
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

Hong Kong Exchange and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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.



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

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


Optima Capital Limited

A letter from the Board is set out on pages 4 to 13 of this circular. A letter from the Independent Board Committee is set out on pages 14 and 15 of this circular. A letter from Optima Capital containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 16 to 23 of this circular.

A notice convening the EGM to be held at Caine Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong at 11:00 am on Wednesday, 24 August 2011 is set out on pages 30 to 31 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 Room 1806-1807, 18th 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 and in such event, the proxy form shall be deemed to be revoked.

8 August 2011

CONTENTS

	<i>Pages</i>
DEFINITIONS	1
LETTER FROM THE BOARD	4
LETTER FROM INDEPENDENT BOARD COMMITTEE	14
LETTER FROM OPTIMA CAPITAL	16
APPENDIX – GENERAL INFORMATION	24
NOTICE OF EGM	30

DEFINITIONS

In this circular, 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 the Mineral and Metal Products between the Group and the Jinchuan Group
“Associate(s)”	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(s)”	has the meaning ascribed to it under the Listing Rules
“Continuing Connected Transactions”	collectively, the continuing connected transactions contemplated under the Agreement
“Director(s)”	the director(s) of the Company
“Effective Date”	the date on which the Agreement, and therefore the Continuing Connected Transactions 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 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

DEFINITIONS

“Independent Board Committee”	the independent committee of the Board consisting of all the independent non-executive Directors, established to advise the Independent Shareholders in connection with the Agreement, the Continuing Connected Transactions and the related proposed annual caps
“Independent Shareholders”	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 as at the Latest Practicable Date
“Jinchuan Group”	collectively, Jinchuan and its subsidiaries from time to time, for the purpose of this circular, excluding the Group
“Latest Practicable Date”	5 August 2011, 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
“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 copper or nickel ores and concentrates, copper or nickel cathodes and other forms of copper, nickel or other metals bearing raw materials
“Optima Capital”	Optima Capital Limited, the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in connection with the Agreement, the Continuing Connected Transactions and the related proposed annual caps
“PRC”	the People’s Republic of China, for the purpose of this circular only, excluding Hong Kong, Macau Special Administrative Region and Taiwan

DEFINITIONS

“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 Shares
“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 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.

LETTER FROM THE BOARD



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*)
Mr. Zhang Sanlin
Mr. Zhang Zhong
Ms. Deng Wen
Ms. Maria Majoire Lo

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 1203B, 12/F
Tower 1
Admiralty Centre
18 Harcourt Road
Hong Kong

Independent non-executive Directors:

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

8 August 2011

To the Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

Reference is made to the announcement of the Company dated 18 July 2011 in relation to, among other things, the Agreement, the Continuing Connected Transactions and the related proposed annual caps.

As at the Latest Practicable Date, 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 transactions contemplated under the Agreement will constitute continuing connected transactions for the Company. Based on the proposed annual caps

LETTER FROM THE BOARD

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 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, was established to advise the Independent Shareholders as to whether the terms of the Agreement and the related proposed annual caps are fair and reasonable, and whether the Continuing Connected Transactions are on normal commercial terms, in the ordinary course of business of the Group and 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 Optima Capital.

Optima Capital was appointed to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Agreement and the related proposed annual caps are fair and reasonable, and whether the Continuing Connected Transactions are on normal commercial terms, in the ordinary course of business of the Group and 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 Agreement, the Continuing Connected Transactions and the related 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 Optima Capital 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 Agreement, and therefore the Continuing Connected Transactions and the related proposed annual caps.

THE AGREEMENT

Date: 18 July 2011

Parties:

- (a) The Company (as vendor)
- (b) Jinchuan (as purchaser)

Terms:

The Effective Period of the Agreement shall commence from the Effective Date up to, and inclusive of, 31 December 2013

LETTER FROM THE BOARD

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 and Metal 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 circular, excluding the Group) to purchase from the Group, the Mineral and Metal Products pursuant to the Agreement.

Conditions precedent:

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

Basis of the selling prices of the Mineral and Metal Products:

The selling prices of the Mineral and Metal Products are determined by reference to the prices of copper, nickel and other relevant metals as announced by the LME and LBMA and after making certain adjustments in accordance with relevant market practices.

General transaction principles:

The Continuing Connected Transactions shall 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 Agreement. Such trading contracts shall comply with the relevant regulatory requirements in Hong Kong (including but not limited to the Listing Rules) and shall 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 selling price (which shall be determined on the basis as described above), the delivery time and the payment terms. The terms of such trading contracts shall be on normal commercial terms and shall be no less favourable than those available to independent third parties; and
- (iii) the terms offered by the Group shall be competitive in terms of the quality and selling price of the Mineral and Metal Products. Priority shall only be given to the Group by the Jinchuan Group if the quality and selling 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.

LETTER FROM THE BOARD

PROPOSED ANNUAL CAPS

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

	From the Effective Date to 31 December 2011	Year ending 31 December 2012	Year ending 31 December 2013
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
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; and (ii) the respective needs of their business development; (iii) the historical trading volume of the Jinchuan Group; (iv) the historical prices of the Mineral and Metal Products; and (v) the possible fluctuations in prices of the Mineral and Metal Products in the future.

In particular, as the first step to implement the Company's strategy to develop into a flagship of Jinchuan for undertaking overseas operations in mineral resources exploitation and related trading, the Company intends to become an overseas purchasing arm of the Jinchuan Group for the Mineral and Metal Products and to take up a portion of the overseas purchase volume of the Jinchuan Group. As a result, the proposed annual caps are mainly driven by 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. In arriving at the monetary value of the proposed annual caps, the Board has also taken into account the historical prices of the Mineral and Metal Products and the possible fluctuations in prices of the Mineral and Metal Products in the future. In addition, the Company's capacity to undertake the Continuing Connected Transactions would be constrained by its ability to obtain necessary bank financing. The Company will 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 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.

As the undertaking of the Continuing Connected Transactions is conditional upon the Independent Shareholders' approval at the EGM, the Company expects that the Continuing Connected Transactions will commence no earlier than September 2011 should the Independent Shareholders' approval be obtained at the EGM. As a result, the proposed annual cap for the year ending 31 December 2011 is the cap for the remaining four months of the year of 2011. On linear extrapolation, the annualised annual cap for the year is approximately HK\$7,002 million. On the annualised basis, the proposed annual caps will see an approximate 33.3% growth from the first year (i.e. 2011) to the second year (i.e. 2012) and an approximate 66.7% growth from the second year to the third year (i.e. 2013). As mentioned above, the proposed annual caps are mainly driven by the future demand of the Mineral and Metal Products of the Jinchuan Group. It is understood that the overseas purchase volume of the Mineral and Metal Products of the Jinchuan Group has been increasing gradually in the past three years and is expected to continue to increase in the years to come. Particularly, the commissioning by the Jinchuan Group of a new smelting plant with significant production capacity is expected to take place in 2013, which is expected to lead to a significant increase of demand for copper raw materials for that year. As a result, the Board considers

LETTER FROM THE BOARD

the year-on-year growth in the proposed annual caps is in line with the needs of business development of the Jinchuan Group. In addition, the Board believes that the Company would be able to obtain more preferential financing terms and more facilities from banks when its trading experience and track record develop over the next three years. The increase of bank facilities would enable the Company to take up a larger portion of the total overseas purchase volume of the Jinchuan Group, which also contributes to the year-on-year growth in the proposed annual caps.

The Board (including the independent non-executive Directors who have taken into account the recommendations of Optima Capital) considers that the proposed annual caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Company will need to re-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 annual caps set out above is exceeded.

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 28 years of extensive experience in mineral resources development and the related trading. The two other executive Directors, Mr. Zhang Sanlin and Mr. Zhang Zhong, also have obtained extensive experience in the mining industry from their long-term service with the Jinchuan Group before joining the Company. In addition, Mr. Peter Deneen, who has recently joined the Company as a senior vice president for trading, has more than 20 years of experience in the nonferrous metals industry. With the experienced Directors and senior management and the growing trading team, the Company believes that it has the relevant expertise and experience necessary to undertake the Continuing Connected Transactions.

Pricing mechanism

The selling prices of the Mineral and Metal Products are determined by reference to the prices of copper, nickel and other relevant metals as announced by the LME and the LBMA and after making certain adjustments taking into account various factors including, among other things, treatment and refining charges (TC/RC), bank financing and related charges, foreign exchange differences and the Company's reasonable profit margin (on top of the aforementioned costs). Specifically, the selling prices of the Mineral and Metal Products are basically determined by aggregating the Company's overseas purchase cost from suppliers, bank financing and related charges and its reasonable profit margin. In the case of mineral products such as copper or nickel ores and concentrates, the final overseas purchase cost is partly determined by deducting the treatment and refining charges from the base prices for the relevant metals as announced by the LME and the LBMA. Treatment and Refining charges fluctuate based on a variety of factors, but generally follow an annual benchmark set by some major miners. In the case of metal products such as copper or nickel cathodes, the overseas purchase cost is determined by reference to prices quoted by the LME, after making certain adjustments for regional market differences influenced by supply and demand, and other factors such as logistics. Such differences are reflected in terms of either a 'premium' or 'discount' to the LME base price. The profit margin of the Company will be determined by negotiation between the Company and the members of the Jinchuan Group after principally taking

LETTER FROM THE BOARD

into account the bank financing cost savings which can be achieved through financing the transactions in Hong Kong instead of the PRC. Other factors to be considered in determining the selling prices of the Mineral and Metal Products include the foreign exchange differences and the global supply and demand conditions.

Operation flow and source of financing

The Company expects that the 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 type, the Company intends to finance the Continuing Connected Transactions through the back-to-back letter of credit arrangements with the banks. The basic flow of the Company's operations in relation to the Continuing Connected Transactions is expected to be as follows:

- upon receiving orders from members of the Jinchuan Group, the Company would identify appropriate overseas suppliers and commence discussion on terms of supply;
- upon receiving firm written offers from such overseas suppliers, the Company would negotiate with the relevant members of the Jinchuan Group to conclude the transactions;
- the Company would review the transactions to ensure that the transactions meet the requirements of the Company in terms of available financial resources and risk guidelines;
- the Company 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 Agreement;
- the relevant members of the Jinchuan Group will instruct their banks to issue master letters of credit in favour of the Company accordingly;
- upon receiving the master letters of credit, the Company will instruct its bank to issue back-to-back letters of credit in favour of its overseas suppliers;
- the relevant Mineral and Metal Products would be shipped directly from the overseas suppliers to the relevant members of the Jinchuan Group; and
- the Company will carry out relevant post-shipment operations, including, if necessary, presentation of documents under the letters of credit, discounting the letters of credit, shipment inspection at destination and final settlements according to the pricing terms.

LETTER FROM THE BOARD

RISKS ASSOCIATED WITH THE CONTINUING CONNECTED TRANSACTIONS

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

Risk relating to the reliance on one customer

The Company expects that in the short 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 Company may have to seek alternative and/or additional customers. There is no assurance that the Company 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 and therefore cannot 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 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.

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 denominated in USD while the sale transactions with the Jinchuan Group will be denominated in RMB. The reporting currency of the Company is HK\$, the exchange rate of which is pegged to USD. 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

LETTER FROM THE BOARD

(if any) that the Group could derive from the Continuing Connected Transactions. However, in view of the trend of exchange rate changes between USD and RMB in the past few years, the Board believes that the likelihood of USD appreciating against RMB during the Effective Period is relatively low. The Company will closely monitor its exposure to such risk and will consider hedging the risk by way of 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 Continuing Connected Transactions. In addition, as described in this circular, the profit margin of the Company is determined by negotiation 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 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 Continuing Connected Transactions if its profitability could not be maintained.

REASONS FOR AND BENEFITS OF 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 in the Company as at 30 November 2010, the completion date of Jinchuan's subscription. 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 Continuing Connected Transactions will broaden the revenue bases of the Group and help to develop the Group's expertise and experience in mineral and metal products trading. It also represents the implementation of the Company's strategy to move towards the mining and mineral resources sector, which will enhance the competitiveness of the Company in the future.

The Directors (including the independent non-executive Directors who have taken into account the recommendations of Optima Capital) 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 are in the interest of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

LISTING RULES IMPLICATION

As at the Latest Practicable Date, 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 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 resolution approving the Agreement, the Continuing Connected Transactions and the related proposed annual caps at the EGM.

EGM

Set out on pages 30 to 31 is a notice to convene the EGM to be held at Caine Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong at 11:00 am on Wednesday, 24 August 2011 at which an ordinary resolution will be proposed to the Shareholders to consider, and if thought fit, approve the Agreement, and therefore the Continuing Connected Transactions and the related annual caps.

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 in Hong Kong, Hong Kong Registrars Limited at Room 1806-1807, 18th 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.

LETTER FROM THE BOARD

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 14 to 15 of this circular which contains its recommendation to the Independent Shareholders in relation to the Agreement, the Continuing Connected Transactions and the related proposed annual caps. Your attention is also drawn to the letter from Optima Capital set out on pages 16 to 23 of this circular which contains its recommendations to the Independent Board Committee and the Independent Shareholders in relation to the Agreement, the Continuing Connected Transactions and the related 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
Yang Zhiqiang
Chairman

LETTER FROM INDEPENDENT BOARD COMMITTEE



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)

8 August 2011

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

We refer to the circular issued by the Company to its shareholders and dated 8 August 2011 (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 as to whether the terms of the Agreement and the related proposed annual caps are fair and reasonable, and whether the Continuing Connected Transactions are on normal commercial terms, in the ordinary course of business of the Group and 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 Optima Capital.

Optima Capital was appointed to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Agreement and the related proposed annual caps are fair and reasonable, and whether the Continuing Connected Transactions are on normal commercial terms, in the ordinary course of business of the Group and 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 Optima Capital contained in its letter set out on pages 16 to 23 of the Circular, we consider that the terms of the Agreement and the related proposed annual caps are fair and reasonable, and the Continuing Connected Transactions are on normal commercial terms, in the ordinary course of business of the Group and in the interests of the Company and the Shareholders as a whole.

LETTER FROM INDEPENDENT BOARD COMMITTEE

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Agreement, the Continuing Connected Transactions and the related proposed annual caps.

Yours faithfully,

Independent Board Committee

Gao Dezhu

Independent Non-executive

Director

Wu Chi Keung

Independent Non-executive

Director

Yen Yuen Ho, Tony

Independent Non-executive

Director

LETTER FROM OPTIMA CAPITAL

The following is the text of the letter from Optima Capital to the Independent Board Committee and the Independent Shareholders for the purpose of incorporation into this circular.



Suite 1501, 15th floor
Jardine House
1 Connaught Place
Central
Hong Kong

8 August 2011

*To: the Independent Board Committee and
the Independent Shareholders*

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the terms of the 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 the Continuing Connected Transactions are set out in the letter from the Board (the "Letter from the Board") contained in the circular of the Company dated 8 August 2011 (the "Circular"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless otherwise defined.

As at the Latest Practicable Date, Jinchuan, through its wholly-owned subsidiary, held 1,667,142,857 Shares (representing approximately 60.5% of the issued share capital of the Company) and is therefore a connected person of the Company under the Listing Rules. Given that the applicable percentage ratios (as defined under the Listing Rules) in respect of the proposed caps for the Continuing Connected Transactions (the "Annual Caps", each an "Annual Cap"), on an annual basis, exceed 5%, and the annual consideration receivable from the Jinchuan Group for the Continuing Connected Transactions is expected to exceed HK\$10,000,000, the Continuing Connected Transactions are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. In this connection, the Company will seek the Independent Shareholders' approval for the Agreement, the Continuing Connected Transactions and the Annual Caps at the EGM by way of poll. Pursuant to the Listing Rules, Jinchuan and its associates, as a party interested in the Continuing Connected Transactions, will be required to abstain from voting on the ordinary resolution to be proposed at the EGM for approving the Agreement, the Continuing Connected Transactions and the Annual Caps.

The Independent Board Committee comprising Mr. Gao Dezhu, Mr. Wu Chi Keung and Mr. Yen Yuen Ho, Tony has been formed to advise the Independent Shareholders on the Continuing Connected Transactions. We have been appointed as the independent financial adviser to the Independent Board Committee and the Independent Shareholders as to whether the terms of the Agreement (including the

LETTER FROM OPTIMA CAPITAL

Annual Caps) are fair and reasonable so far as the Independent Shareholders are concerned and the Continuing Connected Transactions are on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

In formulating our opinion, we have relied on the information and facts supplied, and the opinions expressed, by the management of the Company and have assumed that the information and facts provided and opinions expressed to us are true, accurate and complete in all material respects at the time they were made and up to the date of the EGM. We have also sought and received confirmation from the management that no material facts have been omitted from the information supplied and opinions expressed to us. We have relied on such information and consider that the information we have received is sufficient to reach an informed view and have no reason to believe that any material information have been withheld, nor doubt the truth or accuracy of the information provided. We have not, however, conducted any independent investigation into the businesses and affairs of the Group, nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our advice, we have considered the following principal factors and reasons:

1. Background of and reasons for the Continuing Connected Transactions

The Group is principally engaged in beauty-related business and property investment and development business whilst the Jinchuan Group is principally engaged in the production of nickel, copper, cobalt, platinum group of metals, nonferrous metal plates, chemical products and chemicals of nonferrous metals. The Jinchuan Group is a leading nickel and cobalt producer in the world, one of the largest producers of copper, nickel, cobalt and platinum group of metals in the PRC, and it has been developing its international mineral resources exploitation operations over 20 countries. Jinchuan is a state-owned enterprise with its majority interest held by the People's Government of Gansu Province.

Jinchuan has become the controlling Shareholder on 30 November 2010 through the subscription of 1,667,142,857 new Shares (the "Subscription"), representing approximately 61.1% of the then equity interest in the Company. As disclosed in the circular of the Company dated 29 October 2010 (the "2010 Circular") in relation to, among other things, the Subscription, it is the intention of Jinchuan to operate the Group as its flagship for undertaking overseas operations in the exploration and exploitation of mining assets and related trading. It is also disclosed in the 2010 Circular that the Group had been exploring business opportunities in the mining and mineral resources sector and it had been the Company's intention for some time to diversify its business into such sector. Jinchuan's intention on the Group is consistent with the Group's strategic direction.

Following the change of controlling Shareholder as described above, the Group has repositioned its business to focus on overseas operations in the exploration and exploitation of mining assets and related trading by leveraging on Jinchuan's background and established market position in the metals and mining industry. The entering into of the Agreement represents the first step of the Group's business diversification.

LETTER FROM OPTIMA CAPITAL

Trading of mineral and metal products usually requires substantial cash flow and therefore traders normally utilise bank financing to carry out trading activities. As financing cost in Hong Kong is generally lower than that in the PRC, by establishing the Group as an overseas purchasing arm of the Jinchuan Group and purchasing the Mineral and Metal Products from the Group instead of directly from the overseas suppliers, the Jinchuan Group will be able to enjoy a lower financing cost and thereby enhance its return.

Apart from the advantage to the Jinchuan Group as describe above, more importantly, the Board believes that the proposed Continuing Connected Transactions will broaden the revenue base of the Group, help to develop the Group's expertise and experience in raw metal materials 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. Having considered that it would be difficult for the Group to enter into such trading business and carry out transactions in significant value without leveraging on the Jinchuan Group's background and established market position; and the Continuing Connected Transactions are expected to make a meaningful contribution to the Group's profit in view of the transactions value, we consider that it is beneficial to the Group to carry out the Continuing Connected Transactions.

Nevertheless, the trading of Mineral and Metal Products is a new business segment to the Company. In contemplation of the Continuing Connected Transactions, the Directors have taken into consideration the relevant business risks associated with the trading of the Mineral and Metal Products, its management expertise in the Mineral and Metal Products trading business and its existing financial resources and financing capability for carrying out such business. As disclosed in the Letter from the Board, certain members of the Board and senior management of the Group possess extensive experience in the business of mineral resources development and related trading. These senior personnel of the Group have assessed and evaluated the risks associated with, and the financial resources required to carry out, the trading of the Mineral and Metal Products and will continue to do so from time to time.

In view of the above, we are of the view that the Continuing Connected Transactions are in the interests of the Company and the Shareholders as a whole.

2. Principal terms of the Agreement

The Agreement will be conditional upon the Independent Shareholders' approval at the EGM. The Effective Period of the Agreement will commence on the date of the EGM at which the aforesaid Independent Shareholders' approval is being obtained and end on 31 December 2013.

Pursuant to the Agreement, the Company has agreed to sell and cause its subsidiaries to sell to the Jinchuan Group, and Jinchuan has agreed to purchase and cause its subsidiaries (for the purpose of this letter, excluding the Group) to purchase from the Group, the Mineral and Metal Products under the terms of the Agreement. The Continuing Connected Transactions will be carried out based on the following principles:

- (i) the Mineral and Metal Products supplied by the Group shall be of good quality and at fair and reasonable prices;

LETTER FROM OPTIMA CAPITAL

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

The Agreement does not stipulate that the Group is required to bear the relevant risks such as credit risk, market price fluctuation, loss or damage of goods and exchange rate fluctuation for sourcing the Mineral and Metal Products for on-sale to the Jinchuan Group. As advised by the management of the Company, the Group will enter into contracts with independent suppliers after arm's length negotiations for the sourcing of the Mineral and Metal Products. We further understand from the management of the Company that contracts of this sort usually contain customary terms in respect of arrangement for insurance and transfer of title and risks. In most circumstances, purchase and sales contracts will be on "Cost, Insurance & Freight (CIF)" term which means that the shipper (i.e. the supplier) will arrange all shipping to destination port, and the goods will be covered by marine cargo insurance as it is customary for such transactions. Transfer of title for goods generally only takes place upon receipt of full payment or a confirmation from the bank issuing the letter of credit ("L/C") that payment will be made in full upon maturity of the L/C.

The selling prices of the Mineral and Metal Products will be determined by reference to (a) the prices of copper, nickel and other relevant metals as announced by the LME and LBMA having taken into account certain adjustments including the treatment and refining charges (the "Base Price"); (b) bank financing and related charges, and foreign exchange differences; and (c) a reasonable profit margin (on top of the aforesaid costs) to the Group.

To assess whether the above basis of determining the selling price is fair and reasonable, we have discussed the pricing mechanism with the management of the Company and understand that it is an established international industry practice for metals trading that traders will use the prevailing market prices of the processed metals as quoted on the recognised exchanges as a reference and make adjustments in accordance with the respective trading practice of the markets in which the metals are traded to determine the Base Price.

In the case of mineral products such as copper or nickel ores and concentrates, the final overseas purchase cost is partly determined by deducting the treatment and refining charges from the Base Prices for the relevant metals as announced by the LME and the LBMA. Treatment and refining charges fluctuate based on a variety of factors but generally follow an annual benchmark

LETTER FROM OPTIMA CAPITAL

set by some major miners. In the case of metal products such as copper or nickel cathodes, the overseas purchase cost is determined by reference to prices quoted by the LME, after making certain adjustments for regional market differences influenced by supply and demand, and other factors such as logistics. Such differences are reflected in terms of either a “premium” or “discount” to the LME and the LBMA Base Price.

We have been provided with sample agreements entered into between Jinchuan and certain independent suppliers in respect of purchases of certain mineral and metal products by Jinchuan. We note that the pricing of such mineral and metal products is determined by taking the market prices of the metals as quoted on recognised metals exchanges or markets less processing costs according to the state of the metals being traded, which is consistent with the pricing mechanism described above.

In addition, we have identified the following similar transactions conducted by other companies listed on the Stock Exchange and note that they had also adopted a similar pricing approach:

- (i) according to an announcement of China Mining Resources Group (“China Mining”, stock code: 340) dated 22 May 2007, China Mining had entered into an agreement in respect of the supply of copper concentrates, the pricing of which was determined by reference to the market value as quoted on metal exchanges adjusted for treatment and refining charges incurred to produce copper anodes from copper concentrates. The aforesaid agreement expired on 31 December 2009;
- (ii) according to an announcement of China Nonferrous Metals Company Limited (“China Nonferrous Metals”, stock code: 8306) dated 31 December 2008, China Nonferrous Metals had entered into an agreement in respect of the supply of lead and zinc concentrates, the pricing of which was determined by reference to the market value as quoted on metal market adjusted for the costs for converting the concentrates into metal ingots. The term of the aforesaid agreement will expire on 31 December 2011; and
- (iii) according to the announcements of China Daye Non-ferrous Metals Mining Limited (“China Daye”, stock code: 661) dated 4 May 2010 and 12 May 2010, China Daye had entered into an agreement in respect of the sale and purchase of certain metals and metal products, the pricing of which was determined by reference to the market value as quoted on the LME or the LBMA (as the case may be) with adjustments made in accordance with the respective market practice of the markets in which the metals are traded. The term of the aforesaid agreement will expire on 31 December 2012.

In view of the three similar transactions described above, we believe that the approach adopted by the Company in determining the Base Price of the Mineral and Metal Products is in line with current market practices.

LETTER FROM OPTIMA CAPITAL

As the Group would incur bank financing and related charges, and foreign exchange difference (as the case may be) in the course of purchasing the Mineral and Metal Products from independent suppliers for on-sale to the Jinchuan Group, the existing mechanism to determine the selling price of the Mineral and Metal Products under the Agreement allows the Group to recoup the aforesaid costs. In respect of the exchange gain or loss arising from the Continuing Connected Transactions, the Agreement does not stipulate which party to take up such gain or loss. However, the management of the Company is of the view that it is a usual business risk to a trader of raw metal materials. The Group may enter into foreign exchange forward contract to minimise the Group's foreign exchange exposure arising from the Continuing Connected Transactions if necessary.

The existing mechanism also enables the Group to make a reasonable profit margin, which will be determined by negotiations between the Company and the members of the Jinchuan Group after principally taking into account the bank financing cost savings which can be achieved through financing the transactions in Hong Kong instead of the PRC. According to the management of the Company, the profit margin will be negotiated on a contract-by-contract basis. However, we are not in a position to comment whether such basis of determining the profit margin is comparable with similar type of transactions conducted by independent third parties as none of the three similar transactions we identified above mentioned about profit margin in its basis of pricing.

Having considered that the reasons for conducting the Continuing Connected Transactions are commercially sound; the basis of determining the Base Price is in line with market practices; and the Group is expected to derive a reasonable profit from carrying out the Continuing Connected Transactions, we consider the terms of the Agreement (including the basis of determining the selling price of the Mineral and Metal Products) fair and reasonable.

3. The Annual Caps

The table below sets out the Annual Caps:

	From the Effective Date to 31 December 2011	For the year ending 31 December 2012	For the year ending 31 December 2013
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Sale of Mineral and Metal Products by the Group to the Jinchuan Group	2,334 million	9,336 million	15,560 million

The cut-off date for each of the Annual Caps falls on 31 December, which coincides with the financial year end date of the Company. As the Annual Cap for the first period only covers the period from the Effective Date to 31 December 2011 and the management of the Group does not expect to commence the Continuing Connected Transactions until September 2011, the Company has only taken into account the possible sales of Mineral and Metal Products by the Group to the Jinchuan Group during the four months ending 31 December 2011 when setting the Annual Cap for the first period. If the Continuing Connected Transactions were to commence on 1 January 2011,

LETTER FROM OPTIMA CAPITAL

the Annual Cap for the first period, on an annualised basis, would have been HK\$7,002 million. On this basis, the Annual Caps will represent a gradual growth in sales of Mineral and Metal Products by the Group to the Jinchuan Group during the term of the Agreement, with an increase of approximately 33.3% from the first period to the second period and an increase of approximately 66.7% from the second period to the third period.

To assess the fairness and reasonableness of the Annual Caps, we have discussed with the management of the Company the basis of and assumptions for the determination of the Annual Caps. We have been advised that the Annual Caps 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) the historical trading volume of Jinchuan; (iv) the historical prices of the Mineral and Metal Products; and (v) the possible fluctuations in prices of the Mineral and Metal Products.

Based on the information provided by the Company, the historical growth rate of the Jinchuan Group's total purchases was approximately 1% from 2008 to 2009 and approximately 54% from 2009 to 2010. Based on the knowledge of the Company, the sudden surge in total purchases in 2010 was a result of the improved market conditions and to a larger extent, the significant increase in metal prices. It is expected that the Jinchuan Group's requirement for the Mineral and Metal Products (the "Total Requirement") will increase moderately by approximately 8% in 2011 and 2012 and by approximately 38% in 2013. Particularly, a new smelting plant with significant production capacity is expected to commence production in 2013, which would lead to a significant rise of demand for copper for that year.

In view of the substantial amount of purchases of mineral and metal products made by the Jinchuan Group in the past, to facilitate a smooth diversification of the Group into the mining and mineral sector, the Jinchuan Group will initially utilise the Group to purchase approximately 26% of the Total Requirement and then gradually increase to approximately 40% of the Total Requirement. It is intended that the Jinchuan Group will continue to step up the proportion of purchases from the Group provided that both parties will benefit from doing so. As the sales of the Mineral and Metal Products to the Jinchuan Group under the Continuing Connected Transactions only represent a portion of the Total Requirement, the year-on-year growth of the Annual Caps is supported by the Total Requirement and is in line with the needs of business development of the Jinchuan Group. In addition, the Board believes that the Company would be able to obtain more preferential financing terms and more facilities from banks when its trading experience and track record develop over the term of the Agreement. The increase of facilities would enable the Company to take up a larger portion of the total overseas purchase volume of the Jinchuan Group, which also contributes to the year-on-year growth in the proposed Annual Caps.

Apart from considering the respective business development needs of the Group and the Jinchuan Group, the Group has also taken into account its available financial resources in determining the Annual Caps since trading of mineral and metal products often requires substantial cash flow as each transaction tends to involve a sizeable consideration and each transaction usually takes a few months to complete due to the time required for transportation and delivery. To minimise the Group's financial exposure, the Company intends to finance the Continuing Connected Transactions through back-to-back L/C arrangements with banks. More specifically, the Company will instruct its banks to issue back-to-back L/C in favour of its independent overseas

LETTER FROM OPTIMA CAPITAL

suppliers only after receiving the master L/C in favour of the Company from the banks of the Jinchuan Group. We note that the Annual Caps were set with reference to (a) the existing cash position of the Group which is approximately HK\$700 million; (b) the expected bank financing available in the form of back-to-back L/C arrangements with banks to finance the Continuing Connected Transactions which, according to the management of the Company, usually demands for a deposit of cash margin representing 5% to 10% of the amount of the back-to-back L/C to be issued by the bank as collateral and has a tenor of three to six months; and (c) the capital need for the existing business of the Group. Furthermore, the Group has also made reference to the historical prices of the Mineral and Metal Products and the forecast of base metal price on the LME prepared by an investment bank issued on 16 May 2011 in determining the Annual Caps.

Having considered the basis of and the factors taken into account by the Group in determining the Annual Caps as describe above, we are of the view that the Annual Caps are fair and reasonable.

OPINION

Having taken into account the above principal factors and reasons, we consider that the terms of the Agreement and the Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned, and the Continuing Connected Transactions are on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM in relation to the Agreement, the Continuing Connected Transactions and the Annual Caps.

Yours faithfully,
for and on behalf of
OPTIMA CAPITAL LIMITED
Beatrice Lung
Managing Director

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 <i>Authorised</i>	Nominal value <i>HK\$</i>
5,000,000,000 Shares	50,000,000
 <i>Issued and fully paid</i>	
2,754,873,051 Shares in issue as at the Latest Practicable Date	27,548,730.51

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, the interest of the Directors and the chief executive of the Company in any shares, underlying shares and debentures of the Company or any of 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 of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); (b) to be entered in the register maintained by the Company pursuant to Section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Long positions in Shares of the Company

Name of directors	Number of Shares directly beneficially owned
Ms. DENG Wen	5,800,000
Ms. LO Maria Majoire	400,000

Save as disclosed above, 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

As at the Latest Practicable Date, so far as is known to any Director or chief executive, the following persons (i) had interest or short positions in the shares and underlying shares of the Company which (a) would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or (b) were recorded in the register required to be kept by the Company under Section 336 of the SFO; or (ii) were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying the right to vote in all circumstances at general meetings of the Company or any options in respect of such capital.:

Name of Shareholder	Number of Shares held/involved	Percentage of the total issued share capital
Jinchuan Group Limited (<i>Note 1</i>)	1,667,142,857	60.5%
Jinchuan Group (Hongkong) Resources Holdings Limited (<i>Note 1</i>)	1,667,142,857	60.5%
Jinchuan BVI Limited (<i>Note 1</i>)	1,667,142,857	60.5%
Jinchuan (BVI) 1 Limited	956,557,377	34.7%
Jinchuan (BVI) 2 Limited	437,283,372	15.9%
Jinchuan (BVI) 3 Limited	273,302,108	9.9%
Mr. Wei Jijun (<i>Note 2</i>)	152,548,480	5.5%
Sincere Daily Limited	152,548,480	5.5%

Note 1: Jinchuan Group Limited directly owns 100% of the issued share capital of Jinchuan Group (Hongkong) Resources Holdings Limited which 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 Group Limited, Jinchuan Group (Hongkong) Resources Holdings Limited and Jinchuan BVI Ltd are deemed to have an interest in 1,667,142,857 shares under the SFO.

Note 2: Mr. Wei Jijun directly owns 100% of the issued shares of Sincere Daily Limited. Therefore, Mr. Wei is deemed to have an interest in 152,548,480 shares under the SFO.

As at the Latest Practicable Date, Mr. Yang Zhiqiang, the chairman and an executive Director, is also a director and the president of Jinchuan Group Limited and a director of Jinchuan Group (Hongkong) Resources Holdings Limited. Mr. Zhang Sanlin, an executive Director, is also a director and the vice-president of Jinchuan Group Limited and a director of Jinchuan Group (Hongkong) Resources Holdings Limited. Mr. Zhang Zhong, an executive Director, is also the general manager of Jinchuan Group (Hongkong) Resources Holdings Limited. Mr. Gao Tianpeng, a non-executive Director, is also the general manager of asset management division of Jinchuan Group Limited. Mr. Qiao Fugui, a non-executive Director, is also the general manager of the mineral resources division of Jinchuan Group Limited. Ms. Zhou Xiaoyin, a non-executive Director, is also the in-house counsel of Jinchuan Group Limited.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors is a director or employee of a company which has an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Save as disclosed above, as at the Latest Practicable Date, so far as is known to any Director or chief executive, no other person (i) had interest or short positions in the shares and underlying shares of the Company which (a) would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or (b) were recorded in the register required to be kept by the Company under Section 336 of the SFO, or (ii) were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying the right to vote in all circumstances at general meetings of the Company or any options in respect of such capital.

4. DIRECTORS' SERVICE CONTRACTS

All of the non-executive Directors have each entered into a letter of appointment with the Company with a term commencing on the appointment date and ending on the date of the third annual general meeting or the date on which he shall retire from office in accordance with the articles of association of the Company and the Listing Rules and not having been re-elected. The independent non-executive Directors have each entered into a letter of appointment with the Company with a term commencing on the appointment date and ending on the date of the third annual general meeting or the date on which he shall retire from office in accordance with the articles of association of the Company and the Listing Rules and not having been re-elected.

Save as disclosed above, none of the Directors has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

5. EXPERT

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

Name	Qualifications
Optima Capital Limited	a licensed corporation under the SFO permitted to engage in Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Agreement and the Continuing Connected Transactions and the related proposed annual caps

Optima Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date,

- (i) Optima Capital did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and
- (ii) Optima Capital did not have any interest, direct or indirect, in any assets which have been, since 31 December 2010 (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 Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

6. LITIGATION

As at the Latest Practicable Date, no member of the Group 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 Group.

7. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial position or trading position of the Group since 31 December 2010, being the date to which the latest published audited financial statements of the Group were made up.

8. 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 Group pursuant to the Listing Rules:

Mr. Yang Zhiqiang and Mr. Zhang Sanlin held directorship in Jinchuan Group Limited 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.

9. 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 2010 (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 Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

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.

10. DIRECTORS' INTEREST IN THE CONTINUING CONNECTED TRANSACTIONS

None of the Directors have any material interest in the Continuing Connected Transactions for which they shall be required to abstain from voting on the board resolutions approving the terms of the Agreement, the 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 Agreement, the Continuing Connected Transactions and the related proposed annual caps were approved.

11. 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 1203B, 12/F, Tower 1, Admiralty Centre, 18 Harcourt Road, Hong Kong.
- (iii) The branch share registrar of the Company in Hong Kong is Hong Kong Registrars Limited at Room 1806-1807, 18th 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.

12. 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 1203B, 12/F, Tower 1, Admiralty Centre, 18 Harcourt Road, Hong Kong from the date of this circular up to and including 22 August 2011, and at the EGM:

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

NOTICE OF EGM



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 Caine Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong at 11:00 am on Wednesday, 24 August 2011 for the purpose of considering, and if thought fit, passing the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“THAT:

- (a) the agreement dated 18 July 2011 (the “**Agreement**”) entered into between the Company (as vendor) and Jinchuan Group Limited (“**Jinchuan**”) (as purchaser), a company incorporated in the PRC and a substantial shareholder of the Company, for trading of the Mineral and Metal Products (as defined in the circular of the Company dated 8 August 2011) between the Company and its subsidiaries (the “**Group**”) and Jinchuan and its subsidiaries (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 8 August 2011) 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 notice, excluding the Group) to purchase from the Group, the Mineral and Metal Products (as defined in the circular of the Company dated 8 August 2011) pursuant to the Agreement,

and the continuing connected transactions contemplated under the 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 Agreement; and

NOTICE OF EGM

- (b) the proposed annual caps for the continuing connected transactions contemplated under the Agreement for each of the following periods: (1) from the date on which the Agreement, the continuing connected transactions contemplated thereunder and the proposed annual caps are approved by the independent shareholders of the Company at the EGM to 31 December 2011; (2) the financial year ending 31 December 2012; and (3) the financial year ending 31 December 2013, being approximately HK\$2,334 million, HK\$9,336 million and HK\$15,560 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, 8 August 2011

Notes:

1. Any member of the Company entitled to attend and vote at the EGM may appoint one or more than one proxy to attend and to vote instead of him. A proxy need not be a member of the Company.
2. Where there are joint registered holders of any share, any one of such persons may vote at the EGM, either personally or by proxy, in respect of such share of the Company as if he were solely entitled thereto; but if more than one such joint holders be present at the EGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.
3. In order to be valid, the proxy form duly completed and signed in accordance with the instructions printed thereon together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof must be delivered to the Company’s branch share registrar in Hong Kong, Hong Kong Registrars Limited at Room 1806-1807, 18th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong not less than 48 hours before the time fixed for holding the EGM or any adjournment thereof.
4. Completion and return of the proxy form will not preclude you from attending the EGM and voting in person if you so wish. In the event that you attend the EGM after having lodged the proxy form, it will be deemed to have been revoked.
5. The resolution will be voted on by way of poll.

As at the date of this notice, 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.