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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)

PROPOSED REVISED ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS

With the surge in the price and demand for cobalt, which coupled with the significant improvement to the productivity and sales volume of cobalt products, the Company and Jinchuan expect that the annual transaction amounts of the Continuing Connected Transactions for the year ending 31 December 2018 and 2019 between the Group and Jinchuan Group under the 2016 CCT Agreement will exceed the approved annual caps based on their respective business projections. Given that the term of the 2016 CCT Agreement will expire by end of December 2019 and that the Company expects that the market environment in which the Company operates will continue to improve, on 6 April 2018 (1) the Company and Jinchuan entered into the 2018 CCT Supplemental Agreement to extend the term and to revise the annual caps of the Continuing Connected Transactions under the 2016 CCT Agreement; and (2) Golden Harbour and Lanzhou Jinchuan entered into the 2018 Cobalt Agreement to revise the terms relating to the sale and purchase of the cobalt hydroxide.

As at the date of this announcement, through its wholly-owned subsidiaries, Jinchuan indirectly owns 2,975,152,857 Shares, representing approximately 61.5% 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 Continuing Connected Transactions constitute continuing connected transactions of the Company.

In respect of the Proposed Revised Annual Caps under the 2016 CCT Agreement (as supplemented by the 2018 CCT Supplemental Agreement) (including for the avoidance of doubt the 2018 Cobalt Agreement), as one or more of the applicable percentage ratios exceeds 5% as calculated in accordance with Rule 14.07 of the Listing Rules, the 2018 CCT Supplemental Agreement (including for the avoidance of doubt the 2018 Cobalt Agreement) and the Proposed Revised Annual Caps contemplated thereunder are subject to reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The Board will seek the approval of the Independent Shareholders, among other things, to approve the 2018 CCT Supplemental Agreement (including for the avoidance of doubt the 2018 Cobalt Agreement) and the Proposed Revised Annual Caps contemplated thereunder at the EGM. Jinchuan and its associates will abstain from voting on the 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 2018 CCT Supplemental Agreement (including for the avoidance of doubt the 2018 Cobalt Agreement) and the Proposed Revised Annual Caps contemplated thereunder. The Company has appointed Altus as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the 2018 CCT Supplemental Agreement (including for the avoidance of doubt the 2018 Cobalt Agreement) and the Proposed Revised Annual Caps contemplated thereunder.

A circular of the EGM containing, among other things, (i) further details of the 2018 CCT Supplemental Agreement, the 2018 Cobalt Agreement and the Proposed Revised Annual Caps; (ii) the advice and recommendations from the Independent Board Committee in respect of the 2018 CCT Supplemental Agreement, the 2018 Cobalt Agreement and the Proposed Revised Annual Caps; (iii) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders in respect of the 2018 CCT Supplemental Agreement (including for the avoidance of doubt the 2018 Cobalt Agreement) and the Proposed Revised Annual Caps; and (iv) a notice of the EGM will be dispatched to the Shareholders on or before 9 May 2018.

Reference is made to (1) 2016 Announcement in relation to the Continuing Connected Transactions under the 2016 CCT Agreement; (2) the 2015 Circular and the 2016 Circular in relation to the 2015 Cobalt Agreement (as supplemented by the 2016 Cobalt Supplemental Agreement); (3) the 2017 Announcement and the 2017 Circular in relation to the revision of the 2017-2019 Annual Caps of the Continuing Connected Transactions under the 2016 CCT Agreement; and (4) the 2018 Announcement.

RELATIONSHIP BETWEEN THE GROUP AND JINCHUAN GROUP

The Company was acquired by Jinchuan Group in November 2010 and since then has been serving as the flagship and listed international base metals platform of Jinchuan Group for undertaking overseas operations in the exploration and exploitation of mining assets and related trading of raw materials and products of nonferrous metal including, copper and cobalt, while it continues to leverage on the background and expertise of Jinchuan Group to pursue mining investment opportunities.

The Continuing Connected Transactions align with the business strategy of the Group. The 2016 CCT Agreement and the Continuing Connected Transactions thereunder represent a continuation of the long-term relationship between the Group and Jinchuan Group which had been and will continue to be conducted in the ordinary and usual course of business of the Group.

Golden Harbour is indirectly wholly-owned by the Company. Lanzhou Jinchuan is a company incorporated in the PRC, approximately 99% interest of which is indirectly held by Jinchuan. The principal business activities of Lanzhou Jinchuan are new materials development, production and sales, re-utilisation, processing and related technical services of mineral and metal products.

BACKGROUND

Background relating to the 2015 Cobalt Agreement (as supplemented by the 2016 Cobalt Supplemental Agreement)

Jinchuan Group entered into an off-take agreement for cobalt carbonate and/or cobalt hydroxide with Ruashi Mining on 20 August 2007 (the “**Cobalt Off-take Agreement**”) (as amended and novated from time to time), pursuant to which Ruashi Mining agreed to sell and Jinchuan Group agreed to purchase cobalt carbonate and/or cobalt hydroxide to be produced by Ruashi Mining.

Since July 2011, Lanzhou Jinchuan has been taking deliveries of contained cobalt metals from Ruashi Mining pursuant to the Cobalt Off-take Agreement (which arrangements have been formalised by the relevant parties following completion of the acquisition by the Company of the entire equity interest in Jin Rui Mining Investment Limited in November 2013). The parties have also agreed that the term of the Cobalt Off-take Agreement would continue until 31 December 2015.

On 2 December 2015, Golden Harbour entered into the 2015 Cobalt Agreement with Lanzhou Jinchuan, pursuant to which Golden Harbour has agreed to sell and Lanzhou Jinchuan has agreed to purchase the cobalt hydroxide produced by Ruashi Mining, and further sold to Golden Harbour under the purchase and sale contract for cobalt hydroxide entered into between Golden Harbour and Ruashi Mining dated 2 December 2015.

On 15 June 2016, Golden Harbour and Lanzhou Jinchuan entered into the 2016 Cobalt Supplemental Agreement to amend certain terms of the 2015 Cobalt Agreement. The approved annual caps in respect of the continuing connected transactions under the 2015 Cobalt Agreement (as supplemented by the 2016 Cobalt Supplemental Agreement) for 2016, 2017 and 2018 were all set at USD106 million.

Background relating to the determination of the 2017-2019 Annual Caps

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 as supplemented by the 2016 Cobalt Supplemental Agreement. The approved annual cap in respect of the continuing connected transaction under the 2013 CCT Agreement for 2014, 2015 and 2016 were USD1,000 million, USD1,200 million and USD1,500 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 under the previous 2013 CCT Agreement and the sale and purchase of cobalt hydroxide produced by Ruashi Mining under the 2015 Cobalt Agreement (as supplemented by the 2016 Cobalt Supplemental Agreement) 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 initially 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 amounts 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 (as supplemented by the 2016 Cobalt Supplemental Agreement), the Company, as mentioned in the 2017 Announcement, considered it would be more conservative to reduce the 2017-2019 Annual Caps for the three years ending 31 December 2017, 2018 and 2019 to USD165 million, USD190 million and USD200 million, respectively. For the avoidance of doubt, the 2015 Cobalt Agreement (as supplemented by the 2016 Cobalt Supplemental Agreement) would not be superseded or substituted by the 2016 CCT Agreement and would continue to be valid and in full force. 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.

Background relating to the basis of determining the 2017-2019 Annual Caps

As set out in the 2017 Circular, the 2017-2019 Annual Caps were 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 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 product, including but not limited to the transactions contemplated under the remaining terms of the 2015 Cobalt Agreement (as supplemented by the 2016 Cobalt Supplemental Agreement) (having taken into account the potential output fluctuations); (iv) the historical and prevailing prices of the Mineral and Metal Products; (v) the historical trading amounts, including those under the 2013 CCT Agreement and the 2015 Cobalt Agreement (as supplemented by the 2016 Cobalt Supplemental Agreement); (vi) possible fluctuations in prices of the Minerals and Metal products in the future; and (vii) a buffer to cater for potential business growth.

It should, however, be noted that when the Company prepared the 2017 Circular and considered the 2017-2019 Annual Caps for the Continuing Connected Transactions under the 2016 CCT Agreement, the cobalt price was relatively low and remained stable. The Group's trading of Mineral and Metal Products at that time was largely impacted by the global weak metal commodity market. In addition, such estimation had not taken into account the fact that the Group conducted a series of technical innovation and efficiency improvement in the operation level of the Group's mining during the past two years, which resulted in a significant improvement in the productivity and the sales volume of cobalt products.

Exceeding of the 2017 Annual Cap and substantial usage of the annual cap for the year ending 31 December 2018

As mentioned in the 2018 Announcement, 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 in the fourth quarter of 2017 and the oversight of the sale figures of copper blister to Jinchuan Group for 2017. The Board is in the course of seeking the approval of the Independent Shareholders to approve, among other things, the Ratification at an extraordinary general meeting to be convened by the Company on 16 April 2018. Details of, among other things, the Ratification are set out in the circular despatched to Shareholders on 27 March 2018.

In addition, during the review of the latest management report of the Group as at 20 March 2018, it came to the attention of the Board that the total transaction amount (using current contract terms) received till end of February 2018 by the Group under the 2016 CCT Agreement was approximately US\$62 million (unaudited), which is approximately 33% of the annual cap for the year ending 31 December 2018 as approved by the then Independent Shareholders at the extraordinary general meeting of the Company held on 27 January 2017.

2018 CCT SUPPLEMENTAL AGREEMENT AND THE 2018 COBALT AGREEMENT

With the surge in the price and demand for cobalt, which coupled with the significant improvement to the productivity and sales volume of cobalt products, the Company and Jinchuan expect that the annual transaction amounts of the Continuing Connected Transactions for the year ending 31 December 2018 and 2019 between the Group and Jinchuan Group under the 2016 CCT Agreement will exceed the approved annual caps based on their respective business projections. Given that the 2016 CCT Agreement will expire by end of December 2019 and that the Company expects that the market environment in which the Company operates will continue to improve, on 6 April 2018, (1) the Company and Jinchuan entered into the 2018 CCT Supplemental Agreement to extend the term and to revise the annual caps of the Continuing Connected Transactions under the 2016 CCT Agreement; and (2) Golden Harbour and Lanzhou Jinchuan entered into the 2018 Cobalt Agreement to revise the terms relating to the sale and purchase of the cobalt hydroxide. The principal terms of the 2016 CCT Agreement (as supplemented by the 2018 CCT Supplemental Agreement) and the 2018 Cobalt Agreement are as follows:

Principal terms of the 2016 CCT Agreement (as supplemented by the 2018 CCT Supplemental Agreement)

Date

6 April 2018

Parties

- (i) the Company; and
- (ii) Jinchuan

Term

Subject to the fulfilment of the Conditions Precedent, the effective period of the 2016 CCT Agreement (as supplemented by the 2018 CCT Supplemental Agreement) shall be extended until 31 December 2020

Subject matter

Pursuant to the 2016 CCT Agreement (as supplemented by the 2018 CCT Supplemental Agreement):

- (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.

Condition Precedent

The undertaking of the Continuing Connected Transactions under the 2018 CCT Supplemental Agreement is conditional upon the Company obtaining the Independent Shareholders' approval at the EGM for the 2018 CCT Supplemental Agreement, the 2018 Cobalt Agreement, and the Proposed Revised Annual Caps.

Basis of the trading prices of the Mineral and Metal Products

The trading prices of the Mineral and Metal Products will be determined by reference to the prices of copper, nickel, cobalt and other relevant metals as announced by the LME, the LBMA and/or the Metal Bulletin, subject to certain adjustments to be made in accordance with the relevant market practices.

General transaction principles

The Continuing Connected Transactions should be conducted in accordance with the following general principles:

- (i) the Mineral and Metal Products provided by the Group should be of good quality and at fair and reasonable prices;
- (ii) the Group and Jinchuan Group should enter into separate contracts for trading of the Mineral and Metal Products contemplated under the 2016 CCT Agreement (as supplemented by the 2018 CCT Supplemental Agreement). Such trading contracts should comply with the relevant regulatory requirements in Hong Kong (including but not limited to the Listing Rules) and should 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 trading price (which shall be determined on the basis as described above), the delivery time and the payment terms. The terms of such trading contracts should be on normal commercial terms and should be no less favourable than those available to independent third parties; and

- (iii) the terms offered by the Group should be competitive in terms of the quality and trading price of the Mineral and Metal Products. Priority should only be given to the Group by Jinchuan Group if the quality and trading price of the Mineral and Metal Products provided by the Group to Jinchuan Group are no less favourable than those available from independent third parties.

Others

Save for the revisions to the term and the annual caps, the other terms of the 2016 CCT Agreement shall remain unchanged.

Principal terms of the 2018 Cobalt Agreement

Date

6 April 2018

Parties

- (i) Golden Harbour (as seller); and
- (ii) Lanzhou Jinchuan (as buyer)

Term

Subject to the fulfilment of the Conditions Precedent, the 2018 Cobalt Agreement shall replace the 2015 Cobalt Agreement (as supplemented by the 2016 Cobalt Supplemental Agreement) and shall commence from 1 January 2018 to 31 December 2020.

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.

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 2018 Cobalt Agreement and the transactions contemplated thereunder; and (ii) the Company having obtained the Independent Shareholders' approval at the EGM for the 2018 CCT Supplemental Agreement (including for the avoidance of doubt the 2016 Cobalt Agreement) and the Proposed Revised Annual Caps contemplated thereunder.

Basis of the selling prices of the cobalt contained in cobalt hydroxide

The selling price of the cobalt contained in cobalt hydroxide delivered by Golden Harbour is determined on basis of the Metal Bulletin cobalt price with a basis coefficient (subject to an adjustment based on the cobalt content and impurity element content in the metals):

- (i) when the Metal Bulletin cobalt price equals to or less than USD19.999/lb, the basis coefficient is 69.5%;
- (ii) when the Metal Bulletin cobalt price equals to or above USD20.0/lb but less than USD24.999/lb, the basis coefficient is 72.5%;
- (iii) when the Metal Bulletin cobalt price equals to or above USD25.0/lb but less than USD29.999/lb, the basis coefficient is 74.0%;
- (iv) when the Metal Bulletin cobalt price equals to or above USD30.0/lb but less than USD34.999/lb, the basis coefficient is 76.0%;
- (v) when the Metal Bulletin cobalt price equals to or above USD35.0/lb but less than USD39.999/lb, the basis coefficient is 77.0%; and
- (vi) when the Metal Bulletin cobalt price equals to or above USD40.0/lb, the basis coefficient is 78.0%.

If the cobalt content is equal to or above 30%, Lanzhou Jinchuan shall pay Golden Harbour an additional 1% of the purchase price. If the cobalt content is equal to or above 25%, then the price payable will be relevant base cobalt price coefficient (as set out above) of the average low quotation for cobalt low grade in the free market as published on the Metal Bulletin during the quotation period (which is a specified pricing period being the month of loading from the mine site of Ruashi Mine, Democratic Republic of Congo), with reference to “free carrier” trade terms under Incoterms 2010. If the cobalt content is below 25%, the price payable will be reduced depending on the actual cobalt content. Lanzhou Jinchuan has the right to reject the delivery if the cobalt content is below 20%. Such right of rejection is in line with the prevailing market practice as the custom authority of the PRC imposes relatively heavier tax on importing cobalt products with cobalt content below 20%. In addition, if the impurity element content in the metals exceeds certain percentages, the basis coefficient will also be reduced depending on the actual impurity element content.

Golden Harbour has also taken into account the purchasing costs of the cobalt hydroxide from Ruashi Mining and the shipping costs to determine the selling price to Lanzhou Jinchuan. Golden Harbour has agreed to deliver the cobalt hydroxide from the mine site of Ruashi Mine, Democratic Republic of Congo to Johannesburg, South Africa and Lanzhou Jinchuan has agreed to bear the transportation costs to be incurred for delivery of the cobalt hydroxide therefrom into respective country.

Quantity of cobalt hydroxide

An annual minimum purchase of 2,500 metric tonnes to an annual maximum hydroxide: purchase of 6,000 tonnes of cobalt hydroxide produced by the Ruashi Mine for each of the three calendar years from 1 January 2018 to 31 December 2020. If Golden Harbour fails to deliver cobalt hydroxide produced by Ruashi Mining in accordance with the annual minimum amount due to reasons other than force majeure, a grace period of 30 calendar days will be allowed to rectify such failure. In the event that Golden Harbour is unable to maintain deliveries, Golden Harbour and Lanzhou Jinchuan will negotiate in good faith to determine how quickly the situation may be resolved and what deliveries may be forthcoming. Should the parties fail to reach a solution within 15 Business Days of such a negotiation, Lanzhou Jinchuan has the right to claim compensation from Golden Harbour based on the damages caused by the failure in the delivery and the incremental direct costs incurred by Lanzhou Jinchuan in procuring an alternative supply of cobalt hydroxide.

HISTORICAL FIGURES, EXISTING ANNUAL CAPS AND THE PROPOSED REVISED ANNUAL CAPS

The following table sets out the historical annual caps for transactions and the historical trading amounts of Mineral and Metal Products between the Group and the Jinchuan Group, respectively, for the periods indicated below:

	Year ended 31 December 2015 (USD)	Year ended 31 December 2016 (USD)	Year ended 31 December 2017 (USD)	Year ending 31 December 2018 (USD)	Year ending 31 December 2019 (USD)
Historical annual caps:					
- under 2013 CCT Agreement or as the case may be 2016 CCT Agreement	1,200 million	1,500 million	165 million (note 1)	190 million	200 million
- under 2015 Cobalt Agreement (as supplemented)	N/A	106 million			
Historical trading amounts					
- under 2013 CCT Agreement or as the case may be 2016 CCT Agreement	60.6 million	26.9 million	209.6 million (note 2)	N/A (note 3)	N/A
- under 2015 Cobalt Agreement (as supplemented)	75.8 million	45 million			

Note:

1. The 2017 Annual Cap was exceeded. Subject to approval of the Ratification being obtained from Independent Shareholders, the 2017 Annual Cap shall be revised to the 2017 Transaction Amount.
2. The figure represented the actual transaction amount for Mineral and Metal Products under the 2016 CCT Agreement for the year ended 31 December 2017.
3. According to the information available to the Company, as at 20 March 2018, the total transaction amount received till end of February 2018 by the Group under the 2016 CCT Agreement was (using current contract terms) approximately US\$62 million (unaudited).

The following table sets out the Proposed Revised Annual Caps:

	Year ending 31 December 2018 (USD)	Year ending 31 December 2019 (USD)	Year ending 31 December 2020 (USD)
Proposed Revised Annual Caps	755 million	793 million	833 million

Shareholders should note that the Proposed Revised Annual Caps represent an estimate based on information currently available and that the actual utilisation and sufficiency of the Proposed Revised 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 or percentage of contributions of sales revenue to Jinchuan Group to the overall revenue of the Group over the term of the 2016 CCT Agreement (as supplemented by the 2018 CCT Supplemental Agreement) in the coming years.

BASIS OF DETERMINING THE PROPOSED REVISED ANNUAL CAPS

The Directors have determined the Proposed Revised Annual Caps for the Continuing Connected Transactions with reference to a number of factors, including, among other things,

- (i) The acute fluctuation of the price and demand for cobalt. The cobalt market is gaining its momentum since the later half of 2017. Cobalt benchmark Metal Bulletin price surged from approximately USD31,416 per tonne as at 31 December 2016 to approximately USD77,162 per tonne as at 31 December 2017, representing an increase of approximately 145.6%. The Company believes that the cobalt price will continue to remain at high level in the medium term.
- (ii) Improved productivity capacity of Ruashi Mine. During 2017, the Group conducted a series of technical innovation and efficiency improvement in the operation level of the Group's mining. Accordingly, the Group's total cobalt sales volume increased from 3,264 tonnes in 2016 to 3,451 tonnes for the first three quarters of 2017 and further increased to 4,677 tonnes by the fourth quarter of 2017. The Company expects that the improved productivity will help increase the trading volume.

- (iii) The increase in the basis coefficient contemplated under the 2018 Cobalt Agreement will increase the selling price of cobalt. Under the terms of the 2015 Cobalt Agreement (as supplemented by the 2016 Cobalt Supplemental Agreement), the basis coefficient, subject to an adjustment based on the cobalt content and impurity element content in the metals, is 69.5%. Under the terms of the 2018 Cobalt Agreement, the basis coefficient, subject to an adjustment based on the cobalt content and impurity element content in the metals, will be adjusted ranging from 69.5% to 78%.
- (iv) The inclusion of 25% of the buffer representing approximately 3 months of the sales value of the Mineral and Metal Products for each of the Proposed Revised Annual Caps. After the incident of the 2017 Annual Cap being exceeded, the Company believes that it would be prudent to leave 3 months of the sales value of the Mineral and Metal Products as a buffer. One reason is that the Company would need approximately 3 months to finalize the process of obtaining the Independent Shareholders' approval to revise the annual caps for the Continuing Connected Transaction, the other reason is that normally it would need one to one and a half months to arrange transportation before making actual delivery of products and realizing sales value, also it needs approximately 20-25 days for management team to access actual sales value after delivery of products and realizing of sales revenue.

REASONS FOR AND BENEFIT OF THE 2018 CCT SUPPLEMENTAL AGREEMENT, THE 2018 COBALT AGREEMENT AND THE PROPOSED REVISED ANNUAL CAPS

Business and commercial objective of the Group

The Board considers that the Continuing Connected Transactions are consistent with the business and commercial objective of the Group. The Board believes that, the Continuing Connected Transactions can help develop the expertise and experience of the Group in trading of the Mineral and Metal Products, which will enhance the competitiveness of the Group and help expand its customer and revenue base.

Against such background, the Group aims to expand its sales and marketing force for other products to parties other than Jinchuan Group in the future:

- The Group's Kinsenda Project, a development copper project, has finished its commissioning of concentrator. Establishment of key systems including pre-dewatering, ventilation and backfill systems are in progress to ensure the target for production with full capacity. Kinsenda Project commenced trial production at the end of 2017 in the Democratic Republic of Congo. It is expected that Kinsenda will be in full production and will contribute significantly to the copper production of the Group in 2018. Currently, the Group's copper is being sold, and is expected to continue to be sold, to parties who are independent of the Company and its connected persons.

- In December 2017, the Group entered into a joint venture agreement (the “JV Agreement”) with Junhe Holdings Limited (“Junhe Holdings”) in relation to the formation of Shanghai Jinchuan Junhe Economic Development Co., Ltd (the “JV Company”), a limited liability company established in the PRC. Junhe Holdings is a subsidiary of the Shanghai Junhe Group Co., Ltd (“Junhe Group”), which is an integrated conglomerate engaged in various segments of business, including the global trading of non-ferrous metals, precious metals and energy products, industry investment and financial services. It is intended that the shareholding of the JV Company would be held as to 60% by the Group and 40% by Junhe Holdings and that the total registered capital of the JV Company would be RMB100 million. With an intention to expand and diversify the business segments of the Company, the formation of a commodity trading joint venture with Junhe Holdings will enable the Company to take comparative advantages of channels, capital and resources of the Group and Junhe Group through integration, which is in line with the Company’s strategies in further developing its trading business of Mineral and Metal Products.

Reasonableness and fairness of the 2018 CCT Supplemental Agreement and the 2018 Cobalt Agreement

The terms of the 2018 CCT Supplemental Agreement have been agreed upon arm’s length negotiation between the Company and Jinchuan. The arrangement between the Group and Jinchuan Group under the 2016 CCT Agreement (as supplemented by the 2018 CCT Supplemental Agreement) is non-exclusive and there should be no bias or preference for the Group to deal with Jinchuan Group. In addition, the strategic partnership in the trading of the Mineral and Metal Products between the Group and Jinchuan Group is mutually beneficial to both parties.

The terms of the 2018 Cobalt Agreement have been agreed upon arm’s length negotiation between Golden Harbour and Lanzhou Jinchuan. The increase in, among others, the basis coefficient, with reference to the quoted Metal Bulletin cobalt prices, reflects the market trend and is in line with the international market practice. The adjustments in the terms as well as the pricing mechanism contemplated under the 2018 Cobalt Agreement are fair and reasonable and are beneficial to the Company and its shareholders as a whole.

Given that the transactions will be carried out in the ordinary course of business of each party, the parties consider that it will be beneficial to enter into the 2018 CCT Supplemental Agreement (including for the avoidance of doubt the 2018 Cobalt Agreement) to revise the term as well as the annual caps of the Continuing Connected Transactions for the year ending 31 December 2018, 2019 and 2020 in order to allow the Continuing Connected Transactions under the 2016 CCT Agreement to be continued without interruption and in all respect in compliance with the requirements of the Listing Rules.

The Directors (excluding the independent non-executive Directors whose views will be given after taking into account the advice of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders) consider that (i) the Continuing Connected Transactions contemplated under the 2016 CCT Agreement (as supplemented by the 2018 CCT Supplemental Agreement) (including for the avoidance of doubt the 2018 Cobalt Agreement) will be carried out in the ordinary and usual course of business of the Group; (ii) the terms of the 2018 CCT Supplemental Agreement (including for the avoidance of doubt the 2018 Cobalt Agreement) are normal commercial terms, fair and reasonable, and in the interests of the Company and the Shareholders as a whole; and (iii) the Proposed Revised Annual Caps of the Continuing Connected Transactions contemplated under the 2016 CCT Agreement (as supplemented by the 2018 CCT Supplemental Agreements) (including for the avoidance of doubt the 2018 Cobalt Agreement) are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

PRICING MECHANISM OF CONTINUING CONNECTED TRANSACTIONS

Golden Harbour has taken into account of the purchasing costs of the cobalt hydroxide from Ruashi Mining to determine the selling price to Lanzhou Jinchuan. The selling price of the cobalt contained in cobalt hydroxide delivered by Golden Harbour is determined on basis of the Metal Bulletin cobalt price with a basis coefficient (subject to an adjustment based on the cobalt content and impurity element content in the metals). 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.

The above pricing mechanism is intended to ensure that the trading prices for the Mineral and Metal Products provided by the Group to the Jinchuan Group will be determined on normal commercial terms. The Company has established internal control measures to standardize and stipulate the pricing policies and mechanism, the assignment of responsibility and decision making authority to ensure the Continuing Connected Transactions will be conducted in accordance with the terms of the 2016 CCT Agreement (as supplemented by the 2018 CCT Supplemental Agreement) (including for the avoidance of doubt the 2018 Cobalt Agreement), and that the pricing policies will be strictly complied with. As part of the Company's internal control measures, the implementation of the 2016 CCT Agreement (as supplemented by the 2018 CCT Supplemental Agreement) (including for the avoidance of doubt the 2018 Cobalt Agreement) and the relevant pricing terms in accordance with the general transaction principles

therein, including the relevant adjustments to metal product prices, the relevant costs and expenses as well as the actual quantity and amount of the Mineral and Metal Products, will be monitored and reviewed by the Board and the senior management on a regular basis, with reference to terms of similar transactions which apply the relevant pricing principles. The pricing terms will be reviewed by the senior management prior to the execution of any transaction under the 2016 CCT Agreement (as supplemented by the 2018 CCT Supplemental Agreement) (including for the avoidance of doubt the 2018 Cobalt Agreement) to ensure the relevant general transaction principles are being complied with on an arm's length basis and the trading terms are no less favourable than those with independent third parties. The Company will evaluate the Continuing Connected Transactions on a yearly basis.

The independent non-executive Directors of the Company shall conduct an annual review on whether the terms on which the Continuing Connected Transactions undertaken during the relevant year have been conducted on normal commercial terms by assessing whether the trading prices for the Mineral and Metal Products have been determined by following the above pricing mechanism, selected on a random basis, with independent third parties and by comparing the terms with those conducted with independent third parties) and after taking into accounts the factors that have been identified above (as and if appropriate).

ADDITIONAL MEASURES ADOPTED BY THE COMPANY FOR ON-GOING COMPLIANCE

In order to avoid any occurrence of breach of the requirements under the Listing Rules, 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 transaction amounts of the Continuing Connected Transactions and checking with the trading department on the forecast over the transaction amounts 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' approval, initiated by the Board, in the event that any adjustment to an annual cap becomes foreseeable, based on the monthly reports submitted.

PRINCIPAL ACTIVITIES OF THE PARTIES

The Company is an investment holding company. The principal business of the Group is in the mining operations, primarily copper and cobalt production and the trading of Mineral and Metal Products. The Company has a significant portfolio of mineral assets and has successfully positioned itself as an international upstream non-ferrous metals company.

Jinchuan HK is a controlling Shareholder of the Company. Jinchuan is the ultimate holding company of both Jinchuan HK and the Company. Jinchuan was founded in 1958 and is a state-owned enterprise with its majority interest held by the People's Government of Gansu Province. Jinchuan Group is one of the world's largest mining enterprises being the third largest producer of nickel in the world, third largest cobalt producer in the world and the third largest copper producer in the PRC. The principal business of Jinchuan Group includes the production of nickel, copper, cobalt, platinum group metals, nonferrous metal plates, chemical products and chemicals of non-ferrous metals.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, through its wholly-owned subsidiaries, Jinchuan indirectly owns 2,975,152,857 Shares, representing approximately 61.5% 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 Continuing Connected Transactions constitute continuing connected transactions of the Company.

In respect of the Proposed Revised Annual Caps under the 2016 CCT Agreement (as supplemented by the 2018 CCT Supplemental Agreement) (including for the avoidance of doubt the 2018 Cobalt Agreement), as one or more of the applicable percentage ratios exceeds 5% as calculated in accordance with Rule 14.07 of the Listing Rules, the 2018 CCT Supplemental Agreement (including for the avoidance of doubt the 2018 Cobalt Agreement) and the Proposed Revised Annual Caps contemplated thereunder are subject to reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The Board will seek the approval of the

Independent Shareholders, among other things, to approve the 2018 CCT Supplemental Agreement (including for the avoidance of doubt the 2018 Cobalt Agreement) and the Proposed Revised Annual Caps contemplated thereunder at the EGM. Jinchuan and its associates will abstain from voting on the 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 2018 CCT Supplemental Agreement (including for the avoidance of doubt the 2018 Cobalt Agreement) and the Proposed Revised Annual Caps contemplated thereunder. The Company has appointed Altus as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the 2018 CCT Supplemental Agreement (including for the avoidance of doubt the 2018 Cobalt Agreement) and the Proposed Revised Annual Caps contemplated thereunder.

A circular of the EGM containing, among other things, (i) further details of the 2018 CCT Supplemental Agreement, the 2018 Cobalt Agreement and the Proposed Revised Annual Caps; (ii) the advice and recommendations from the Independent Board Committee in respect of the 2018 CCT Supplemental Agreement, the 2018 Cobalt Agreement and the Proposed Revised Annual Caps; (iii) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders in respect of the 2018 CCT Supplemental Agreement (including for the avoidance of doubt the 2018 Cobalt Agreement) and the Proposed Revised Annual Caps; and (iv) a notice of the EGM will be dispatched to the Shareholders on or before 9 May 2018.

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 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

- “2015 Circular” the circular of the Company dated 21 December 2015 in relation to the 2015 Cobalt 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 Jinchuan Group for the three years commencing 1 January 2017 up to 31 December 2019
“2016 Circular”	the circular of 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 to supplement 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 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 Circular”	the circular of the Company dated 12 January 2017 in relation to the renewal of the Continuing Connected Transactions (including the 2017-2019 Annual Caps contemplated thereunder)
“2017 Transaction Amount”	the aggregate transaction amount for the trading of Mineral and Metal Products between the Group and 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
“2018 Announcement”	the announcement published by the Company on 9 February 2018 regarding the exceeding of annual cap for a continuing connected transaction
“2018 CCT Supplemental Agreement”	the supplemental agreement dated 6 April 2018 entered into between the Company and Jinchuan for extending the term of the trading of Mineral and Metal Products between the Group and Jinchuan Group until 31 December 2020
“2018 Cobalt Agreement”	the agreement dated 6 April 2018 entered into between Golden Harbour and Lanzhou Jinchuan for the sale and purchase of cobalt hydroxide produced by Ruashi Mining
“Altus” or “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), the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in connection with the 2018 CCT Supplemental Agreement (including for the avoidance of doubt the 2018 Cobalt Agreement) and the Proposed Revised Annual Caps
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Jinchuan Group International Resources Co. Ltd, a company incorporated in 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(s)”	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 Jinchuan Group
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting to be convened by the Company for, among other matters, approving the 2018 CCT Supplemental Agreement (including for the avoidance of doubt the 2018 Cobalt Agreement) and the Proposed Revised Annual Caps contemplated thereunder
“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 2018 CCT Supplemental Agreement (including for the avoidance of doubt the 2018 Cobalt Agreement) and the Proposed Revised Annual Caps contemplated thereunder
“Independent Shareholders”	Shareholders other than Jinchuan Group 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 which, for the purpose of this announcement, excluding the Group
“Jinchuan HK”	Jinchuan Group (Hongkong) Resources Holdings Limited (金川集團(香港)資源控股有限公司), an investment holding company incorporated in Hong Kong and a wholly-owned subsidiary of Jinchuan. It indirectly owns 2,975,152,857 Shares, representing approximately 61.5% of the issued share capital of the Company as at the date of this announcement
“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
“LBMA”	London Bullion Market Association, the London-based trade association and a recognised publisher of reference prices for a number of precious metals which are timely published on its designated website (http://www.lbma.org.uk/pricing-and-statistics) on a daily basis for subscribed members and publications
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“LME”	London Metal Exchange, a recognised investment exchange regulated by the Financial Conduct Authority of the United Kingdom and a recognised publisher of reference prices for various metals which are timely published on its designated website (https://www.lme.com/) on a daily basis for metal and investment communities

“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) on a twice-a-week basis for subscribed members and publications
“Mineral and Metal Products”	mineral products, metal products and other raw materials 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, for the purposes of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Proposed Revised Annual Caps”	the proposed revised annual caps of the Continuing Connected Transactions for the year ending 31 December 2018, 2019 and 2020, details of which are set out in the paragraph headed “HISTORICAL FIGURES, EXISTING ANNUAL CAPS AND THE PROPOSED REVISED ANNUAL CAPS”
“Ratification”	the ratification of the 2017 Annual Cap by an amount equal to the 2017 Transaction Amount
“RMB”	“Renminbi”, the lawful currency of the PRC
“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.*

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

Hong Kong, 6 April 2018

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.