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JINCHUAN金川

JINCHUAN GROUP INTERNATIONAL RESOURCES CO. LTD

金川集團國際資源有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2362)

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

Reference is made to the 2013 Circular in relation to the 2013 CCT Agreement entered into between the Company and Jinchuan. As the 2013 CCT Agreement in respect of the 2013 Continuing Connected Transactions will expire on 31 December 2016 and the Company intends to continue the trading of Mineral and Metal Products with the Jinchuan Group, the Company and Jinchuan have entered into the 2016 CCT Agreement on 29 November 2016.

The 2016 CCT Agreement has been entered into between the Company and Jinchuan for the trading of Mineral and Metal Products between the Group and the Jinchuan Group for the three years commencing 1 January 2017 up to 31 December 2019. The transactions contemplated under the 2016 CCT Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Based on the Proposed Annual Caps, the 2016 CCT Agreement and the 2016 Continuing Connected Transactions are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The Company will seek approval from the Independent Shareholders for the 2016 CCT Agreement and the 2016 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 2016 CCT Agreement; (2) a letter from the Independent Board Committee setting out its recommendations in connection with the 2016 CCT Agreement and the 2016 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 2016 CCT Agreement and the 2016 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 13 December 2016.

If the Independent Shareholders' approval for the 2016 CCT Agreement is not obtained at the EGM, the 2016 Continuing Connected Transactions as provided in the 2016 CCT 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

Reference is made to the 2013 Circular in relation to the 2013 CCT Agreement entered into between the Company and Jinchuan, the 2015 Circular in relation to the 2015 Cobalt Agreement entered into between Golden Harbour and Lanzhou Jinchuan, and the 2016 Circular in relation to the 2016 Cobalt Supplemental Agreement which is supplemental to the 2015 Cobalt Agreement entered into between Golden Harbour and Lanzhou Jinchuan. As the 2013 CCT Agreement in respect of the 2013 Continuing Connected Transactions will expire on 31 December 2016 and the Company intends to continue the trading of Mineral and Metal Products with the Jinchuan Group, the Company and Jinchuan have entered into the 2016 CCT Agreement on 29 November 2016.

The 2016 CCT Agreement has been entered into between the Company and Jinchuan for the trading of Mineral and Metal Products between the Group and the Jinchuan Group for the three years commencing 1 January 2017 up to 31 December 2019. The transactions contemplated under the 2016 CCT Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. As the terms of the 2016 CCT Agreement also specifically cover cobalt and its related products, in determining the Proposed Annual Caps under the 2016 CCT Agreements and the 2016 Continuing Connected Transactions, the calculation of such Proposed Annual Caps have also included the supply of cobalt hydroxide produced by Ruashi Mining to Lanzhou Jinchuan under the 2015 Cobalt Agreement (as supplemented by the 2016 Cobalt Supplemental Agreement) and the relevant annual caps will be consolidated under the 2016 CCT Agreement if the 2016 Continuing Connected Transactions are approved by the Independent Shareholders at the EGM.

CONTINUING CONNECTED TRANSACTIONS

As at the date of this announcement, Jinchuan is a controlling shareholder of the Company. Through its wholly-owned subsidiaries, Jinchuan indirectly owns 3,263,022,857 Shares, representing approximately 75.0% of the issued share capital of the Company.

Accordingly, Jinchuan is a connected person of the Company under Chapter 14A of the Listing Rules and the transactions contemplated under the 2016 CCT Agreement will constitute continuing connected transactions for the Company.

Based on the Proposed Annual Caps, the 2016 CCT Agreement and the 2016 Continuing Connected Transactions are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The Company will seek approval from the Independent Shareholders for the 2016 CCT Agreement and the 2016 Continuing Connected Transactions (including the Proposed Annual Caps) at the EGM. Jinchuan and its close associates will abstain from voting on the resolution concerning the 2016 CCT Agreement and the 2016 Continuing Connected Transactions (including the Proposed Annual Caps) at the EGM.

SUMMARY OF THE 2016 CCT AGREEMENT

The principal terms of the 2016 CCT Agreement are summarized as follows:

- | | |
|-----------------|---|
| Date: | 29 November 2016 |
| Parties: | The Company (as vendor)
Jinchuan (as purchaser) |
| Subject Matter: | Pursuant to the 2016 CCT Agreement: <ul style="list-style-type: none">(i) The Company has agreed to sell to Jinchuan, and Jinchuan has agreed to purchase from the Company, the Mineral and Metal Products that the Group sourced from third parties or produced by the mines of the Group; and(ii) The Company has agreed to cause the Group to sell to the Jinchuan Group, and Jinchuan has agreed to cause the Jinchuan Group (for the purpose of this announcement, excluding the Group) to purchase from the Group, the Mineral and Metal Products. |

Conditions Precedent:	The undertaking of the 2016 Continuing Connected Transactions is conditional upon the Company obtaining the Independent Shareholders' approval at the EGM for the 2016 CCT Agreement, the 2016 Continuing Connected Transactions and the Proposed Annual Caps in respect of the 2016 Continuing Connected Transactions.
Basis of the trading prices of the Mineral and Metal Products:	The trading prices of the Mineral and Metal Products are determined by reference to the prices of copper, nickel, cobalt and other relevant metals as announced by the London Metal Exchange, the London Bullion Market Association and/or the Metal Bulletin, subject to certain adjustments to be made in accordance with the relevant market practices.
General transaction principles:	The relevant parties shall enter into separate contracts for trading of the Mineral and Metal Products under the 2016 CCT Agreement on normal commercial terms and on terms no less favourable than terms available from independent third parties.

As the terms of the 2016 CCT Agreement also specifically cover cobalt and its related products, in determining the Proposed Annual Caps under the 2016 CCT Agreements and the 2016 Continuing Connected Transactions, the calculation of such Proposed Annual Caps have also included the supply of cobalt hydroxide produced by Ruashi Mining to Lanzhou Jinchuan under the 2015 Cobalt Agreement (as supplemented by the 2016 Cobalt Supplemental Agreement) and the relevant annual caps will be consolidated under the 2016 CCT Agreement if the 2016 Continuing Connected Transactions are approved by the Independent Shareholders at the EGM. For the avoidance of doubt, the 2015 Cobalt Agreement (as supplemented by the 2016 Cobalt Supplemental Agreement) will not be superseded or substituted by the 2016 CCT Agreement and will continue to be valid and in full force. With respect to the summary of terms of the 2015 Cobalt Agreement and its amendments thereof pursuant to the 2016 Cobalt Supplemental Agreement (including the pricing mechanism and the basis of the selling prices of the cobalt contained in the cobalt hydroxide as agreed between Golden Harbour and Lanzhou Jinchuan), please refer to the 2015 Circular and 2016 Circular for further details.

HISTORICAL ANNUAL CAPS AND TRADING AMOUNTS UNDER THE 2013 CCT AGREEMENT AND THE 2015 COBALT AGREEMENT

The following table sets out the historical annual caps under the 2013 CCT Agreement (as disclosed in the 2013 Circular) and the historical trading amounts of Mineral and Metal Products between the Group and the Jinchuan Group under the 2013 CCT Agreement, respectively, for the periods indicated below:

	Year ended 31 December 2014 (USD)	Year ended 31 December 2015 (USD)	Year ending 31 December 2016 (USD)
Historical annual caps	<u>1,000 million</u>	<u>1,200 million</u>	<u>1,500 million</u>
	Year ended 31 December 2014 (USD)	Year ended 31 December 2015 (USD)	Six months ended 30 June 2016 (USD)
Historical trading amounts	<u>113.7 million</u>	<u>60.6 million</u>	<u>16.6 million</u>

The following table sets out the historical annual caps and historical trading amounts of cobalt hydroxide between Golden Harbour and Lanzhou Jinchuan under the 2015 Cobalt Agreement, respectively, for the periods indicated below:

	Year ending 31 December 2016 (USD)	Year ending 31 December 2017 (USD)	Year ending 31 December 2018 (USD)
Historical annual caps	<u>106 million</u>	<u>106 million</u>	<u>106 million</u>
	Six months ended 30 June 2016 (USD)		
Historical trading amounts	<u>16.2 million</u>		

PROPOSED ANNUAL CAPS UNDER THE 2016 CCT AGREEMENT

The following table sets out the Proposed Annual Caps in respect of the 2016 Continuing Connected Transactions:

	Year ending 31 December		
	2017 (USD)	2018 (USD)	2019 (USD)
Proposed annual caps	<u>300 million</u>	<u>500 million</u>	<u>700 million</u>

The Proposed Annual Caps are determined by reference to: (i) the respective financial resources of the parties to the 2016 CCT Agreement; (ii) the respective needs of the business development of the Group and the Jinchuan Group; (iii) the expanded scope of Mineral and Metal Products that the Group sourced from third parties or produced by the mines of the Group pursuant to the 2016 CCT Agreement, in particular the inclusion of the supply of cobalt and its related products (having taken into account the potential output fluctuations); (iv) historical and prevailing prices of the Mineral and Metal Products; (v) historical trading amounts, including those under the 2013 CCT Agreement and the 2015 Cobalt Agreement; (vi) possible fluctuations in prices of the Mineral and Metal Products in the future; and (vii) a buffer to cater for potential business growth.

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 price of the Mineral and Metal Products and the demand of Jinchuan Group. The Proposed Annual Caps have no direct relationship to, nor should be taken to have any bearing on, the Group's financial or potential financial performance.

REASONS FOR AND BENEFITS OF THE 2016 CONTINUING CONNECTED TRANSACTIONS

The principal business of the Company and its subsidiaries is in the mining operation and the trading of mineral and metal products. The Company has a significant portfolio of mineral assets and has successfully repositioned itself as an international upstream non-ferrous metals company.

Jinchuan is a large scale non-ferrous metals mining conglomerate, specialising in mining, concentrating, metallurgy, chemical engineering and further downstream processing. Its principal business includes the production of nickel, copper, cobalt, platinum group metals, non-ferrous metal plates, chemical products and chemicals of non-ferrous metals.

The Board believes that the proposed 2016 CCT Agreement and the 2016 Continuing Connected Transactions would consolidate existing arrangements in respect of the trading of Mineral and Metal Products under one coherent framework agreement (including preserving the existing arrangement in respect of the trading of cobalt hydroxide between Golden Harbour and Lanzhou Jinchuan pursuant to the 2015 Cobalt Agreement (which is supplemented by the 2016 Cobalt Supplemental Agreement), the further details of which are disclosed in the 2015 Circular and the 2016 Circular) and broaden the revenue bases of the Company and its subsidiaries in fulfilling the long-term demand by Jinchuan Group for such Mineral and Metal Products. Such proposed arrangements will continue to help developing 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.

Furthermore, the arrangement between the Group and the Jinchuan Group under the 2016 CCT Agreement is non-exclusive and there should be no bias or preference for the Group to deal with Jinchuan Group.

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

- (a) the terms and conditions of the 2016 CCT 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 are fair and reasonable; and
- (c) the 2016 CCT Agreement and the 2016 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.

In particular, the Directors (except the independent non-executive Directors whose view will be formed after obtaining the advice of the Independent Financial Adviser) believe that the pricing mechanism as provided in the 2016 CCT Agreement is fair and reasonable. The trading prices of the Mineral and Metal Products are determined by reference to the prices of copper, nickel, cobalt and other relevant metals as announced by the London Metal Exchange, the London Bullion Market Association and/or the Metal Bulletin, subject to certain adjustments taking into account various factors including, among other things, the treatment and refinery charges, bank financing and related charges, foreign exchange differences and the Company's reasonable profit margin (on top of the aforementioned costs).

With respect to the pricing mechanism in determining the trading prices of cobalt contained in cobalt hydroxide, it is a market practice for metal traders to adopt pricing mechanisms that use, in line with market practice with respect to the relevant metal, a certain percentage of the prices quoted by a recognised publisher or on a recognised exchange, subject to certain adjustments according to the metal content and quality. The setting of a benchmark by reference to the Metal Bulletin is considered to be appropriate as it is the premium intelligence service for metal and steel professionals and is a recognised publisher of reference prices for long-term cobalt trading contracts.

If the Independent Shareholders' approval for the 2016 CCT Agreement is not obtained at the EGM, the 2016 Continuing Connected Transactions as provided in the 2016 CCT 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.

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 2016 CCT Agreement and the 2016 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, (1) a letter from the Board containing further details of the 2016 CCT Agreement; (2) a letter from the Independent Board Committee setting out its recommendations in connection with the 2016 CCT Agreement and the 2016 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 2016 CCT Agreement and the 2016 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 13 December 2016.

DEFINITIONS

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

“2013 CCT Agreement”	the framework agreement dated 2 December 2013 entered into between the Company and Jinchuan for trading of Mineral and Metal Products between the Group and the Jinchuan Group
“2013 Circular”	the circular of the Company in relation to the 2013 CCT Agreement dated 11 December 2013
“2013 Continuing Connected Transactions”	collectively, the continuing connected transactions between the Group and the Jinchuan Group for the period from 1 January 2014 to 31 December 2016 under the 2013 CCT Agreement
“2015 Circular”	the circular issued by the Company dated 21 December 2015 in relation to the 2015 Cobalt Agreement
“2015 Cobalt Agreement”	the agreement dated 2 December 2015 entered into between Golden Harbour and Lanzhou Jinchuan for the sale and purchase of cobalt hydroxide produced by Ruashi Mining, as supplemented by the 2016 Cobalt Supplemental Agreement
“2016 CCT Agreement”	the framework agreement dated 29 November 2016 entered into between the Company and Jinchuan for trading of Mineral and Metal Products between the Group and the Jinchuan Group for the three years commencing 1 January 2017 up to 31 December 2019
“2016 Circular”	the circular issued by the Company dated 15 July 2016 in relation to the 2016 Cobalt Supplemental Agreement

“2016 Cobalt Supplemental Agreement”	the supplemental agreement dated 15 June 2016 entered into between Golden Harbour and Lanzhou Jinchuan for the sale and purchase of the cobalt hydroxide produced by Ruashi Mining, the terms of which are supplementing the 2015 Cobalt Agreement
“2016 Continuing Connected Transactions”	collectively, the continuing connected transactions between the Group and the Jinchuan Group contemplated under the 2016 CCT Agreement
“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“close associates”	has the meaning ascribed to it under the Listing Rules
“Company”	Jinchuan Group International Resources Co. Ltd, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
“connected person”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting to be convened for, among other matters, approving the 2016 CCT Agreement and the 2016 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”	collectively, the Company and its subsidiaries and associates controlled by the Company from time to time

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board, consisting of the three independent non-executive Directors, established to advise the Independent Shareholders in connection with the 2016 CCT Agreement and the 2016 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 Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), is the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in connection with the 2016 CCT Agreement and the 2016 Continuing Connected Transactions (including the Proposed Annual Caps)
“Independent Shareholders”	the Shareholders but excluding Jinchuan and its close associates
“Jinchuan”	金川集團股份有限公司 (Jinchuan Group Co., Ltd.*), a stated-owned enterprise established in the PRC and the controlling shareholder of the Company
“Jinchuan Group”	collectively, Jinchuan and its subsidiaries and associates controlled by it from time to time, for the purpose of this announcement, excluding the Group
“Lanzhou Jinchuan”	蘭州金川新材料科技股份有限公司 (Lanzhou Jinchuan Advanced Materials Technology Co., Ltd.*), a company incorporated in the PRC, approximately 99% interest of which is indirectly held by Jinchuan

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Metal Bulletin”	a premium intelligence service for metal and steel professionals, being part of the Euromoney Institutional Investor Plc Group of companies and a recognised publisher of reference prices for long-term cobalt trading contracts which are timely published on its designated website (www.metalbulletin.com) for subscribed members and publications
“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, the scope of which is detailed in the 2013 CCT Agreement and 2016 CCT Agreement respectively, including but not limited to copper or nickel ores and concentrates, copper or nickel cathodes and other forms of copper, nickel or other metals bearing raw materials, and the 2016 CCT Agreement also specifically covers cobalt and its related products
“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 2016 Continuing Connected Transactions for the years ending 31 December 2017, 2018 and 2019 respectively
“Ruashi Mining”	Ruashi Mining SAS, a company incorporated in the Democratic Republic of Congo 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)
“Share(s)”	ordinary shares of HK\$0.01 each in the issued share capital of the Company

“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the meaning ascribed to it under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“USD”	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
Wong Tak Chuen
Company Secretary

Hong Kong
29 November 2016

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

* *For identification purpose only*