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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

On 2 December 2015, Golden Harbour, an indirect wholly-owned subsidiary of the Company, entered into the Agreement with Lanzhou Jinchuan, a company indirectly held as to approximately 99% by Jinchuan Group, pursuant to which Golden Harbour has agreed to sell and Lanzhou Jinchuan has agreed to purchase the cobalt hydroxide produced by the Ruashi Mining, a company indirectly held as to 75% by the Company, and further sold to Golden Harbour under the purchase and sales contract entered into between Golden Harbour and Ruashi Mining dated 2 December 2015.

Based on the Proposed Annual Caps, the Continuing Connected Transactions under the Agreement are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The Company will seek approval from the Independent Shareholders for the Agreement and the Continuing Connected Transactions (including the Proposed Annual Caps) 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 Agreement and the Continuing Connected Transactions (including the Proposed Annual Caps) to the Independent Shareholders; (3) a letter from the Independent Financial Adviser containing its advice in connection with the Agreement and the Continuing Connected Transactions (including the 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 15 December 2015.

If the Independent Shareholders' approval for the Agreement is not obtained at the EGM, the Continuing Connected Transactions as provided in the Agreement 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

On 2 December 2015, Golden Harbour, an indirect wholly-owned subsidiary of the Company, entered into the Agreement with Lanzhou Jinchuan, a company indirectly held as to approximately 99% by Jinchuan Group, pursuant to which Golden Harbour has agreed to sell and Lanzhou Jinchuan has agreed to purchase the cobalt hydroxide produced by the Ruashi Mining, a company indirectly held as to 75% by the Company, and further sold to Golden Harbour under the purchase and sales contract entered into between Golden Harbour and Ruashi Mining dated 2 December 2015.

Reference is made to the circular of the Company dated 30 August 2013. On 20 August 2007, Ruashi Mining had entered into the Cobalt Off-take Agreement for cobalt carbonate and/or cobalt hydroxide with Jinchuan Group pursuant to which Ruashi Mining agreed to sell and Jinchuan Group agreed to purchase all cobalt carbonate and/or cobalt hydroxide to be produced by Ruashi Mining during the life of the Ruashi Mine. Since July 2011, Lanzhou Jinchuan has been taking deliveries of contained cobalt metals from Ruashi Mining pursuant to the Cobalt Off-take Agreement (which arrangement have been formalised by the relevant parties). The parties have also agreed that the duration of the term of the Cobalt Off-take Agreement will continue until 31 December 2015.

CONTINUING CONNECTED TRANSACTIONS

As at the date of this announcement, Lanzhou Jinchuan is indirectly held as to approximately 99% by Jinchuan Group, a controlling shareholder of the Company. Through its wholly-owned subsidiaries, Jinchuan Group indirectly owns 3,263,022,857 Shares, representing approximately 75 % of the issued share capital of the Company. Accordingly, Lanzhou 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, the Continuing Connected Transactions under the Agreement are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The Company will seek approval from the Independent Shareholders for the Agreement and the Continuing Connected Transactions (including the Proposed Annual Caps) at the EGM. Jinchuan Group and its close associates will abstain from voting on the resolution concerning the Agreement and the Continuing Connected Transactions (including the Proposed Annual Caps) at the EGM.

SUMMARY OF THE AGREEMENT

Date: 2 December 2015

Parties: Golden Harbour (as seller); and
Lanzhou Jinchuan (as buyer)

Subject Matter: Golden Harbour has agreed to sell to Lanzhou Jinchuan, and Lanzhou Jinchuan has agreed to purchase from Golden Harbour, the cobalt hydroxide that produced by Ruashi Mine and further sold to Golden Harbour under the purchase and sales contract for cobalt hydroxide entered into between Golden Harbour and Ruashi Mining dated 2 December 2015.

Conditions Precedent: The undertaking of the Continuing Connected Transactions is conditional upon (i) Golden Harbour and Lanzhou Jinchuan having obtained all necessary internal authorizations, consents and approvals for entering into the Agreement and the transaction contemplated under the Agreement; and (ii) the Company having obtained the Independent Shareholders' approval at the EGM for the Agreement and the Continuing Connected Transactions (including the Proposed Annual Caps).

Basis of the prices of the cobalt contained in cobalt hydroxide: The selling price of the cobalt contained in cobalt hydroxide delivered by Golden Harbour is determined by a basis price multiplied by a basis coefficient:

- (i) the basis price is tied to the low quotation for low-grade cobalt in the free market as published on the Metal Bulletin during the quotation period; and
- (ii) the basis coefficient is 73% subject to an adjustment based on the cobalt content and impurity element content in the metals.

If the cobalt content is below 20%, Lanzhou Jinchuan has the right to reject the delivery.

As there is no more cobalt carbonate produced by Ruashi Mine, the Agreement only covers cobalt hydroxide as compared to that in the Cobalt Off-take Agreement. The delivery destination has also changed from Johannesburg, South Africa to Tianjin, the PRC.

Quantity of cobalt hydroxide: An annual minimum purchase of 2,000 tonnes to an annual maximum purchase of 5,000 tonnes of cobalt hydroxide produced by the Ruashi Mine for each of the three calendar years from 1 January 2016 to 31 December 2018, the exact amount of which will be subject to the amount of cobalt hydroxide that produced by Ruashi Mine and further sold to Golden Harbour under the purchase and sales contract for cobalt hydroxide entered into between Golden Harbour and Ruashi Mining dated 2 December 2015.

HISTORICAL ANNUAL CAPS AND TRADING AMOUNTS AND VOLUMES UNDER THE COBALT OFF-TAKE AGREEMENT

The following table sets out the historical annual caps (in amounts) under the Cobalt Off-take Agreement respectively for the periods indicated below, as disclosed in the circular of the Company dated 30 August 2013:

	Year ended 31 December 2013		Year ended 31 December 2014		Year ending 31 December 2015	
	(US\$)	(tonnes)	(US\$)	(tonnes)	(US\$)	(tonnes)
Amounts and volumes	102.0 million	5,000	112.3 million	5,000	112.3 million	5,000

The following table sets out the historical trading amounts and volumes of cobalt carbonate and/or cobalt hydroxide between Ruashi Mining and Lanzhou Jinchuan under the Cobalt Off-take Agreement respectively for the periods indicated below:

	From 14 November 2013 to 31 December 2013		Year ended 31 December 2014		Six months ended 30 June 2015	
	(US\$)	(tonnes)	(US\$)	(tonnes)	(US\$)	(tonnes)
Amounts and volumes	8 million	422	78.3 million	3,874	40.9 million	2,144
	(Note)	(Note)				

Note: such historical amount is the trading amount incurred from 14 November 2013 (the completion date of the Acquisition) to 31 December 2013.

PROPOSED ANNUAL CAPS UNDER THE AGREEMENT

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

	Year ending 31 December 2016		Year ending 31 December 2017		Year ending 31 December 2018	
	(US\$)	(tonnes)	(US\$)	(tonnes)	(US\$)	(tonnes)
Amounts and volumes	106 million	5,000	106 million	5,000	106 million	5,000

The Proposed Annual Caps are determined by reference to (i) the historical amount of supply of contained cobalt metals provided under the Cobalt Off-take Agreement; (ii) the maximum tonnage for the supply and demand of contained cobalt metals provided under the Agreement; (iii) the expected growth in output as compared to the actual output of Ruashi Mining up to 31 October 2015; (iv) the historical price of low-grade cobalt published by the Metal Bulletin from time to time; (v) the transportation cost to be incurred; and (vi) certain buffer due to recent price volatility of low-grade cobalt.

Shareholders should note that the Proposed Annual Caps represent an estimate based on information currently available and that the actual utilisation and sufficiency of the Proposed Annual Caps would depend on a number of factors, including but not limited to, the annual supply and demand volume under the Agreement and the cobalt basis price published by the Metal Bulletin from time to time.

REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

The principal business activities of the Company and its subsidiaries are the mining operation and the trading of mineral and metal products. The principal business activities of Lanzhou Jinchuan are the new materials development, production and sales, reutilisation, processing and related technical services of mineral and metal products.

The Directors consider the Continuing Connected Transactions will be consistent with the business and commercial objective of the Company and it is a good opportunity to strengthen the footholds of the Company in both the mining industry and the trading industry of mineral and metal products. As a trading arm of the Group in Hong Kong, Golden Harbour helps with the distribution of cobalt hydroxide produced by Ruashi Mine and the arrangement for the import financing facility in Hong Kong. The Board also believes that, the proposed Continuing Connected Transactions can help develop the expertise and experience of the Company and its subsidiaries in mineral products trading, which will enhance the competitiveness of the Company in the future. The Directors (except the independent non-executive Directors whose view will be formed after obtaining the advice of the Independent Financial Adviser) consider that the terms of the Agreement are negotiated between the parties on an arm's length basis and are on normal commercial terms that are fair and reasonable; the Proposed Annual Caps are fair and reasonable; and the Agreement and the Continuing Connected Transactions will be conducted in the ordinary and usual course of business of the Company and its subsidiaries and are in the interest of the Company and the Shareholders as a whole.

GENERAL

The Independent Board Committee consisting of Mr. Wu Chi Keung, Mr. Yen Yuen Ho, Tony and Mr. Neil Thacker Maclachlan, being the three independent non-executive Directors, has been established to advise the Independent Shareholders in connection with the Agreement and the Continuing Connected Transactions (including the Proposed Annual Caps). Altus Capital Limited has been 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, (i) a letter from the Board containing further details of the Agreement; (ii) a letter from the Independent Board Committee setting out its recommendations in connection with the Agreement and the Continuing Connected Transactions (including the Proposed Annual Caps) to the Independent Shareholders; (iii) a letter from the Independent Financial Adviser containing its advice in connection with the Agreement and the Continuing Connected Transactions (including the Proposed Annual Caps) to the Independent Board Committee and the Independent Shareholders; and (iv) a notice of the EGM will be despatched to the Shareholders on or before 15 December 2015.

If the Independent Shareholders' approval for the Agreement is not obtained at the EGM, the Continuing Connected Transactions as provided in the Agreement 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.

DEFINITIONS

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

“Acquisition”	the acquisition by the Company of the entire equity interest in Jin Rui Mining Investment Limited in November 2013 pursuant to the sales and purchase agreement dated 27 August 2013, the details of which are set out in the circular of the Company dated 30 August 2013
“Agreement”	the agreement dated 2 December 2015 entered into between Golden Harbour and Lanzhou Jinchuan for the sales and purchase of cobalt hydroxide produced by the Ruashi Mining
“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Cobalt Off-take Agreement”	an off-take agreement for cobalt carbonate and/or cobalt hydroxide entered into by Ruashi Mining and Jinchuan Group on 20 August 2007, as amended and novated from time to time
“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
“Continuing Connected Transactions”	collectively, the continuing connected transactions between Golden Harbour and Lanzhou Jinchuan contemplated under the Agreement
“connected person”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“DRC”	the Democratic Republic of Congo
“EGM”	the extraordinary general meeting to be convened for, among other matters, approving the Agreement and the Continuing Connected Transactions (including the Proposed Annual Caps)
“Golden Harbour”	Golden Harbour International Trading Limited, a company incorporated in Hong Kong and indirectly wholly-owned by the Company
“Group”	the Company and its subsidiaries
“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 Agreement and the Continuing Connected Transactions (including the Proposed Annual Caps)
“Independent Financial Adviser”	Altus Capital Limited, a corporation licensed to carry on Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO is the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in connection with the Agreement and the Continuing Connected Transactions (including the Proposed Annual Caps)
“Independent Shareholders”	the Shareholders but excluding Jinchuan Group and its associates
“Jinchuan Group”	金川集團股份有限公司 (Jinchuan Group Co., Ltd.), a stated-owned enterprise established in the PRC and the controlling shareholder of the Company
“Lanzhou Jinchuan”	蘭州金川新材料科技有限公司 (Lanzhou Jinchuan Advanced Materials Technology Co., Ltd.*), a company incorporated in the PRC, approximately 99% interest of which is indirectly held by Jinchuan Group
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“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
“Proposed Annual Caps”	the proposed annual caps in respect of the Continuing Connected Transactions for the years ending 31 December 2016, 2017 and 2018, respectively
“Ruashi Mine”	an opencast oxide copper and cobalt mine owned by Ruashi Mining and situated in the DRC on the outskirts of Lubumbashi, the capital of Katanga province and processing operations within exploitation permit number 578
“Ruashi Mining”	Ruashi Mining SAS (formerly named as Ruashi Mining Sprl), a company duly incorporated in the DRC and a subsidiary of Ruashi Holdings (Proprietary) Limited, a company incorporated in South Africa and held as to 75% by Metorex (Proprietary) Limited (an indirect wholly-owned subsidiary of the Company)
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong

* For identification purpose only

“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)
“South Africa”	the Republic of South Africa
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the meaning ascribed to it under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“US\$”	US dollars, the lawful currency of the United States
“%”	per cent.

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
Mr. Yang Zhiqiang
Chairman

Jinchang City, Gansu Province, the People’s Republic of China
2 December 2015

As at the date of this announcement, the Board comprises five executive directors, namely Mr. Yang Zhiqiang, Mr. Zhang Sanlin, Mr. Peter Geoffrey Albert, Mr. Zhang Zhong and Mr. Chen Dexin; and three independent non-executive directors, namely Mr. Wu Chi Keung, Mr. Yen Yuen Ho, Tony and Mr. Neil Thacker Maclachlan.