps are fair and reasonable. The Company will comply with the reporting, announcement and independent shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules in the event that any of the Proposed Annual Caps is exceeded.

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## LETTER FROM THE BOARD

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### OTHER MATTERS RELATING TO THE CONTINUING CONNECTED TRANSACTIONS

#### Management expertise

Mr. Yang Zhiqiang, the chairman of the Board and chief executive officer of the Company, is also the president of Jinchuan. Mr. Yang has over 30 years of extensive experience in mineral resources development and the related trading. The two other executive Directors, Mr. Zhang Sanlin and Mr. Zhang Zhong, have also obtained extensive experience in the mining industry from their long-term services with Jinchuan before joining the Company. Mr. Peter Deneen, the senior vice president for trading of the Company, has more than 20 years of experience in the nonferrous metals industry. With such a team of experts, the Company believes that it has the relevant expertise and experience necessary to undertake the 2013 Continuing Connected Transactions.

#### Pricing mechanism

The trading prices of the Mineral and Metal Products to be provided by the Group to the Jinchuan Group will be primarily based on the purchase costs of the Mineral and Metal Products to the Group (namely, the consideration paid to the overseas suppliers by the Group determined by reference to the prices of copper, nickel and other relevant metals as announced by the LME and/or the LBMA) after making certain adjustments mainly by reference to the following items, to achieve a reasonable profit margin:

- (i) the difference between the treatment charges and refining charges (if appropriate) that are charged by the overseas suppliers to the Group, and the treatment charges and refining charges (if appropriate) that the Group charges the Jinchuan Group, which will be determined through the negotiations between the Group and the Jinchuan Group (predominantly on an annual basis) with reference to an annual benchmark in the market set by the major mining companies and the major mineral and metal products consumers near the end of each year; and
- (ii) a reasonable premium to be charged by the Group to the Jinchuan Group over the actual or notional finance costs that would be incurred by the Group for the particular transactions, and such mark-up will be determined through the negotiations between the Group and the Jinchuan Group by reference to the prevailing lending interest rates offered/charged by banks in Hong Kong and the prevailing lending interest rates of the People's Bank of China in China.

In order to assess whether a profit margin has been achieved after performing the above adjustments to the trading prices offered to the Jinchuan Group for the Group to derive reasonable returns, the Group would also take into account the following costs and expenses that may be incurred by the Group for the particular transactions:

- (a) exposure to possible costs arising from foreign exchange differences for entering into the particular transactions, depending on the currency which the Group would borrow or utilise to fund the payments under the transactions, which will be affected by fluctuations of foreign exchange rate between RMB and USD, as well as possible costs that may be incurred by the Group for entering into currency hedging contracts to hedge the risk against such fluctuations in foreign exchange rate; and

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## LETTER FROM THE BOARD

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- (b) exposure to other possible unforeseen costs such as extra logistic costs that may be incurred by the Group in the event of shipment delays, for example.

In general, the Group will only consider entering into particular transactions if the profit margin to be derived from the trading prices offered to the Jinchuan Group would allow the Group to derive a reasonable return on the transactions. The Company considers that the profit margins charged by the Company to the Jinchuan Group and independent third parties are comparable.

The above pricing mechanism (including the adjustments), similar to the pricing mechanism under the 2011 Agreement, is intended to ensure that the trading prices for the Mineral and Metal Products provided by the Group to the Jinchuan Group will be determined on normal commercial terms and generally on a cost-plus basis. The independent non-executive Directors of the Company also conduct an annual review on whether the terms on which the 2013 Continuing Connected Transactions undertaken during the relevant year have been conducted on normal commercial terms by assessing whether the trading prices for of the Mineral and Metal Products and the profit margin have been determined by following the above pricing mechanism, whether the profit margin is comparable to the margin derived from similar transactions, selected on a random basis, with independent third parties (by understanding how the margin was determined by the Company, the factors that were taken into account in determining the margin, and by comparing the terms with those conducted with independent third parties) and after taking into accounts the factors that have been identified above (as appropriate). The aforesaid number of sample transactions will be provided initially by the Company and, if deemed appropriate, upon request by the independent non-executive Directors, additional number of sample transactions will be provided accordingly.

### **Operation flow and source of financing**

The Company expects that the 2013 Continuing Connected Transactions will be conducted on the back of orders for the Mineral and Metal Products initiated by the Jinchuan Group. As is common for a trading business of this nature, the Company intends to finance the 2013 Continuing Connected Transactions mainly through the back-to-back letter of credit arrangements with the banks. The basic flow of the Company's operations in relation to the 2013 Continuing Connected Transactions is expected to be as follows:

- upon receiving orders from members of the Jinchuan Group or introducing new sources of supply to members of the Jinchuan Group, the Group would identify appropriate overseas suppliers and commence discussion on terms of supply;
- upon receiving firm written offers from such overseas suppliers, the Group would negotiate with the relevant members of the Jinchuan Group to conclude the transactions;
- the Group would review the transactions to ensure that the transactions meet the requirements of the Group in terms of available financial resources and risk guidelines;
- the Group would enter into purchase contracts with the overseas suppliers and sales contracts with the relevant members of the Jinchuan Group which would be governed by the terms of the 2013 Agreement;
- the relevant members of the Jinchuan Group will instruct their banks to issue master letters of credit in favour of the Group accordingly;

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## LETTER FROM THE BOARD

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- upon receiving the master letters of credit, the Group will in most cases instruct its bank to issue back-to-back letters of credit in favour of its overseas suppliers;
- the relevant Mineral and Metal Products would in most cases be shipped directly from the overseas suppliers to the destination port, or other point of delivery as designated under the sales contract with Jinchuan Group; and
- the Group will carry out relevant post-shipment operations, including, if necessary, presentation of documents under the letters of credit, discounting the bills, shipment inspection at destination and final settlements according to the contract terms.

### **RISKS ASSOCIATED WITH THE CONTINUING CONNECTED TRANSACTIONS**

The Company's general trading policy is to take as few risks as practicably possible. The Board has considered the following risk factors in connection with undertaking the 2013 Continuing Connected Transactions. The Company will continue to adopt effective risk control measures to minimise such risks.

#### **Risk relating to the reliance on one major customer**

The Company expects that in the short to medium term, the majority of the Mineral and Metal Products it sources from the overseas suppliers would be sold to the Jinchuan Group. If the Jinchuan Group does not continue to purchase from the Group or reduce the purchase volume from the Group, the Group may have to seek alternative and/or additional customers. There is no assurance that the Group will be able to find alternative or additional customers on similar terms or without material interval. Failure to seek alternative or additional customers on similar terms and in a timely manner will materially and adversely affect the Company's results of operations and financial conditions. The Company will seek to minimize its exposure to such risk by gradually building up its client base while its trading business with third party customers develops.

#### **Risks relating to the reliance on third parties to source the Mineral and Metal Products**

The Group will not have any control over the mining, production and shipping process of the Mineral and Metal Products of third party suppliers and therefore cannot entirely ensure that the quality of the Mineral and Metal Products provided by the third party suppliers will meet the requirements of the Jinchuan Group. In addition, there is no assurance that the third party overseas suppliers will strictly perform the purchase contracts entered into with the Group. The failure of the third party overseas suppliers to fulfil their contractual obligations (including supply of sub-standard products and delays in shipment) would have a material adverse impact on the Company's business, results of operations and financial conditions. The Company will seek to minimise such risks by selectively dealing with renowned overseas suppliers.

Further, the Group will be exposed to supply risk with respect to the Mineral and Metal Products to be sourced from third party suppliers. If the Group is unable to continue to source the required volume of the Mineral and Metal Products from its suppliers on reasonable terms, in a timely manner or at all, the Company's business, results of operations, financial conditions and prospects could be materially adversely impacted. The Company will seek to mitigate the supply risk by gradually expanding its supplier pool while its trading business grows.

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## LETTER FROM THE BOARD

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### **Foreign exchange risk**

The Group will be exposed to fluctuations in currency exchange rates when its purchases and sales are denominated in different currencies. Normally, the Group's purchase transactions with overseas suppliers will be predominantly denominated in USD while the sale transactions with the Jinchuan Group will be predominantly denominated in RMB. The reporting currency of the Company is USD effective from 14 November 2013. Recent years have seen significant fluctuations in foreign exchange rates and a depreciation in the value of USD against RMB. However, there is no assurance that the depreciation of USD against RMB will continue in the future. Accordingly, if the value of USD appreciates against RMB in the future, the Company's overseas purchase cost would increase and therefore reduce the profit margin (if any) that the Group could derive from the 2013 Continuing Connected Transactions. However, in view of the trend of exchange rate changes between USD and RMB in the past years, the Board believes that the likelihood of USD appreciating against RMB during the three years commencing on 1 January 2014 and up to 31 December 2016 is relatively low. The Company will closely monitor its exposure to such risk and will consider hedging the risk by entering into foreign exchange forward contracts, if necessary.

### **Interest rate risk**

The Group's exposure to changes in interest rates in Hong Kong will be caused by its reliance on bank financing to carry out the 2013 Continuing Connected Transactions. In addition, as described in this circular, the profit margin of the Company is determined by negotiations between the Company and the members of the Jinchuan Group taking into consideration the difference between the bank financing costs in the PRC and in Hong Kong. Any increase in the interest rate in Hong Kong as compared to the PRC would result in an immediate increase in the Company's bank financing cost and therefore reduce the profit margin (if any) that could be achieved by the Company. The Company will closely monitor the fluctuations in the interest rates in Hong Kong and in the PRC and will re-consider the necessity to proceed with the 2013 Continuing Connected Transactions if its profitability could not be maintained.

### **REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS**

The principal business of the Company and its subsidiaries is in the exploration and exploitation of base metals mining assets and related trading. Following the completion of the acquisition of Jin Rui Mining Investment Limited on 14 November 2013, the Company has obtained a significant portfolio of mineral assets and has successfully repositioned itself as an international upstream base metals company. Jinchuan is a company incorporated in the PRC and its principal business is production of nickel, copper, cobalt, platinum group metals, nonferrous metal plates, chemical products and chemicals of nonferrous metals.

The Board believes that, the proposed 2013 Continuing Connected Transactions can broaden the revenue bases of the Company and its subsidiaries and help develop the expertise and experience of the Company and its subsidiaries in mineral and metal products trading, which will enhance the competitiveness of the Company in the future.

Furthermore, the arrangement between the Group and the Jinchuan Group under the 2013 Agreement is non-exclusive and there should be no bias or preference for the Group to deal with Jinchuan Group.

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## LETTER FROM THE BOARD

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The Directors consider that:

- (a) the terms and conditions of the 2013 Agreement are on normal commercial terms that are fair and reasonable;
- (b) the Proposed Annual Caps as referred to above are fair and reasonable; and
- (c) the 2013 Agreement and the 2013 Continuing Connected Transaction will be conducted in the ordinary and usual course of business of the Company and its subsidiaries and are in the interest of the Company and the Shareholders as a whole.

In particular, the Directors believe that the pricing mechanism as provided in the 2013 Agreement is fair and reasonable and is on normal commercial terms. The trading prices of the Mineral and Metal Products are primarily based on the purchase costs to the Group (which are determined by reference to the prices of copper, nickel and other relevant metals as announced by the LME and/or the LBMA) after making certain adjustments taking into account various factors including, among other things, the treatment charges and refining charges, bank financing and/or financing cost, foreign exchange differences, which is similar to the pricing mechanism under the 2011 Agreement.

### LISTING RULES IMPLICATION

As at the Latest Practicable Date, Jinchuan is the controlling shareholder of the Company. Through its wholly-owned subsidiaries, Jinchuan indirectly owns 3,263,022,857 Shares, representing approximately 75.0% of the issued share capital of the Company. Accordingly, Jinchuan is a connected person of the Company under Chapter 14A of the Listing Rules and the transactions contemplated under the 2013 Agreement will constitute continuing connected transactions for the Company.

Based on the Proposed Annual Caps, the 2013 Agreement and the 2013 Continuing Connected Transactions are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The Company will seek approval from the Independent Shareholders for the 2013 Agreement and the 2013 Continuing Connected Transactions (including the Proposed Annual Caps) at the EGM. As Jinchuan is the controlling shareholder of the Company, Jinchuan and its associates will abstain from voting on the resolution approving the 2013 Agreement and the 2013 Continuing Connected Transactions (including the Proposed Annual Caps) at the EGM.

Set out on pages 33 and 34 is a notice to convene the EGM to be held at Suite 4003-04, 40/F, Tower Two, Lippo Centre, 89 Queensway, Hong Kong at 11:00 a.m. on Monday, 30 December 2013 at which an ordinary resolution will be proposed to the Shareholders to consider, and if thought fit, approve the 2013 Agreement and the 2013 Continuing Connected Transactions (including the Proposed Annual Caps).



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## LETTER FROM THE BOARD

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A proxy form for the EGM is enclosed with this circular. Whether or not you are able to attend the EGM in person, you are requested to complete the proxy form and return it to the Company's branch share registrar at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, in accordance with the instructions printed thereon not less than 48 hours before the time fixed for the EGM or any adjournment thereof. The completion and delivery of a proxy form will not preclude you from attending and voting at the EGM in person.

### VOTING BY WAY OF POLL

Pursuant to Rule 13.39(4) of the Listing Rules, all votes at the EGM will be taken by poll and the Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.

### RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on page 15 of this circular which contains its recommendation to the Independent Shareholders in relation to the 2013 Agreement and the 2013 Continuing Connected Transactions (including the Proposed Annual Caps). Your attention is also drawn to the letter from Investec set out on pages 16 to 26 of this circular which contains its recommendations to the Independent Board Committee and the Independent Shareholders in relation to the 2013 Agreement and the 2013 Continuing Connected Transactions (including the Proposed Annual Caps), and the principal factors and reasons taken into account in arriving at its recommendations.

### ADDITIONAL INFORMATION

Your attention is also drawn to the general information set out in the Appendix to this circular.

Yours faithfully,  
For and on behalf of the Board  
**Jinchuan Group International Resources Co. Ltd**  
**Mr. Yang Zhiqiang**  
*Chairman*



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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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**JINCHUAN 金川**

**JINCHUAN GROUP INTERNATIONAL RESOURCES CO. LTD**

**金川集團國際資源有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2362)**

11 December 2013

*To the Independent Shareholders*

Dear Sir or Madam,

### **RENEWAL OF CONTINUING CONNECTED TRANSACTIONS**

We refer to the circular issued by the Company to its shareholders and dated 11 December 2013 (the “**Circular**”) of which this letter forms a part. Terms defined in the Circular have the same meanings when used in this letter unless the context otherwise requires.

We were appointed as members of the Independent Board Committee to advise you on (i) whether the terms and conditions of the 2013 Agreement are on normal commercial terms that are fair and reasonable; (ii) whether the Proposed Annual Caps are fair and reasonable; and (iii) whether the 2013 Agreement and the 2013 Continuing Connected Transactions will be conducted in the ordinary and usual course of business of the Company and its subsidiaries and are in the interests of the Company and the Shareholders as a whole, and to advise you on how to vote at the EGM, taking into account the recommendations of Investec.

Investec was appointed to advise the Independent Board Committee and the Independent Shareholders on (i) whether the terms and conditions of the 2013 Agreement are on normal commercial terms that are fair and reasonable; (ii) whether the Proposed Annual Caps are fair and reasonable; and (iii) whether the 2013 Agreement and the 2013 Continuing Connected Transactions will be conducted in the ordinary and usual course of business of the Company and its subsidiaries and are in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote at the EGM.

Having taken into account the principal factors and reasons considered by, and the recommendations of Investec contained in its letter set out on pages 16 to 26 of the Circular, we consider that the terms of the 2013 Agreement and the Proposed Annual Caps are fair and reasonable, and the 2013 Continuing Connected Transactions are on normal commercial terms, in the ordinary course of business of the Company and its subsidiaries and in the interests of the Company and the 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 2013 Agreement, the 2013 Continuing Connected Transactions and the Proposed Annual Caps.

Yours faithfully,

For and on behalf of

the Independent Board Committee

**Jinchuan Group International Resources Co. Ltd**

**Mr. Gao Dezhu, Mr. Wu Chi Keung and Mr. Yen Yuen Ho, Tony**

*Independent Non-executive Directors*

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## LETTER FROM INVESTEC

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*The following is the text of the letter of advice from Investec to the Independent Board Committee and the Independent Shareholders in relation to the 2013 Agreement and the 2013 Continuing Connected Transactions (including the Proposed Annual Caps) prepared for the purpose of incorporation in this circular.*



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11 December 2013

*To: The Independent Board Committee and  
the Independent Shareholders of  
Jinchuan Group International Resources Co. Ltd*

Dear Sirs/Madams,

### RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

#### I. INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in connection with the 2013 Agreement entered into between the Company and Jinchuan in respect of the trading of Mineral and Metal Products between the Group and the Jinchuan Group. Details of which are set out in the letter from the board (the “**Letter from the Board**”) of the circular dated 11 December 2013 (the “**Circular**”), of which this letter forms part. Unless otherwise stated, terms defined in the Circular have the same meanings in this letter.

Reference is made to the 2011 Circular in relation to the 2011 Agreement entered into between the Company and Jinchuan. As the 2011 Agreement, in respect of the 2011 Continuing Connected Transactions for the three years ending 31 December 2013, will expire on 31 December 2013 and the Company intends to continue trading Mineral and Metal Products with the Jinchuan Group, the Company and Jinchuan have entered into the 2013 Agreement on 2 December 2013.

As at the Latest Practicable Date, Jinchuan is the controlling shareholder of the Company. Through its wholly-owned subsidiaries, Jinchuan indirectly owns 3,263,022,857 Shares, representing approximately 75.0% of the issued share capital of the Company. Accordingly, Jinchuan is a connected person of the Company under Chapter 14A of the Listing Rules and the transactions contemplated under the 2013 Agreement will constitute continuing connected transactions for the Company.

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## LETTER FROM INVESTEC

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Based on the Proposed Annual Caps, the 2013 Agreement and the 2013 Continuing Connected Transactions (including the Proposed Annual Caps) are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The Company will seek the approval from the Independent Shareholders for the 2013 Agreement and the 2013 Continuing Connected Transactions (including the Proposed Annual Caps) at the EGM. As Jinchuan is the controlling shareholder of the Company, Jinchuan and its associates will abstain from voting on the resolution approving the 2013 Agreement and the 2013 Continuing Connected Transactions (including the Proposed Annual Caps) at the EGM.

The Board currently consists of nine Directors, namely Mr. Yang Zhiqiang, Mr. Zhang Sanlin, Mr. Zhang Zhong as executive Directors, Mr. Gao Tianpeng, Mr. Qiao Fugui and Ms. Zhou Xiaoyin as non-executive Directors, and Mr. Gao Dezhu, Mr. Wu Chi Keung and Mr. Yen Yuen Ho, Tony as independent non-executive Directors.

The Independent Board Committee comprising all of the independent non-executive Directors, namely, Mr. Gao Dezhu, Mr. Wu Chi Keung and Mr. Yen Yuen Ho, Tony, has been established to advise the Independent Shareholders on the 2013 Agreement and the 2013 Continuing Connected Transactions (including the Proposed Annual Caps). As the independent financial adviser to the Independent Board Committee and the Independent Shareholders, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders as to whether the 2013 Agreement and the 2013 Continuing Connected Transactions (i) are in the interests of the Company and the Shareholders as a whole; (ii) are in the ordinary and usual course of business of the Company; (iii) the terms including the Proposed Annual Caps of which are on normal commercial terms and are fair and reasonable; and (iv) whether the Independent Shareholders should vote in favour of the resolution to be proposed at the EGM to approve the 2013 Agreement and the 2013 Continuing Connected Transactions (including the Proposed Annual Caps), at the EGM.

## II. BASIS OF OUR OPINION

In formulating our advice, we have relied solely on the statements, information, opinions and representations for matters relating to the Group contained in the Circular and the information and representations provided to us by the Group and/or its senior management staff (the "Management") and/or the Directors. We have assumed that all such statements, information, opinions and representations for matters relating to the Group contained or referred to in the Circular or otherwise provided or made or given by the Group and/or the Management and/or the Directors and for which it is/they are solely responsible were true and accurate and complete in all material respects at the time they were made and given and continue to be true and valid as at the date of the Circular. We have assumed that all the opinions and representations for matters relating to the Group made or provided by the Directors and/or the Management contained in the Circular have been made on a reasonable basis after due and careful enquiries. We have also sought and obtained confirmation from the Group and/or the Management and/or the Directors that no material facts have been omitted from the information provided and referred to in the Circular, the omission of which would render any statement in the Circular misleading.

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## LETTER FROM INVESTEC

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We consider that we have reviewed all currently available information and documents to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinions. We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions and representations provided to us by the Group and/or the Management and/or the Directors and their respective advisers or to believe that material information has been withheld or omitted from the information provided to us or referred to in the aforesaid documents. We have not, however, carried out any independent verification of the information provided, nor have we conducted any independent investigation into the business and affairs of the Company, Jinchuan, Jinchuan Group and their respective subsidiaries or the prospects of the markets in which they respectively operate.

Apart from the normal advisory fee payable to us in connection with our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders, no arrangement exists whereby we shall receive any other fees or benefits from the Company.

### III. PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion on the terms of the 2013 Continuing Connected Transactions, we have taken into consideration the following principal factors and reasons:

#### 1. Background information

##### *1.1 Principal activities of the Group and business strategy*

As set out in the annual report of the Company for the year ended 31 December 2012 (the “**2012 Annual Report**”), the Group will continue to follow the strategic path to become Jinchuan Group’s flagship for undertaking overseas mining and mineral resources operations. The Group will focus on boosting its minerals and metals trading business by cementing relationships with its existing network of overseas suppliers as well as expanding its customer portfolio by making strategic moves in the development and selection of suppliers and customers. Moreover, it was noted that the Group will actively explore possible acquisitions of overseas mining and mineral resources assets, in particular mature assets, in order to further expand its global footprint.

Pursuant to the corporate strategy of the Group to become the Jinchuan Group’s flagship for undertaking overseas mining and mineral resources operations, on 27 August 2013, the Company entered into a sale and purchase agreement for the acquisition of the entire issued share capital of Jin Rui Mining Investment Limited (“**Jin Rui**”), which was approved by the then independent Shareholders at the extraordinary general meeting of the Company on 26 September 2013 and subsequently completed on 14 November 2013. Jin Rui, through its subsidiaries, is focused on the base metal mining industry, primarily copper production, details of which are set out in the circular of the Company dated 30 August 2013.

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## LETTER FROM INVESTEC

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Set out below is a summary of the operating results of the Group for each of the six months ended 30 June 2013 and 2012, and two years ended 31 December 2012, based on the interim report of the Company for the six months ended 30 June 2013 (the “**2013 Interim Report**”) and the 2012 Annual Report, respectively:

	For the six months period ended 30 June		For the year ended 31 December	
	2013	2012	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(audited)</i>	<i>(audited)</i>
<b><i>Continuing operations</i></b>				
Revenue				
– Trading of mineral and metal products	1,147,451	165,934	1,740,990	–
– Cosmetic and beauty ( <i>Note</i> )	–	54,233	101,689	129,394
	<hr/>	<hr/>	<hr/>	<hr/>
Total Group revenue (from continuing operations)	1,147,451	220,167	1,842,679	129,394
	<hr/>	<hr/>	<hr/>	<hr/>
Gross Profit	33,885	37,873	82,883	87,372
	<hr/>	<hr/>	<hr/>	<hr/>
Profit/(loss) for the period/year	<u>35,590</u>	<u>(5,564)</u>	<u>(7,368)</u>	<u>(18,086)</u>

*Note:* For the six months period ended 30 June 2013, revenue derived from the cosmetic and beauty business of the Group amounted to approximately HK\$49.7 million, which was included under discontinued operations as the Disposal (defined hereafter) was completed on 27 June 2013.

### *For the six months ended 30 June 2013 and 30 June 2012*

As set out in the 2013 Interim Report, the unaudited revenue of the Group increased from approximately HK\$220.2 million for the six months period ended 30 June 2012 to approximately HK\$1,147.5 million (from continuing operations) for the six months ended 30 June 2013. The aforesaid increase is mainly attributable to, among others, the notable increase in revenue derived from the Group’s trading of mineral and metal products business. The unaudited results of the Group for the six months ended 30 June 2013 (after the discontinued operations) was an unaudited profit of approximately HK\$35.6 million compared to an unaudited loss of approximately HK\$5.6 million for the six months period ended 30 June 2012. The profit for the six months ended 30 June 2013 was primarily attributable to the unaudited one-off gain on disposal of cosmetics and beauty operation of approximately HK\$21.9 million.

As set out in the circular dated 8 July 2013, the Company (as the vendor), Ambleside Associates Limited (as the purchaser) and Madam Cheng Ho Ming (as the purchaser’s guarantor) entered into a sale and purchase agreement on 24 June 2013 for the disposal of Carissa Bay Inc. (which, together with its subsidiaries, represented the cosmetics and beauty business of the Group) (the “**Disposal**”). The Company obtained a written shareholder’s approval dated 14 June 2013 from Jinchuan (BVI) Limited, and its three wholly-owned subsidiaries who are the immediate shareholders of the Company, in relation to the approval of the Disposal. The Disposal was completed on 27 June 2013, upon which the Group was no longer engaged in the cosmetics and beauty business.

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## LETTER FROM INVESTEC

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*For the two years ended 31 December 2012*

Revenue for the year ended 31 December 2012 was approximately HK\$1,842.7 million, representing an increase of approximately 13.2 times from approximately HK\$129.4 million for the year ended 31 December 2011. The Group derived revenue of approximately HK\$1,741.0 million from its minerals and metals trading business for the year ended 31 December 2012, representing approximately 94.5% of the Group's total revenue.

The Group's cosmetics and beauty business contributed revenue of approximately HK\$101.7 million for the year ended 31 December 2012, representing approximately 5.5% of the Group's total revenue, as compared to approximately HK\$129.4 million or 100% of the Group's total revenue for the year ended 31 December 2011.

### *1.2 Background of Jinchuan Group*

The Jinchuan Group is a leading nickel and cobalt producer in the world. It is one of the largest producers of copper, nickel, cobalt and platinum group of metals in the PRC, and has been developing its international mineral resources exploitation operations in over 20 countries. Jinchuan is a state-owned enterprise with its majority interest held by the People's Government of Gansu Province.

### *1.3 Reasons for the 2013 Continuing Connected Transactions*

As set out in the "Letter from the Board", the Board believes the proposed 2013 Continuing Connected Transactions can broaden the revenue base of the Company and its subsidiaries and help develop the expertise and experience of the Company and its subsidiaries in mineral products trading, which will enhance the competitiveness of the Company in the future.

As set out in the "Letter from the Board", the Directors consider that:

- (i) the terms and conditions of the 2013 Agreement are on normal commercial terms that are fair and reasonable;
- (ii) the Proposed Annual Caps as referred to above are fair and reasonable; and
- (iii) the 2013 Agreement and the 2013 Continuing Connected Transactions will be conducted in the ordinary and usual course of business of the Company and its subsidiaries and are in the interest of the Company and the Shareholders as a whole.

### *1.4 PRC's demand for copper*

For the year ended 31 December 2012 and the six months ended 30 June 2013, the majority of the Group's revenue derived from its trading of mineral and metal products business is driven by the trading of copper related products into the PRC. In view of this, we understand that the Directors have considered the prospects of the PRC copper market overview including the following factors, (i) despite that the PRC is the world's largest consumer of copper, it does not

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## LETTER FROM INVESTEC

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have abundant copper mine resources and lacks large-scale high-grade copper mines; (ii) domestic copper production can only partially meet the domestic demand in the PRC, therefore the PRC needs to import raw material and refined copper to make up for the deficit in domestic production; and (iii) the expected growth in the demand for cars, appliances, electronics by Chinese domestic consumers coupled with the PRC government's plan to increase the urbanisation rate.

Overall, the Directors are of the view that, going forward, the Group is in a position to capitalise on the favourable copper industry dynamics by establishing a presence in the upstream base metals mining sector.

### **2. Principal terms of the 2013 Agreement**

Summary of the terms of the 2013 Agreement has been set out in the "Letter from the Board" in the Circular.

Pursuant to the 2013 Agreement, (i) the Company has agreed to sell to Jinchuan, and Jinchuan has agreed to purchase from the Company, the Mineral and Metal Products that the Group sourced from third parties pursuant to the 2013 Agreement; and (ii) the Company has agreed to cause the Group to sell to the Jinchuan Group, and Jinchuan has agreed to cause the Jinchuan Group (for the purpose of this Circular, excluding the Group) to purchase from the Group, the Mineral and Metal Products pursuant to the 2013 Agreement.

As set out in the "Letter from the Board", the arrangement between the Group and the Jinchuan Group under the 2013 Agreement is non-exclusive and there should be no bias or preference for the Group to deal with Jinchuan Group.

#### *Pricing mechanism*

As set out in the "Letter from the Board", the trading prices of the Mineral and Metal Products to be provided by the Group to the Jinchuan Group will be primarily based on the purchase costs of the Mineral and Metal Products to the Group (namely, the consideration paid to the overseas suppliers by the Group determined by reference to the prices of copper, nickel and other relevant metals as announced by the LME and/or the LBMA) after making certain adjustments mainly by reference to the following items, to achieve a reasonable profit margin:

- (i) the difference between the treatment charges and refining charges (if appropriate) that are charged by the overseas suppliers to the Group, and the treatment charges and refining charges (if appropriate) that the Group charges the Jinchuan Group, which will be determined through the negotiations between the Group and the Jinchuan Group (predominantly on an annual basis) with reference to an annual benchmark in the market set by the major mining companies and the major mineral and metal products consumers near the end of each year; and



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## LETTER FROM INVESTEC

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- (ii) a reasonable premium to be charged by the Group to the Jinchuan Group over the actual or notional finance costs that would be incurred by the Group for the particular transactions, and such mark-up will be determined through the negotiations between the Group and the Jinchuan Group by reference to the prevailing lending interest rates offered/charged by banks in Hong Kong and the prevailing lending interest rates of the People's Bank of China in the PRC.

In order to assess whether a profit margin has been achieved after performing the above adjustments to the trading prices offered to the Jinchuan Group for the Group to derive reasonable returns, the Group would also take into account the following costs and expenses that may be incurred by the Group for the particular transactions:

- (a) exposure to possible costs arising from foreign exchange differences for entering into the particular transactions, depending on the currency which the Group would borrow or utilise to fund the payments under the transactions, which will be affected by fluctuations of foreign exchange rate between RMB and USD, as well as possible costs that may be incurred by the Group for entering into currency hedging contracts to hedge the risk against such fluctuations in foreign exchange rate; and
- (b) exposure to other possible unforeseen costs such as extra logistic costs that may be incurred by the Group in the event of shipment delays, for example.

In general, the Group will only consider entering into particular transactions if the profit margin to be derived from the trading prices offered to the Jinchuan Group would allow the Group to derive a reasonable return on the transactions.

The above pricing mechanism (including the adjustments) (the “**Pricing Mechanism**”), similar to the pricing mechanism under the 2011 Agreement, is intended to ensure that the trading prices for the Mineral and Metal Products provided by the Group to the Jinchuan Group will be determined on normal commercial terms and generally on a cost-plus basis. The independent non-executive Directors also conduct an annual review on whether the terms on which the 2013 Continuing Connected Transactions undertaken during the relevant year have been conducted on normal commercial terms by assessing whether the trading prices for of the Mineral and Metal Products and the profit margin have been determined by following the Pricing Mechanism, whether the profit margin is comparable to the margin derived from similar transactions, selected on a random basis, with independent third party(ies) (by understanding how the margin was determined by the Company, the factors that were taken into account in determining the margin, and by comparing the terms with those conducted with the independent third party(ies)) and after taking into account the factors that have been identified above (as appropriate). The aforesaid number of sample transactions will be provided initially by the Company and, if deemed appropriate, upon request by the independent non-executive Directors, additional number of sample transactions will be provided accordingly. As far as the Management is aware, there has been no recorded breach in connection with the pricing mechanism under the 2011 Agreement during the period from the commencement of the 2011 Agreement up to and including the Latest Practicable Date.

We have reviewed and compared sampled trading transactions of mineral/metal with similar volume between the Group and (i) the Jinchuan Group; and (ii) independent third party and note that the pricing of the aforesaid transactions were referred to the price of the relevant mineral/metal



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## LETTER FROM INVESTEC

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as announced by the LME after making certain adjustments (as described above) in accordance with the relevant market practices, and that the terms of the reviewed samples were in line with the terms of the transactions with the independent third party and the profit margins charged by the Company to the Jinchuan Group and the independent third party are comparable. In view of the above, we concur with the Management that the pricing of the sampled transactions were consistent with the pricing mechanism under the 2011 Agreement described above. Given that the Pricing Mechanism is similar to the pricing mechanism under the 2011 Agreement, we consider the Pricing Mechanism under the 2013 Agreement to be appropriate.

### *Market practice in relation to pricing*

In addition, we have identified transactions conducted by and/or pricing policies adopted by other companies listed on the Stock Exchange which is similar to the pricing mechanism of the Company as set out above, a summary of which are provided below:–

- (i) Kazakhmys Plc (“**Kazakhmys**”, stock code: 847), as set out in the listing document of Kazakhmys dated 21 June 2011, contracts for mineral products of the Kazakhmys group do not have a fixed sale price, goods are priced by reference to the relevant metal markets quoted price for the relevant monthly delivery period and depending on types of mineral products, pricing is also adjusted with respect to the content and respective treatment charges;
- (ii) Jiangxi Copper Company Limited (“**Jiangxi Copper**”, stock code: 358), as set out in the circular of Jiangxi Copper dated 21 October 2011, Jiangxi Copper entered into an agreement in respect of the supply of copper related products, lead materials, zinc materials and other materials, the pricing of which shall be determined by referring to the monthly average closing price quoted on relevant metal markets adjusted for content and costs; and
- (iii) China Silver Group Limited (“**China Silver**”, stock code: 815), as set out in the listing document of China Silver dated 14 December 2012, pricing of minerals are determined with reference to the relevant metal markets and adjusted for, among others, the content of the underlying minerals and locations of supplies.

In view of the above, we consider that Pricing Mechanism adopted by the Company under the 2013 Agreement is in line with market practices.

### *Historical annual caps under the 2011 Agreement*

Having set out our analysis in respect the pricing of the 2013 Continuing Connected Transactions above, we continued to analyse the Historical Annual Caps (defined hereafter) and the Proposed Annual Caps and have set out our findings below.

As disclosed in the Circular, the historical annual caps of the 2011 Continuing Connected Transactions for the period from 24 August 2011 to 31 December 2011, the year ended 31 December 2012 and the year ending 31 December 2013 was USD300 million, USD1,200 million and USD2,000 million, respectively (the “**Historical Annual Caps**”).

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## LETTER FROM INVESTEC

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As set out in the “Letter from the Board”, from the effective date of 2011 Agreement (i.e. 24 August 2011) to 31 December 2011, the Group had no trading of Mineral and Metal Products. For the year ended 31 December 2012 and the six months ended 30 June 2013, the trading of Mineral and Metal Products between the Group and the Jinchuan Group was approximately USD224 million and USD147 million, respectively. Based on the above, the utilisation of the Historical Annual Caps is approximately nil%, 18.6% and 7.4% (up to 30 June 2013), respectively.

The nil% utilisation for the period from 24 August 2011 to 31 December 2011 was due to the fact that the Group’s trading of mineral and metal products business had not commenced until 2012. During the year ended 31 December 2012, the Group purchased a total of approximately 11,545 tonnes of copper blister and 79,624 tonnes of copper concentrates under contracts with overseas suppliers, all of which were on-sold to the Jinchuan Group.

In addition to the Jinchuan Group, we have been advised by the Management that in 2013, the Group has also expanded its customer base and commenced supplying mineral and metal products to an independent third party.

Notwithstanding the low utilisation of the Historical Annual Caps, we note that the unaudited revenue of the Group derived from its trading of mineral and metal products business for the six months ended 30 June 2013 was approximately USD147 million, which represents (i) approximately 6.9 times over the revenue derived from the same business of the Group for the six months ended 30 June 2012; and (ii) approximately 65.9% of the revenue derived from the same business of the Group for the year ended 31 December 2012.

We have also discussed with the Management and note that the notable under-utilisation of the Historical Annual Caps for the two years ended 31 December 2012 was primarily due to, (i) the lower than expected trading volume with the Jinchuan Group due to a change in Jinchuan Group’s procurement plan; (ii) the additional anticipated time it took the Group to develop and establish the business relationship with suppliers; (iii) the fluctuations in the historical prices of the Mineral and Metal Products; and (iv) market demand for the Mineral and Metal Products.

### *Proposed annual caps under 2013 Agreement*

As set out in the “Letter from the Board”, the Proposed Annual Caps for each of the three years ending 31 December 2016 are as follows:

	<b>Year ending 31 December 2014</b>	<b>Year ending 31 December 2015</b>	<b>Year ending 31 December 2016</b>
Proposed Annual Caps <i>USD’million</i>	1,000 (the “ <b>2014 Annual Cap</b> ”)	1,200 (the “ <b>2015 Annual Cap</b> ”)	1,500 (the “ <b>2016 Annual Cap</b> ”)

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## LETTER FROM INVESTEC

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In assessing the fairness and reasonableness of the Proposed Annual Caps, we have reviewed and discussed with the Management the basis of the Proposed Annual Caps, including a schedule which sets out the projected transaction amount by commodity type (including copper related products) under the 2013 Agreement for each of the three years ending 31 December 2016. We note from the aforesaid schedule that the majority of the Proposed Annual Caps were related to the trading of copper related products.

In addition, we understand from the Management that the projected transaction amounts are based on a number of factors, including (i) the respective financial resources of the parties to the 2013 Agreement; (ii) the respective needs of the business development of the Group and the Jinchuan Group; (iii) the historical trading volume under the 2011 Agreement; (iv) the historical prices of the Mineral and Metal Products; (v) the possible fluctuations in prices of the Mineral and Metal Products in the future; and (vi) a buffer to cater for potential business growth.

We also note that the reasons for under utilisation of the Historical Annual Caps, as set out under paragraph headed “Historical annual caps under the 2011 Agreement” above, are primarily external and driven by Jinchuan’s demand to which the Group has little or no control over the volume. In view of the above, the Management has substantially reduced the 2014 Annual Cap to USD1,000 million from the Historical Annual Cap of approximately USD2,000 million for the year ending 31 December 2013, representing a reduction of approximately USD1,000 million or a reduction of approximately 50.0%.

Having considered the above factors, in particular, (i) the reasons for the under utilisation of the Historical Annual Caps are due to, among others, external factors and market demand to which the Company has little or no control over; (ii) the metal and mineral trading business has been the main revenue contributor of the Group; (iii) the Management’s view of the copper industry outlook, in particular, the potential increase in demand driven by the continuation of the PRC’s economic development and increase in urbanisation; (iv) as the Group’s assets base has been enlarged through the acquisition of Jin Rui, the Company intends to grow its trading business by, among others, continuing to source new suppliers to expand the portfolio of its trading business and strengthening its revenue generating ability; (v) the business development plan of the Company as well as the future demand of the Mineral and Metal Products of the Jinchuan Group (for illustration purposes only, based on the internal schedule provided by the Company, the estimated aggregated volume, in term of metric tonnes (“**mt**”), of the copper related products to the Jinchuan Group for the year ending 31 December 2014 is projected to increase significantly, representing approximately 3.5 times to the aggregated volume traded with the Jinchuan Group for the year ended 31 December 2012 (being the latest completed financial year)); (vi) the recent increases in commodity trading prices (as evidenced by the LME closing cash price for copper which has increased by approximately 6.0% per mt, between 28 June 2013 (being the last trading day in June 2013) and 9 December 2013), the Company has determined the Proposed Annual Caps to allow more head room for future increases in commodity trading prices during the term of the 2013 Agreement; and (vii) the 2013 Agreement allows the Group the flexibility but not the obligation to trade Mineral and Metal Products with the Jinchuan Group, we consider that the 2014 Annual Cap to be fair and reasonable and in the interest of the Company and the Shareholders as a whole.

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## LETTER FROM INVESTEC

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The 2015 Annual Cap and 2016 Annual Cap represent a year-on-year increase of approximately 20% and 25% from the corresponding prior year's annual cap, respectively.

In view of the significant growth in the revenue derived from the Group's trading of mineral and metal products business for the six months ended 30 June 2013 when compared to the corresponding prior period, details of which are set out in the paragraph headed "Historical annual caps under the 2011 Agreement" above, we are of the view that the percentage increase applied to derive the 2015 Annual Cap and the 2016 Annual Cap are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Shareholders should note that the Proposed Annual Caps represent an estimate based on information currently available and that the actual utilisation and sufficiency of the Proposed Annual Caps would depend on a number of factors, including but not limited to, the possible fluctuations in prices of the Mineral and Metal Products in the future and the actual demand of Jinchuan Group. The Proposed Annual Caps have no direct relationship to, nor should be taken to have any direct bearing on, the Group's financial or potential financial performance.

#### IV. RECOMMENDATION

Having considered the above principal factors and reasons, we are of the opinion that the entering into of the 2013 Agreement and the 2013 Continuing Connected Transactions (including the Proposed Annual Caps) are in the interests of the Company and the Shareholders as whole, and are in the ordinary and usual course of business of the Company and the terms (including the Proposed Annual Caps) of the 2013 Agreement and the 2013 Continuing Connected Transactions are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned. Therefore, we would recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the 2013 Agreement and the 2013 Continuing Connected Transactions (including the Proposed Annual Caps).

Yours faithfully  
For and on behalf of  
**Investec Capital Asia Limited**  
**Jimmy Chung**  
*Managing Director*  
*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. SHARE CAPITAL

Number of Shares	Nominal value HK\$
<i>Authorised</i>	
20,000,000,000 Shares	200,000,000.00
<i>Issued, to be issued and fully paid</i>	
4,350,753,051 Shares in issue as at the Latest Practicable Date	43,507,530.51
8,466,120,000 Shares to be issued as conversion shares upon full conversion of the perpetual subordinated convertible securities ( <i>Note 1</i> )	84,661,200.00
<u>12,816,873,051</u>	<u>128,168,730.51</u>

*Note 1:* The perpetual subordinated convertible securities ("PSCS") were issued by the Company to Jinchuan (BVI) Limited, the nominee of Jintai Mining Investment Limited pursuant to the sale and purchase agreement dated 27 August 2013 entered into by, among others, the aforesaid parties for the acquisition of the entire issued share capital of Jin Rui Mining Investment Limited. Upon full conversion of the PSCS and based on the initial conversion price of HK\$1.00, the company shall allot and issue 8,466,120,000 new shares credited as fully paid, subject to terms of the PSCS, details of which are set out in the circular of the Company dated 30 August 2013.

## 3. DISCLOSURE OF INTERESTS

### (a) Directors' interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, none of the directors and the chief executives of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO which are required: (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV and the SFO (including interests or short positions which he is taken or deemed to have under such provisions of the SFO); (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules.

**(b) Persons who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial shareholders**

So far as is known to the Directors and the chief executive of the Company, as at the Latest Practicable Date, the following persons had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company (being 5% or more of the Company's issued share capital) under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of substantial shareholders maintained under section 336 of the SFO. These interests are in addition to those disclosed above in respect of the Directors and the chief executive of the Company.

Name of Shareholder	Capacity/nature of interest	Number of Shares	Percentage of the total number of shares in issue (Note 2)
Jinchuan (Note 1)	Interest of a controlled corporation	11,729,142,857	269.59%
Jinchuan Group (Hongkong) Resources Holdings Limited (Note 1)	Interest of a controlled corporation	11,729,142,857	269.59%
Jinchuan (BVI) Limited (Note 1&3)	Interest of a controlled corporation/Beneficial owner	11,729,142,857	269.59%
Jinchuan (BVI) 1 Limited	Beneficial owner	1,872,226,377	43.03%
Jinchuan (BVI) 2 Limited	Beneficial owner	855,874,372	19.67%
Jinchuan (BVI) 3 Limited	Beneficial owner	534,922,108	12.29%

*Note 1:* Jinchuan directly owns 100% of the issued share capital of Jinchuan Group (Hongkong) Resources Holdings Limited. Jinchuan Group (Hongkong) Resources Holdings Limited in turn owns 100% of the issued share capital of Jinchuan (BVI) Limited which owns 100% of the issued share capital of Jinchuan (BVI) 1 Limited, Jinchuan (BVI) 2 Limited and Jinchuan (BVI) 3 Limited. Therefore, Jinchuan, Jinchuan Group (Hongkong) Resources Holdings Limited and Jinchuan (BVI) Limited are deemed to have an interest in 11,729,142,857 shares under the SFO.

*Note 2:* The calculation is based on the number of shares of the Company as a percentage of the total number of issued shares of the Company (i.e. 4,350,753,051) as at the Latest Practicable Date.

*Note 3:* Jinchuan (BVI) Limited directly holds perpetual subordinated convertible securities ("PSCS") in the amount of USD1,085.4 million (equivalent to approximately HK\$8,466.1 million) which may be converted into 8,466,120,000 Shares at an initial conversion price of HK\$1.00. Under the SFO, Jinchuan (BVI) Limited is deemed to be interested in the 8,466,120,000 Shares underlying the PSCS.

*Note 4:* Save as disclosed below, as at the Latest Practicable Date, none of the Directors is a director or employee of a company which had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 Part XV of the SFO.

<b>Name of Director</b>	<b>Posts held in Jinchuan</b>
Mr. Yang Zhiqiang	President, chairman and director
Mr. Zhang Sanlin	Deputy general manager and director
Mr. Gao Tianpeng	General manager of the asset management division
Mr. Qiao Fugui	Assistant to the general manager and the general manager of the mineral resources division
Ms. Zhou Xiaoyin	Legal counsel
<b>Name of Director</b>	<b>Posts held in Jinchuan Group (Hongkong) Resources Holdings Limited</b>
Mr. Yang Zhiqiang	Chairman and director
Mr. Zhang Sanlin	Director
Mr. Zhang Zhong	General manager and director
<b>Name of Director</b>	<b>Posts held in each of Jinchuan (BVI) Limited, Jinchuan (BVI) 1 Limited, Jinchuan (BVI) 2 Limited and Jinchuan (BVI) 3 Limited</b>
Mr. Yang Zhiqiang	Director
Mr. Zhang Sanlin	Director
Mr. Zhang Zhong	Director

Save as disclosed above, as at the Latest Practicable Date, the Directors and the chief executive of the Company were not aware of any person who had any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

#### 4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has any existing service contract or proposed service contract or proposed service contract with any member of the Company and its subsidiaries which will not expire or be determinable by the Company or its subsidiaries (as the case may be) within one year without payment of compensation.

#### 5. QUALIFICATION AND CONSENT OF EXPERT

##### (a) Qualification of expert

The following are the qualifications of the expert who has given opinions or advice which are contained in this circular:

<b>Name</b>	<b>Qualification</b>
Investec Capital Asia Limited	a corporation licensed to carry on Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO

##### (b) Consent of expert

As at the Latest Practicable Date, Investec has given and has not withdrawn consent to the issue of this circular with the inclusion therein of its letter and references to its name in the form and context in which it appears.

**(c) Interests of expert**

As at the Latest Practicable Date, Investec was not directly or indirectly interested in any securities of any member of the Company and its subsidiaries or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group nor did it have any direct or indirect interest in any assets which had been, since 31 December 2012 (being the date to which the latest published audited financial statements of the Group were made up), acquired or disposed of by, or leased to, any member of the Company and its subsidiaries.

**6. LITIGATION**

As at the Latest Practicable Date, no member of the Company and its subsidiaries were engaged in any litigation, arbitration or claim of material importance and there is no litigation, arbitration or claim of material importance known to the Directors to be pending or threatened against any member of the Company and its subsidiaries.

**7. MATERIAL ADVERSE CHANGE**

The Directors are not aware of any material adverse change in the financial position or trading position of the Company and its subsidiaries since 31 December 2012 (being the date to which the latest published audited financial statements of the Group were made up) and up to the Latest Practicable Date.

**8. SIGNIFICANT ACQUISITION AND DISPOSAL**

The Company completed the acquisition of Jin Rui Mining Investment Limited on 14 November 2013 pursuant to an acquisition agreement entered into on 27 August 2013. For details of the acquisition, please refer to the circular of the Company dated 30 August 2013.

The Company completed the disposal of Carissa Bay Inc. on 27 June 2013 pursuant to a sale and purchase agreement entered into on 24 June 2013. For details of the disposal, please refer to the circular of the Company dated 9 July 2013.

**9. COMPETING INTERESTS**

As at the Latest Practicable Date, the following Directors were considered to have interest in the business which competes or is likely to compete, either directly or indirectly, with the business of the Company and its subsidiaries pursuant to the Listing Rules:

Mr. Yang Zhiqiang and Mr. Zhang Sanlin held directorship in Jinchuan Group Co., Ltd which principally engage in businesses of production of nickel, copper, cobalt, platinum group metals, nonferrous metal plates, chemical products and chemicals of nonferrous metals.

Mr. Yang Zhiqiang and Mr. Zhang Sanlin held directorship in Jinchuan Group (Hongkong) Resources Holdings Limited which principally engage in investment holding and trading of mineral and metal products.



**10. INTEREST IN ASSETS ACQUIRED**

As at the Latest Practicable Date, the Directors did not have any interest, direct or indirect, in any assets which have been, since 31 December 2012 (the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to any member of the Company and its subsidiaries, or are proposed to be acquired or disposed of by or leased to any member of the Company and its subsidiaries.

As at the date of this circular, there is no contract or arrangement in which a Director is materially interested and which is significant in relation to the business of the Group.

**11. DIRECTORS' INTEREST IN THE CONTINUING CONNECTED TRANSACTIONS**

None of the Directors have any material interest in the 2013 Continuing Connected Transactions for which they shall be required to abstain from voting on the board resolutions approving the terms of the 2013 Agreement, the 2013 Continuing Connected Transactions and the related Proposed Annual Caps pursuant to the articles of association of the Company. However, for good corporate governance, Mr. Yang Zhiqiang, Mr. Zhang Sanlin, Mr. Zhang Zhong, Mr. Gao Tianpeng, Mr. Qiao Fugui and Ms. Zhou Xiaoyin voluntarily abstained from voting in the meeting of the Board in which the 2013 Agreement, the 2013 Continuing Connected Transactions and the Proposed Annual Caps were approved.

**12. MISCELLANEOUS**

- (i) The registered office of the Company is located at P.O. Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands.
- (ii) The head office and principal place of business in Hong Kong of the Company is located at Suite 4003-04, 40/F, Tower Two, Lippo Centre, 89 Queensway, Hong Kong.
- (iii) The branch share registrar of the Company in Hong Kong is 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (iv) The company secretary of the Company is Mr. Wong Tak Chuen. Mr. Wong is a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants in the United Kingdom, as well as a member of the Institute of Chartered Accountants in England and Wales. Mr. Wong has over 20 years of experience in auditing, financial management, mergers and acquisitions gained from certain senior finance related positions in an international accounting firm in Hong Kong, companies listed in Hong Kong and a company listed in the United States.

**13. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be made available for inspection during normal business hours on Business Days at the office of the Company at Suite 4003-04, 40/F, Tower Two, Lippo Centre, 89 Queensway, Hong Kong from the date of this circular up to and including 27 December 2013, and at the EGM:

- (a) the 2013 Agreement;
- (b) the 2011 Agreement;
- (c) the letter from the Independent Board Committee, the text of which is set out in this circular;
- (d) the letter from Investec, the text of which is set out in this circular;
- (e) the written consent of Investec referred to in the paragraph headed “Qualification and Consent of Expert” in this Appendix; and
- (f) a copy of this circular.

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## NOTICE OF EGM

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**JINCHUAN 金川**

**JINCHUAN GROUP INTERNATIONAL RESOURCES CO. LTD**

**金川集團國際資源有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2362)**

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “**EGM**”) of the shareholders of Jinchuan Group International Resources Co. Ltd (the “**Company**”) will be held at Suite 4003-04, 40/F, Tower Two, Lippo Centre, 89 Queensway, Hong Kong at 11:00 a.m. on Monday, 30 December 2013 for the purpose of considering, and if thought fit, passing the following resolution as an ordinary resolution of the Company:

### **ORDINARY RESOLUTION**

“**THAT:**

the agreement dated 2 December 2013 (the “**2013 Agreement**”) entered into between the Company (as vendor) and 金川集團股份有限公司 (Jinchuan Group Co., Ltd\*) (“**Jinchuan**”) (as purchaser), a company incorporated in the PRC and the controlling shareholder of the Company, for trading of the Mineral and Metal Products (as defined in the circular of the Company dated 11 December 2013) between the Company and its subsidiaries and associates controlled by the Company from time to time (collectively the “**Group**”) and Jinchuan and its subsidiaries and associates controlled by Jinchuan from time to time (collectively the “**Jinchuan Group**”, for the purpose of this notice, excluding the Group) pursuant to which:

- (i) the Company has agreed to sell to Jinchuan, and Jinchuan has agreed to purchase from the Company, the Mineral and Metal Products (as defined in the circular of the Company dated 11 December 2013) that the Group sourced from third parties pursuant to the 2013 Agreement; and
- (ii) the Company has agreed to cause the Group to sell to the Jinchuan Group, and Jinchuan has agreed to cause its the Jinchuan Group (for the purpose of this notice, excluding the Group) to purchase from the Group, the Mineral and Metal Products (as defined in the circular of the Company dated 11 December 2013) pursuant to the 2013 Agreement;

the continuing connected transactions contemplated under the 2013 Agreement be and are hereby confirmed, approved and ratified, and any one director of the Company be and is hereby authorised to take such actions and execute such documents as he may consider necessary or desirable to carry out and complete the transactions contemplated under the 2013 Agreement; and

\* For identification purpose only

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## NOTICE OF EGM

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the Proposed Annual Caps (as defined in the circular of the Company dated 11 December 2013) for the continuing connected transactions contemplated under the 2013 Agreement for each of the following financial years: (1) the financial year ending 31 December 2014; (2) the financial year ending 31 December 2015; and (3) the financial year ending 31 December 2016, being approximately USD1,000 million, USD1,200 million and USD1,500 million respectively, be and are hereby approved.”

By order of the Board  
**Jinchuan Group International Resources Co. Ltd**  
**Wong Tak Chuen**  
*Company Secretary*

Hong Kong, 11 December 2013

*Notes:*

1. A member entitled to attend and vote at the EGM is entitled to appoint more than one proxy to attend and, on poll, vote on his behalf. A proxy need not be a member of the Company.
2. A form of proxy for use at the EGM is enclosed. Whether or not you intend to attend the EGM in person, you are urged to complete and return the form of proxy in accordance with the instructions printed thereon as soon as possible. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned EGM thereof if you so wish. In the event that you attend the EGM after having returned the completed form of proxy, your form of proxy will be deemed to have been revoked.
3. To be valid, the form of proxy, together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power of attorney, must be deposited at Hong Kong Registrars Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof.
4. In the case of joint registered holders of any Shares, any one of such joint registered holders may vote at the EGM, either in person or by proxy, in respect of such shares as if he/she/it were solely entitled thereto; but if more than one of such joint registered holders be present at the EGM, either in person or by proxy, the vote of that one of them so present, either in person or by proxy, whose name stands first on the register of members in respect of such Shares shall be accepted to the exclusion of the votes of the other joint registered holder(s).

*As at the date of this notice, the Board consists of three executive Directors, namely Mr. Yang Zhiqiang, Mr. Zhang Sanlin and Mr. Zhang Zhong, three non-executive Directors, namely Mr. Gao Tianpeng, Mr. Qiao Fugui, and Ms. Zhou Xiaoyin, and three independent non-executive Directors, namely Mr. Gao Dezhu, Mr. Wu Chi Keung and Mr. Yen Yuen Ho, Tony.*