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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)

CONTINUING CONNECTED TRANSACTIONS

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The Board announces that on 18 July 2011, the Agreement was entered into between the Company and Jinchuan for trading of Mineral Products between the Group and the Jinchuan Group. The Agreement is effective up to 31 December 2013 commencing from the Effective Date. The transactions contemplated under the Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Based on the proposed annual caps for the Effective Period, the Continuing Connected Transactions, on an annual basis, are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The Company will seek the Independent Shareholders' approval for the Agreement, and therefore the Continuing Connected Transactions contemplated thereunder and the proposed annual caps in respect of the Continuing Connected Transactions for the Effective Period at the EGM.

A circular including, among other information, (1) a letter from the Board containing further details of the Agreement; (2) a letter from the Independent Board Committee setting out its recommendations in connection with the Continuing Connected Transactions and the related proposed annual caps to the Independent Shareholders; (3) a letter from the Independent Financial Adviser containing its advice in connection with the Continuing Connected Transactions and the related proposed annual caps to the Independent Board Committee and the Independent Shareholders; and (4) a notice of the EGM will be despatched to the Shareholders on or before 8 August 2011.

If the Independent Shareholders' approval for the Agreement is not obtained at the EGM, the Continuing Connected Transactions will not proceed. Shareholders and potential investors of the Company should exercise caution when dealing in the Shares or any other securities of the Company.

INTRODUCTION

The Board announces that on 18 July 2011, the Agreement was entered into between the Company and Jinchuan for trading of Mineral Products between the Group and the Jinchuan Group. The Agreement is effective up to 31 December 2013 commencing from the Effective Date. The transactions contemplated under the Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

As at the date of this announcement, Jinchuan is a substantial shareholder of the Company. Through its wholly-owned subsidiaries, Jinchuan indirectly owns 1,667,142,857 Shares, representing approximately 60.5 % 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 aforesaid transactions will constitute continuing connected transactions for the Company.

Based on the proposed annual caps for the Effective Period, the Continuing Connected Transactions, on an annual basis, are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The Company will seek the Independent Shareholders' approval for the Agreement, and therefore the Continuing Connected Transactions contemplated thereunder and the proposed annual caps in respect of the Continuing Connected Transactions for the Effective Period at the EGM. Jinchuan and its associates will abstain from voting on the resolutions concerning the Agreement, the Continuing Connected Transactions contemplated thereunder and the related proposed annual caps at the EGM.

SUMMARY OF THE AGREEMENT

Date of Agreement: 18 July 2011

Parties to the Agreement: The Company (as vendor)
Jinchuan (as purchaser)

Subject Matter: Pursuant to the Agreement:

- (i) The Company has agreed to sell to Jinchuan, and Jinchuan has agreed to purchase from the Company, the Mineral Products pursuant to the Agreement; and

- (ii) The Company has agreed to cause its subsidiaries to sell to the Jinchuan Group, and Jinchuan has agreed to cause its subsidiaries (for the purpose of this announcement, excluding the Group) to purchase from the Group, the Mineral Products pursuant to the Agreement.

Conditions Precedent: The undertaking of the Continuing Connected Transactions is conditional upon the Independent Shareholders' approval at the EGM for the Agreement, and therefore the Continuing Connected Transactions contemplated thereunder and the proposed annual caps in respect of the Continuing Connected Transactions for the Effective Period.

Basis of the selling prices of the Mineral Products: The selling prices of the Mineral Products are determined by reference to the prices of copper, nickel and other relevant metals as announced by the London Metal Exchange and London Bullion Market Association and after making certain adjustments in accordance with the relevant market practices.

General transaction principles: The parties shall enter into separate contracts for trading of the Mineral Products under the Agreement on normal commercial terms or on terms no less favourable than terms available from independent third parties.

PROPOSED ANNUAL CAPS

The following table sets out the proposed annual caps in respect of the Continuing Connected Transactions for the Effective Period:

	From Effective Date to 31 December 2011 HK\$	Year ending 31 December 2012 HK\$	Year ending 31 December 2013 HK\$
Proposed annual caps	2,334 million	9,336 million	15,560 million

The proposed annual caps for the Effective Period are determined by reference to: (i) the respective financial resources of the parties to the Agreement; (ii) the respective needs of their business development; (iii) historical trading volume of Jinchuan; (iv) historical prices of the Mineral Products; and (v) possible fluctuations in prices of the Mineral Products.

REASONS FOR THE CONTINUING CONNECTED TRANSACTIONS

The Group's principal business used to be beauty-related and property investment operations. The Group has repositioned its business to focus on overseas operations in the exploration and exploitation of mining assets and related trading since Jinchuan, through its wholly-owned subsidiaries, subscribed for 1,667,142,857 new Shares, representing 61.1% equity interest at that time. 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 Continuing Connected Transactions will broaden the revenue bases of the Group, help developing the Group's expertise and experience in mineral products trading and boost the Company's ongoing move towards the mining and mineral resources sector, which will enhance the competitiveness of the Company in the future.

The Directors (except the independent non-executive Directors whose view will be formed after obtaining the advice of the Independent Financial Adviser) consider that:

- (a) the terms and conditions of the Agreement were negotiated between the parties on an arm's length basis and are on normal commercial terms that are fair and reasonable;
- (b) the proposed annual caps in respect of the Continuing Connected Transactions for the Effective Period as referred to above are fair and reasonable; and
- (c) the Continuing Connected Transactions will be conducted in the ordinary and usual course of business of the Group and in the interest of the Company and the Shareholders as a whole.

In particular, the Directors (except the independent non-executive Directors whose view will be formed after obtaining the advice of the Independent Financial Adviser) believe that the pricing mechanism as provided in the Agreement is fair and reasonable. The selling prices of the Mineral Products are determined by reference to the prices of copper, nickel and other relevant metals as announced by the London Metal Exchange and London Bullion Market Association and after making certain adjustments taking into account various factors including, among other things, the treatment and refinery charges, bank financing and related charges, foreign exchange differences and the Company's reasonable profit margin (on top of the aforementioned costs).

If the Independent Shareholders' approval for the Agreement is not obtained at the EGM, the Continuing Connected Transactions will not proceed. Shareholders and potential investors of the Company should exercise caution when dealing in the Shares or any other securities of the Company.

GENERAL

The Independent Board Committee consisting of Mr. Gao Dezhu, Mr. Wu Chi Keung, and Mr. Yen Yuen Ho, Tony, being the three independent non-executive Directors was established to advise the Independent Shareholders in connection with the Continuing Connected Transactions and the related proposed annual caps. Optima Capital Limited was appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this connection as well.

A circular including, among other information, (1) a letter from the Board containing further details of the Agreement; (2) a letter from the Independent Board Committee setting out its recommendations in connection with the Continuing Connected Transactions and the related proposed annual caps to the Independent Shareholders; (3) a letter from the Independent Financial Adviser containing its advice in connection with the Continuing Connected Transactions and the related proposed annual caps to the Independent Board Committee and the Independent Shareholders; and (4) a notice of the EGM will be despatched to the Shareholders on or before 8 August 2011.

DEFINITIONS

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

“Agreement ”	the agreement dated 18 July 2011 entered into between the Company and Jinchuan for trading of Mineral Products between the Group and the Jinchuan Group
“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Jinchuan Group International Resources Co. Ltd, a company incorporated in 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
“Continuing Connected Transactions”	collectively, the continuing connected transactions contemplated under the Agreement
“Directors”	the directors of the Company
“Effective Date”	the date on which the Agreement, and therefore the Continuing Connected Transactions contemplated thereunder and the proposed annual caps in respect of the Continuing Connected Transactions for the Effective Period, are approved by the Independent Shareholders at the EGM

“Effective Period”	the effective period of the Agreement commencing from the Effective Date up to and inclusive of 31 December 2013
“EGM”	the extraordinary general meeting to be convened for, among other matters, approving the Agreement, and therefore the Continuing Connected Transactions contemplated thereunder and the proposed annual caps in respect of the Continuing Connected Transactions for the Effective Period
“Group”	collectively, the Company and its subsidiaries 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 Continuing Connected Transactions and the related proposed annual caps
“Independent Financial Adviser”	the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in connection with the Continuing Connected Transactions and the related proposed annual caps
“Independent Shareholders”	the Shareholders excluding Jinchuan and its associates
“Jinchuan”	Jinchuan Group Limited (金川集團有限公司), a company incorporated in the PRC and a substantial shareholder of the Company, which, through its wholly-owned subsidiaries, indirectly owns approximately 60.5 % of the issued share capital of the Company
“Jinchuan Group”	collectively, Jinchuan and its subsidiaries from time to time, for the purpose of this announcement, excluding the Group
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

“Mineral Products”	copper, nickel and other relevant mineral products that Jinchuan Group needs as materials for its business development
“PRC”	the People’s Republic of China, for the purposes of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Share(s)”	ordinary shares 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 Listing Rules
“USD”	US dollars, the lawful currency of the United States
“%”	per cent.

For the purpose of this announcement, 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 announcement are included for information only, and are not official English translations of such Chinese names or words.

By order of the Board
Jinchuan Group International Resources Co. Ltd
Yang Zhiqiang
Chairman

Gansu Province, the People’s Republic of China
18 July 2011

As at the date of this announcement, the Board consists of five executive Directors, namely Mr. Yang Zhiqiang, Mr. Zhang Sanlin, Mr. Zhang Zhong, Ms. Deng Wen and Ms. Maria Majoire Lo, 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.