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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)**

**EXCEEDING OF ANNUAL CAP  
FOR A CONTINUING CONNECTED TRANSACTION**

During a review of the trading data for the month of December 2017 in January 2018, the Group discovered that the 2017 Transaction Amount exceeded the 2017 Annual Cap. The 2017 Annual Cap was exceeded mainly due to an unexpected surge in the price and demand for cobalt particularly in the fourth quarter of 2017 and the oversight of the sale figure of copper blister to Jinchuan Group for 2017.

As the 2017 Transaction Amount exceeded the 2017 Annual Cap, the Company is in the process of re-complying with the reporting, announcement and Independent Shareholders' approval requirements. The Board will seek the approval of the Independent Shareholders, among other things, to approve the Ratification at the EGM. Jinchuan and its close associates will abstain from voting on the relevant resolution(s) to be passed at the EGM.

The Company has established an independent board committee, comprising all the independent non-executive Directors, to advise the Independent Shareholders in connection with the Ratification. The Company has appointed Altus as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Ratification.

A circular of the EGM containing, among others, (i) details of the Ratification; (ii) the advice and recommendations from the Independent Board Committee in respect of the Ratification; (iii) a letter from the independent financial adviser containing its advice to the Independent Board Committee and the Independent Shareholders in respect of the Ratification; and (iv) a notice of the EGM will be dispatched to the Shareholders in due course.

Reference is made to (1) 2016 Announcement in relation to the Continuing Connected Transactions under the 2016 CCT Agreement, and (2) the 2017 Announcement and the circular dated 12 January 2017 in relation to the revision of the 2017-2019 Annual Caps of the Continuing Connected Transactions under the 2016 CCT Agreement.

## **THE 2017 ANNUAL CAP BEING EXCEEDED**

During a review of the trading data for the month of December 2017 in January 2018, the Group discovered that the 2017 Transaction Amount exceeded the 2017 Annual Cap. The 2017 Annual Cap was exceeded mainly due to an unexpected surge in the price and demand for cobalt particularly in the fourth quarter of 2017 and the oversight of the sale figures of copper blister to Jinchuan Group for 2017.

### *Background relating to the determination of the 2017 Annual Cap*

Prior to 2017, the continuing connected transactions between the Group and Jinchuan Group was primarily classified under two categories, i.e. the continuing connected transactions regarding the trading of mineral and metal products between the Group and Jinchuan Group and the continuing connected transactions regarding the sale and purchase of cobalt hydroxide produced by Ruashi Mining under the 2015 Cobalt Agreement. The approved annual cap for 2016 for the above categories was USD1,500 million and USD106 million, respectively.

The 2013 CCT Agreement expired on 31 December 2016. Upon renewal of the annual caps for 2017-2019 of the Continuing Connected Transactions under the 2016 CCT Agreement, the Group consolidated the annual caps for both the trading of mineral and metal products and the sale and purchase of cobalt hydroxide produced by Ruashi Mining into one category, i.e. Mineral and Metal Products. As mentioned in the 2016 Announcement, the 2017-2019 Annual Caps in relation to the Continuing Connected Transactions were estimated to be approximately USD300 million, USD500 million and USD700 million for the years ending 31 December 2017, 2018 and 2019, respectively. However, taking into account of the historical transaction amount of the continuing connected transactions between the Group and Jinchuan Group and the under-utilisation of the annual caps in relation to the supply of cobalt hydroxide produced by Ruashi Mining to Lanzhou Jinchuan under the 2015 Cobalt Agreement, the Company, as mentioned in the 2017 Announcement, considered it would be more conservative to reduce the 2017-2019 Annual Caps to USD165 million, USD190 million and USD200 million, respectively. The 2017-2019 Annual Caps were approved by the then Independent Shareholders at the extraordinary general meeting of the Company held on 27 January 2017.

### *Basis of determining the 2017 Annual Cap*

As further disclosed in the 2017 Announcement and the circular dated 12 January 2017, the 2017-2019 Annual Caps were determined by reference to, among others, the (1) historical and prevailing prices of the Mineral and Metal Products; and (2) historical trading amounts, including those under the 2013 CCT Agreement and the 2015 Cobalt Agreement. Such estimation was based on information then available to the Group and that the actual utilization and sufficiency of the 2017-2019 Annual Caps would depend on a number of actors, including but not limited to, the price of the Mineral and Metal Products and the demand of such product by Jinchuan Group which are beyond the control of the Group.

Due to recession of the non-ferrous metal industry in around 2015-2016, the copper and cobalt prices reached the historical low price level. The Group's trading of Mineral and Metal Products at that time was largely impacted by the global weak metal commodity market. Against such background, the 2017 Annual Cap was determined based on, among other things, the then price trend of the Mineral and Metal Products for 2017 to 2019 and the historical trend of demand of such product by Jinchuan Group.

### *Reasons for the rise in price and demand for cobalt*

However, in 2017, the cobalt market regained momentum. Cobalt benchmark Metal Bulletin price surged from approximately USD14.25/lb as at 31 December 2016 to approximately USD35/lb as at 31 December 2017. In 2017, the cobalt price surged approximately 126% compared with the price in 2016. During 2016 and 2017, the Group conducted a series of technical innovation and efficiency improvement in the operation level of the Group's mining, the Group's total cobalt production volume increased in 2017. In particular, the cobalt price surged and the total transaction volume for cobalt products increase significantly in the fourth quarter of 2017.

### *Reasons for the oversight of the sales of copper blister to Jinchuan Group for 2017*

In 2017, the Group renewed copper blister annual supply contract with Sky Hero, which is a subsidiary of Jinchuan. The copper blister sold to Sky Hero amounted to approximately USD23.4 million (unaudited) at quantity of 3,857 tonnes. For those transactions, the Group earned an aggregate of USD58,000 (unaudited) as profit. Due to low profitability in copper blister transactions, the Group's management team reviewed the strategy and decided to decrease such type of business since the third quarter of 2017. However, due to an oversight and coupled with the fact that the trader in charge of such business left the Group by end of September 2017, only the profit from copper blister (which being USD58,000), rather than the trading revenue of copper blister (which being

USD23.4 million) was recorded in the calculation of the transaction amount of the Continuing Connected Transactions for 2017.

As a result, the 2017 Transaction Amount has exceeded the 2017 Annual Cap. After final review by the finance team of the Group, the 2017 Transaction Amount would exceed the 2017 Annual Cap by approximately USD47 million (unaudited), or approximately 28.48%.

## **POSSIBLE REVISION OF THE ANNUAL CAPS**

Further, in light of the continuous business development with Jinchuan Group and the price trend of the copper and cobalt prices, the Group is considering revising the annual caps in respect of the Continuing Connected Transactions for the years ending 31 December 2018 and 2019 respectively, and, if possible, setting an annual cap by entering into a supplemental agreement in respect of the Continuing Connected Transactions for the year ending 31 December 2020. The Company will make further announcement and convene shareholders' meeting in relation to the aforesaid pursuant to the requirements of the Listing Rules as and when appropriate.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, Jinchuan is a controlling Shareholder of the Company. Through its wholly-owned subsidiaries, Jinchuan indirectly owns 3,041,152,857 Shares, representing approximately 62.9% 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 2016 Continuing Connected Transactions constitute continuing connected transactions of the Company. Pursuant to Rule 14A.54(1) of the Listing Rules, the Company is required to re-comply with the announcement and shareholders' approval requirements before the 2017 Annual Cap is exceeded. The continuation of the Continuing Connected Transactions under the 2016 CCT Agreement in 2017 after exceeding the 2017 Annual Cap without obtaining the Independent Shareholders' approval on a timely basis constituted a breach of the Listing Rules.

As the 2017 Transaction Amount exceeded the 2017 Annual Cap, the Company is in the process of re-complying with the reporting, announcement and Independent Shareholders' approval requirements. The Board will seek the approval of the Independent Shareholders, among other things, to approve the Ratification at the EGM. Jinchuan and its close associates will abstain from voting on the relevant resolution(s) to be passed at the EGM.

The Company has established an independent board committee, comprising all the independent non-executive Directors, to advise the Independent Shareholders in connection with the Ratification. The Company has appointed Altus as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Ratification.

A circular of the EGM containing, among others, (i) details of the Ratification; (ii) the advice and recommendations from the Independent Board Committee in respect of the Ratification; (iii) a letter from the independent financial adviser containing its advice to the Independent Board Committee and the Independent Shareholders in respect of the Ratification; and (iv) a notice of the EGM will be despatched to the Shareholders as soon as practicable.

### **MEASURES ADOPTED BY THE COMPANY FOR FUTURE COMPLIANCE**

The Directors consider that the failure to re-comply with the requirements under Rule 14A.54(1) of the Listing Rules on a timely basis, which was inadvertent and regretful, was an isolated event. In order to avoid any occurrence of similar events in the future, the Company has taken necessary and additional measures to strengthen the reporting and documentation system of the Company and its subsidiaries including:

1. updating the trend of trading prices of the Mineral and Metal Products regularly by taking into account the development of the Group and market conditions;
2. conducting more frequent reviews on the aggregate volume of the Continuing Connected Transactions and checking with the trading department on the forecast over the volume of the Continuing Connected Transactions to avoid the approved annual cap regarding the Continuing Connected Transactions from being exceeded;
3. expediting the data collection process within the Group including the connected relationship between members within Jinchuan Group and the Group so as to assure all necessary requirements of the Listing Rules are complied with; and
4. enhancing the supervision of the Continuing Connected Transactions of the Group by providing trading data, on a monthly basis, for review by the management and members of the risk management committee and the audit committee of the Company.

In addition, the Company will also make timely announcement(s) and seek Independent Shareholders' pre-approval, initiated by the Board, in the event that any adjustment to an annual cap becomes foreseeable, based on the monthly reports submitted.

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

“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
“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 Announcement”	the announcement of the Company dated 29 November 2016 in relation to the renewal of the Continuing Connected Transactions for 2017 to 2019
“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 from 1 January 2017 up to 31 December 2019
“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
“2017 Announcement”	the announcement of the Company dated 11 January 2017 in relation to the revision of the 2017-2019 Annual Caps under the 2016 CCT Agreement

“2017 Annual Cap”	the annual cap of USD165 million for the trading of Mineral and Metal Products between the Group and the Jinchuan Group for the year ended 31 December 2017 as approved by the then Independent Shareholders at the extraordinary general meeting of the Company held on 27 January 2017
“2017 Transaction Amount”	the aggregate transaction amount for the trading of Mineral and Metal Products between the Group and the Jinchuan Group in the sum not exceeding USD212 million under the 2016 CCT Agreement for the year ended 31 December 2017
“2017-2019 Annual Caps”	the annual caps in respect of the Continuing Connected Transactions for the years ending 31 December 2017, 2018 and 2019, respectively
“Altus”	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 Ratification
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“close associate”	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 (stock code: 2362)
“connected person”	has the meaning ascribed to it under the Listing Rules



“Continuing Connected Transactions”	collectively, the continuing connected transactions for the trading of Mineral and Metal Products between the Group and the Jinchuan Group contemplated under the 2016 CCT Agreement
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting expected to be convened by the Company in April 2018 for, among other matters, approving the Ratification
“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 Ratification
“Independent Shareholders”	Shareholders other than Jinchuan and its 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, and 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.metbulletin.com) on a twice-a-week basis 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, 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, cobalt and its related products
“PRC”	the People’s Republic of China, and for the purposes of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Ratification”	the ratification of the 2017 Annual Cap by an amount equal to the 2017 Transaction Amount
“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)
“Sky Hero”	Sky Hero (Hong Kong) Limited, a subsidiary of Jinchuan
“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.*

\* *For identification purposes only*

By order of the Board  
**Jinchuan Group International Resources Co. Ltd**  
**Gao Tianpeng**  
*Executive Director*

Hong Kong, 9 February 2017

*As at the date of this announcement, the Board comprises two executive directors, namely Mr. Gao Tianpeng and Mr. Qiao Fugui; three non-executive directors, namely Mr. Chen Dexin, Mr. Zhang Youda and Mr. Zeng Weibing; and three independent non-executive directors, namely Mr. Wu Chi Keung, Mr. Yen Yuen Ho, Tony and Mr. Poon Chiu Kwok.*