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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold** all your shares in Jinchuan Group International Resources Co. Ltd, you should at once hand this circular and the accompanying proxy form to the purchaser or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser.

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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  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

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

**ALTUS CAPITAL LIMITED**

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A letter from the Board is set out on pages 6 to 27 of this circular. A letter from the Independent Board Committee is set out on pages 28 to 29 of this circular. A letter from Altus containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 30 to 58 of this circular.

A notice convening the EGM to be held at Unit 3101, 31/F, United Centre, 95 Queensway, Admiralty, Hong Kong at 3:00 p.m. on Friday, 25 May 2018 is set out on pages 65 and 66 of this circular.

Whether or not you are able to attend the EGM in person, you are requested to complete the accompanying proxy form in accordance with the instructions printed thereon and return it to the branch share registrar of the Company in Hong Kong, Boardroom Share Registrars (HK) Limited at Room 2103B, 21F, 148 Electric Road, North Point, Hong Kong, as soon as possible but in any event not less than 48 hours before the time fixed for the holding of the EGM (i.e. before 3:00 p.m. on Wednesday, 23 May 2018) or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM if you so wish.

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## DEFINITIONS

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*In this circular, 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 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)

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## DEFINITIONS

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“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 ( <i>Note</i> ) 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
“Announcement”	the announcement published by the Company on 6 April 2018 regarding the Proposed Revised Annual Caps for Continuing Connected Transactions
“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

*Note: The actual transaction amount was USD209.6 million*

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## DEFINITIONS

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“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
“DRC”	the Democratic Republic of the Congo
“EGM, “Extraordinary General Meeting””	the extraordinary general meeting to be convened by the Company at Unit 3101, 31/F United Centre, 95 Queensway, Admiralty, Hong Kong on Friday, 25 May 2018 at 3:00 p.m. for 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 ultimate 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 circular, 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 2,981,205,857 Shares, representing approximately 61.7% of the issued share capital of the Company as at the Latest Practicable Date

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## DEFINITIONS

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“Junhe Group”	Shanghai Junhe Group Co., Ltd.
“Junhe Holdings”	Junhe Holdings Limited
“JV Company”	Shanghai Jinchuan Junhe Economic Development Co., Ltd.
“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
“Latest Practicable Date”	4 May 2018, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
“LBMA”	London Bullion Market Association, 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 ( <a href="http://www.lbma.org.uk/pricing-and-statistics">http://www.lbma.org.uk/pricing-and-statistics</a> ) 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 ( <a href="https://www.lme.com/">https://www.lme.com/</a> ) 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 ( <a href="http://www.metalbulletin.com">www.metalbulletin.com</a> ) on a twice-a-week basis for subscribed members and publications
“Metorex”	Metorex (Proprietary) Limited, an indirect wholly-owned subsidiary of the Group
“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

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## DEFINITIONS

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“PRC”	the People’s Republic of China, for the purposes of this circular, 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 years ending 31 December 2018, 2019 and 2020, details of which are set out in the paragraph headed “5. HISTORICAL FIGURES, EXISTING ANNUAL CAPS AND THE PROPOSED REVISED ANNUAL CAPS” of this circular
“Ratification”	the ratification of the 2017 Annual Cap by an amount equal to the 2017 Transaction Amount
“Register of Members”	the register of members of the Company maintained by the branch share registrar of the Company in Hong Kong, Broadroom Share Registrars (HK) Limited at Room 2103B, 21F, 148 Electric Road, North Point, Hong Kong
“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
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) for the time being in force
“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” or “US\$”	US dollars, the lawful currency of the United States
“Zambia”	the Republic of Zambia
“%”	per cent.

\* *For identification purpose only*

*Certain English translation of Chinese names or words in this Circular are included for information only, and are not official English translations of such Chinese names or words.*

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## LETTER FROM THE BOARD

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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)**

*Executive Directors:*

Mr. Gao Tianpeng (*Chief Executive Officer*)

Mr. Qiao Fugui

*Non-executive Directors:*

Mr. Chen Dexin (*Chairman of the Board*)

Mr. Zhang Youda

Mr. Zeng Weibing

*Independent Non-executive Directors:*

Mr. Wu Chi Keung

Mr. Yen Yuen Ho, Tony

Mr. Poon Chiu Kwok

*Registered office:*

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

*Head office and principal place of  
business in Hong Kong:*

Unit 3101, 31/F

United Centre

95 Queensway

Admiralty

Hong Kong

9 May 2018

*To the Shareholders*

Dear Sir or Madam,

**PROPOSED REVISED ANNUAL CAPS FOR  
CONTINUING CONNECTED TRANSACTIONS  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**1. INTRODUCTION**

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.



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## LETTER FROM THE BOARD

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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 purposes of this circular are, among other things:

- (i) to provide the Shareholders with the details of the resolution to be proposed at the EGM regarding the 2018 CCT Supplemental Agreement (including for the avoidance of doubt the 2018 Cobalt Agreement) and the Proposed Revised Annual Caps contemplated thereunder;
- (ii) to set out the letter of the Independent Board Committee to the Independent Shareholders;
- (iii) to set out the letter from Altus to the Independent Board Committee and the Independent Shareholders; and
- (iv) to give notice to convene the EGM to consider and, if thought fit, to approve the 2018 CCT Supplemental Agreement (including for the avoidance of doubt the 2018 Cobalt Agreement) and Proposed Revised Annual Caps.

## **2. 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.

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## LETTER FROM THE BOARD

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### 3. 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.

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## LETTER FROM THE BOARD

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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 Company has convened an extraordinary general meeting held on 16 April 2018 and obtained the Independent Shareholders' approval on, among others, the Ratification.

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## LETTER FROM THE BOARD

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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.

#### **4. 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.

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## LETTER FROM THE BOARD

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### *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 Jinchuan Group, and Jinchuan has agreed to cause Jinchuan Group (for the purpose of this Circular, 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

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## LETTER FROM THE BOARD

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- (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.

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## LETTER FROM THE BOARD

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### *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, DRC), 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, DRC 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.

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## LETTER FROM THE BOARD

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### *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.

### **5. 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 <i>(note 1)</i>	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 <i>(note 2)</i>	N/A <i>(note 3)</i>	N/A
- under 2015 Cobalt Agreement (as supplemented)	75.8 million	45 million			



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## LETTER FROM THE BOARD

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*Notes:*

1. The 2017 Annual Cap was exceeded, which has been 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 the Latest Practicable Date, the total transaction amount received till end of March 2018 by the Group under the 2016 CCT Agreement was (using current contract terms) approximately US\$89 million (unaudited).

The following table sets out the Proposed Revised Annual Caps:

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

Subject to the approval being obtained from Independent Shareholders at the EGM regarding 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 implemented strict internal control and measures to ensure that the total transaction amount (using current contract terms) of the Continuing Connected Transaction will not exceed the approval annual cap for the year ending 31 December 2018.

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.

### **6. 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%. Boosted by the PRC national policies, cobalt has been in strong demand by enterprises in the PRC. The Company believes that the cobalt price and demand will continue to remain at high level in the medium term.

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## LETTER FROM THE BOARD

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- (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 to 4,677 tonnes by the fourth quarter of 2017, whilst the Group's total cobalt sales volume was 3,264 tonnes in 2016. Up to the end of March 2018, the Group's total cobalt sales volume was approximately 1,420 tonnes (subject to final internal audit). 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. The reasons for inclusion of the 25% buffer are: (1) the price of most metals including copper and cobalt has fluctuated widely in recent years, and particularly the copper price has fallen since February 2013 due to the weakening copper demand. Low commodity prices have slowed or shuttered copper and nickel production, in turn limiting cobalt supply. Thus, the increased demand for cobalt creates the potential for a substantial imbalance between supply and demand in the coming years. As the Group has no control over the prices of and/or demand for cobalt which can rise (and fall) within a short timeframe, the Directors believe that the 25% buffer is reasonable to cater for acute increase in prices as a result of supply/demand imbalances; (2) 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; and (3) 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.

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

#### ***Business model of the Group***

Following completion of the acquisition of Jin Rui Mining Investment Limited in 2013, the Group has repositioned itself to become an international upstream base metals company for undertaking overseas development of mining assets.

Currently, the Group derives its revenue primarily from its mining operation and the commodities related trading activities.

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## LETTER FROM THE BOARD

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(a) *Mining Operation*

The Group is the operator of a number of mines and projects, including:

Operating mines

- Ruashi Mine (75% ownership) — located in the DRC and comprising 3 open pits and a process plant producing copper cathode and cobalt for direct sale on the international market.
- Chibuluma South Mine (85% ownership) — located in Zambia and comprising an underground mine with a process plant producing copper concentrate for sale to a smelter located in Zambia.

Mine in Trial Production

- Kinsenda Project (77% ownership) — located in the DRC and is one of the world's highest grade copper deposits with resources grade at 5.5% copper. The underground mine currently being developed has started production from beginning of 2018.

Exploration Projects (advanced stage)

- Musonoi Project (75% ownership) and Lubembe Project (77% ownership) both located in the DRC and are currently under exploration. Musonoi Project is well prepared for the development stage to produce copper and cobalt. It had completed the feasibility study and preliminary mine design. Currently the project is in construction preparation stage which will take approximately 4 years of construction.

The average market copper and cobalt prices for the year ended 31 December 2017 were US\$6,163/t and US\$56,989/t (2016: US\$4,863 and US\$25,161). The higher copper and cobalt prices impacted positively on revenue during 2017 as compared to 2016. The revenue of Ruashi Mine has increased significantly by 80.2% for the year ended 31 December 2017 as compared to 2016. The cobalt revenue increased by 221% from 2016 to 2017 as a result of higher cobalt price as well as an increase in cobalt production volume.

(b) *Commodities related trading activities*

The Company also conducts in commodities trading activities, which are typical for natural resources companies.

Regarding the trading business of the Company from 2013 to 2017, the trading revenue was between US\$100 million to US\$308 million, accounting for 18% to 41% of the Company's total revenue.

The Company's newly set up JV Company has already started doing business in March 2018. Up to end of March 2018, the sales revenue generated by the JV Company is approximately US\$57 million (subject to final audit and review).

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## LETTER FROM THE BOARD

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### *The Continuing Connected Transactions*

As mentioned in paragraph headed “6. BASIS OF DETERMINING THE PROPOSED REVISED ANNUAL CAPS” of this circular, the revision to the 2017-2019 Annual Caps is primarily driven by the acute increase in cobalt price and the improved productivity capacity of Ruashi Mine which helps increase the sale volume of cobalt. In addition, subject to Independent Shareholders’ approval being obtained at the EGM, the increase in the basis coefficient, as contemplated under the 2018 Cobalt Agreement, will increase the selling price of cobalt, which represented and will continue to represent the majority of the Continuing Connected Transactions that Jinchuan Group will acquire from the Group.

### *Reasons for selling cobalt of the Group to Jinchuan Group*

Cobalt is a strategic and critical metal used in many diverse industrial and military applications. Boosted by the PRC national policies, cobalt has been in strong demand by enterprises in the PRC for processing rechargeable, lithium-ion batteries that power laptops and smartphones and electric cars.

According to the information available to the Company, global cobalt mine production was around 120,000 tonnes in 2017. Cobalt mine supply is heavily concentrated to several suppliers. Jinchuan Group and the Group are amongst the top five suppliers in the world. In 2017, China imported 70,000 tonnes of cobalt mine products. China cobalt processing production was around 70,000 tonnes and Jinchuan Group was amongst the top 5 producers.

Metorex, an indirect wholly-owned subsidiary of the Group, is a copper focused mining company with significant copper and cobalt reserves and resources. All of Metorex’s mining projects are located in the DRC and Zambia in the Central African copperbelt, which hosts some of the world’s largest copper and cobalt deposits, containing over a third of the world’s cobalt mineral reserves and a tenth of the world’s copper mineral reserves.

Given that the demand for cobalt may continue in short to medium term, major cobalt processing producers in the PRC are keen to lock up the supply chain for cobalt. Insofar as the Company is aware, there has been no restriction for the Group to sell cobalt in China. Jinchuan Group has been the strategic business partner of Ruashi Mining back in 2008 and the only off-taker of cobalt metals from Ruashi Mine since its commercial operation in 2009.

The Directors consider that it is beneficial for the Company and its shareholders as a whole to continue the sales of the cobalt to Jinchuan Group, but not other cobalt processing producers in the PRC, on the following grounds:

- (a) Jinchuan Group has been the top cobalt processing company in the PRC for years. Historically, Jinchuan Group has been the key cobalt processing player with whom global cobalt miners would like to do business. Among the top five cobalt processing companies in China, only Jinchuan Group has state-owned background. Jinchuan Group is tier one company in Gansu province and Gansu government has strong expectation for Jinchuan Group to continue to grow and keep the industry leading position.

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## LETTER FROM THE BOARD

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- (b) Jinchuan Group is one of the market leaders in cobalt processing production in China. It has processing capacity to take all of the volume of cobalt production by Ruashi Mine. The Group can thus minimise its operational and administrative costs in sourcing and managing other buyers for its cobalt products.
- (c) It is for strategic reason Jinchuan Group enters into cobalt agreements with the Group to ensure its access to the cobalt. Jinchuan Group has been the only off-taker of cobalt metals from the Ruashi Mine since it commenced commercial operation in 2009, when Jinchuan Group had no shareholding relationship with Ruashi Mining. The arrangement will continue to subsist whether or not Jinchuan Group is a controlling shareholder of the Group.
- (d) The cobalt prices payable by Jinchuan Group are consistent with market practice and the commercial terms by reference to an independent benchmark price that reflects prevailing rates plus an adjustment mechanism is fair and reasonable.

Based on the above, the Directors believe that the strategic partnership in the supply of cobalt carbonate and/or cobalt hydroxide between Ruashi Mine and Lanzhou Jinchuan is mutually beneficial to both parties.

### *Reliance is mutual and complementary*

Jinchuan Group, founded in 1958, is a state-owned enterprise with its majority interest held by the People's Government of Gansu Province. Jinchuan Group is a large-scale non-ferrous mining conglomerate with an international presence, specializing in mining, concentrating, metallurgy, chemical engineering and further downstream processing. With the world's third largest mine of nickel sulphides associated with cobalt sulphides, Jinchuan Group is the third largest nickel producer and fourth largest cobalt producer in the world, the largest producer of nickel, cobalt and platinum group metals in the PRC and the third largest copper producer in the PRC.

The Group is Jinchuan Group's flagship for undertaking overseas mining and mineral resources operations. The Group will continue to focus on boosting its international trade business of the Minerals and Metals Products by cementing relationships with the Group's existing network of overseas suppliers as well as expanding its customer portfolio by making strategic moves in the development and selection of suppliers and customers.

Ruashi Mining sells its copper cathode produced by the Ruashi Mine under off-take agreements entered into with its customers. Ruashi Mining sources its customers through a tender process conducted for its copper cathode products.

In relation to the cobalt carbonate and/or cobalt hydroxide, Jinchuan Group has been a strategic business partner with Ruashi Mine for a long period of time. In order to assist Ruashi Mining with the production of contained cobalt metals, Jinchuan Group, in March 2008, provided a pre-offtake financing for Jinchuan Group's purchase of contained cobalt metals under an off-take agreement in the amount of US\$20 million. Ruashi Mining had been servicing the prepayment plus accrued interest by offsetting the purchase consideration payable by Lanzhou Jinchuan for the supply of contained cobalt metals.

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## LETTER FROM THE BOARD

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Jinchuan Group has been the only off-taker of cobalt metals from the Ruashi Mine since it commenced commercial operation in 2009, when Jinchuan Group had no shareholding relationship with Ruashi Mining. The continuing cooperation between the parties in this aspect can bring steady revenue and sound economic return to the Group. Likewise, given that cobalt mine supply is heavily concentrated to several suppliers, with the cobalt agreement, Jinchuan Group can have access to the cobalt supply from the Group for its cobalt processing production. According to the information available to the Company, Jinchuan Group's cobalt smelting capacity is around 11,000 to 12,000 tonnes per year. In 2017, Jinchuan Group's cobalt supply came from 3 major sources, approximately 2,500 tonnes from Jinchuan Group's own mine, approximately 4,677 tonnes from Ruashi Mine and approximately 4,000 tonnes from third party mine. Therefore, it is essential, from perspectives of the Group and Jinchuan Group, to continue the strategic alliance on cobalt sale and purchase.

Given the long term strategic business relationship in the supply and purchase of cobalt carbonate and/or cobalt hydroxide, the Directors are of the view that Jinchuan Group is a valuable, credible and strategic partner of the Group, and the continuing cooperation between the parties in this aspect can bring steady revenue and sound economic return to the Group.

Apart from being a controlling shareholder of the Group, Jinchuan Group, on the other hand, has been a loyal client to the Company for many years. When cobalt price was at low range in the past, cobalt miners suffered significant losses and cobalt processing companies had more negotiation power. Jinchuan Group, as one of the key cobalt processing companies, did not exert its power to re-negotiate the terms of sales with the Company and assisted the Company to overcome the financial difficulties.

Leveraging on back-up of Jinchuan Group, the Group has successfully repositioned itself to become an international upstream base metals company for undertaking overseas development of mining assets.

Based on the above, the reliance is mutual and complementary to Jinchuan Group and the Group.

### ***The Group is capable of maintaining its revenue in the future in light of the reliance***

It is the primary objective of the Group to look for opportunities to increase the diversity of its income sources and business operations. The Group has initiated plans to expand its customers with a long term view to reduce the level of reliance on Jinchuan Group over time.

The Group has surpassed when cobalt price surged and when cobalt price was at low range. Ruashi is a copper and cobalt mine, copper production could balance the mine's revenue when cobalt price is at low range. In addition, the Group has 3 in operation mines, 1 in construction preparation stage mine and 1 exploration mine. It is expected that the Group is well diversified to have reasonable profit when cobalt price decreases.

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 DRC. 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.

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## LETTER FROM THE BOARD

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In 2018, the Group has entered into off-take agreements with independent third parties for sale of copper concentrate. Approximately 50% of Kinsenda mine's copper concentrate are sold to Chambishi Copper Smelter Ltd. and the remaining 50% to Trafigura, both of them are independent third parties of the Group. The sales contract with Chambishi Copper Smelter Ltd. will expire on 31 December 2020, whilst the sales contract with Trafigura will expire on 31 December 2019 when the Group will re-tender the sale contract for the year 2020. With Kinsenda copper mine to be in full operation in 2018, it is expected that the Kinsenda mine copper production in 2018 will increase the Group's total copper production significantly as compared to the Group's total copper production for 2017.

In addition, the Group's Musonoi Project is well prepared for the development stage to produce copper and cobalt. It had completed the feasibility study and preliminary mine design. Currently, the project is in construction preparation stage which will take approximately 4 years of construction. The Group expects to increase its revenue once Musonoi Project commences to produce copper and cobalt.

Notwithstanding the above, it has been the intention of the Group to strengthen its trading operations with other customers and is actively looking for opportunities to increase the diversity of its income sources and business operations. The Group strives to source new customers and suppliers to expand the portfolio of its trading business and to strengthen its revenue-generating ability.

In December 2017, the Group entered into a joint venture agreement with Junhe Holdings in relation to the formation of the JV Company, a limited liability company established in the PRC. Junhe Holdings is a subsidiary of the 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. The Group holds 60% while Junhe Holdings holds the remaining 40% of the shareholding interests in the JV Company. It is intended 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 Group, the formation of a commodity trading joint venture with Junhe Holdings will enable the Group 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.

The JV Company is principally engaged in business of trading of metal. Given the nature of metal trading, the contracts it would enter into are based on spot contracts rather than term contracts like copper concentrate and cobalt. Therefore, the JV Company will not enter into term contracts for metal trading.

The JV Company has started business in March 2018. Up to end of March 2018, the sales revenue generated by the JV Company was approximately US\$57 million (subject to final audit and review).

The Company expects that the income stream to be generated from copper sales to independent third parties and the commodities trading revenue through the JV Company will increase over time and will help reduce the level of reliance on Jinchuan Group.



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## LETTER FROM THE BOARD

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### *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 (including the independent non-executive Directors) 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.

### **8. 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.



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## LETTER FROM THE BOARD

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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 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).

### **9. 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

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## LETTER FROM THE BOARD

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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.

### 10. 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.

### 11. LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, Jinchuan is a controlling Shareholder of the Company. Through its wholly-owned subsidiaries, Jinchuan indirectly owns 2,981,205,857 Shares, representing approximately 61.7% 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 therefore seeks the approval of the Independent Shareholders 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 relevant resolution to be passed at the EGM.

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## LETTER FROM THE BOARD

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### 12. CONFIRMATION OF THE BOARD

The Directors (including the independent non-executive Directors) are of the view that (1) the terms and conditions of the 2018 CCT Supplemental Agreement (including for the avoidance of doubt the 2018 Cobalt Agreement) were negotiated between the parties on an arm's length basis and are on normal commercial terms that are fair and reasonable; (2) the Proposed Revised Annual Caps are fair and reasonable; and (iii) the 2018 CCT Supplemental Agreement (including for the avoidance of doubt the 2018 Cobalt Agreement) will be conducted in the ordinary and usual course of business of the Company and its subsidiaries and are in the interests of the Company and the Shareholders as a whole.

None of the Directors have any material interest in the 2018 CCT Supplemental Agreement (including for the avoidance of doubt the 2018 Cobalt Agreement) and Proposed Revised Annual Caps for which they would be required to abstain from voting on the relevant board resolution approving the 2018 CCT Supplemental Agreement (including for the avoidance of doubt the 2018 Cobalt Agreement) and Proposed Revised Annual Caps pursuant to the Articles of Association of the Company. However, for good corporate governance, Mr. Chen Dexin, Mr. Gao Tianpeng, Mr. Qiao Fugui and Mr. Zhang Youda voluntarily abstained from voting on the relevant board resolution in connection with the 2018 CCT Supplemental Agreement (including for the avoidance of doubt the 2018 Cobalt Agreement) and Proposed Revised Annual Caps, as they also serve as directors and/or senior management of Jinchuan and/or Jinchuan HK.

### 13. EXTRAORDINARY GENERAL MEETING

The Company will convene the EGM on Friday, 25 May 2018 to seek approval from Independent Shareholders on the 2018 CCT Supplemental Agreement (including for the avoidance of doubt the 2018 Cobalt Agreement) and Proposed Revised Annual Caps. Jinchuan Group and its associates (holding an aggregate of 2,981,205,857 Shares in the Company, representing approximately 61.7% of the total issued shares of the Company as at the Latest Practicable Date) will abstain from voting on the resolution in relation to the 2018 CCT Supplemental Agreement (including for the avoidance of doubt the 2018 Cobalt Agreement) and Proposed Revised Annual Caps at the EGM, at which the proposed resolution regarding the 2018 CCT Supplemental Agreement (including for the avoidance of doubt the 2018 Cobalt Agreement) and the Proposed Revised Annual Caps contemplated thereunder will be passed by way of ordinary resolution.

Set out on pages 65 to 66 is a notice to convene the EGM to be held at Unit 3101, 31/F United Centre, 95 Queensway, Admiralty, Hong Kong at 3:00 p.m. on Friday, 25 May 2018 at which ordinary resolution will be proposed to the Shareholders to consider, and if thought fit, approve the 2018 CCT Supplemental Agreement (including for the avoidance of doubt the 2018 Cobalt Agreement) and the Proposed Revised Annual Caps contemplated thereunder.

A proxy form for the EGM is enclosed with this circular. Whether or not you are able to attend the EGM in person, you are requested to complete the proxy form and return it to the Company's branch share registrar at Room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong, in accordance with the instructions printed thereon not less than 48 hours before the time fixed for the EGM (i.e. before 3:00 p.m. on Wednesday, 23 May 2018) or any adjournment thereof. The completion and delivery of a proxy form will not preclude you from attending and voting at the EGM in person.

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## LETTER FROM THE BOARD

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### 14. VOTING BY WAY OF POLL

Pursuant to Rule 13.39(4) of the Listing Rules, all votes at the EGM will be taken by poll and the Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.

### 15. CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Monday, 21 May 2018 to Friday, 25 May 2018 (both days inclusive). During such period, no transfer of Shares will be registered from the purpose of determining the entitlement to attend and vote at the EGM. All transfer documents accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Boardroom Share Registrars (HK) Limited at Room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong no later than 4:30 p.m. on Friday, 18 May 2018. Shareholders whose names are recorded on the Register of Members on Friday, 25 May 2018 are entitled to attend and vote at the EGM.

### 16. RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee set out on pages 28 and 29 of this circular which contains its recommendation to the Independent Shareholders in relation to the 2018 CCT Supplemental Agreement (including for the avoidance of doubt the 2018 Cobalt Agreement) and Proposed Revised Annual Caps. Your attention is also drawn to the letter from Altus set out on pages 30 to 58 of this circular which contains its recommendations to 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, and the principal factors and reasons taken into account in arriving at its recommendations.

The Independent Board Committee, having taken into account the advice of Altus, considers that (1) the terms and conditions of the 2018 CCT Supplemental Agreement (including for the avoidance of doubt the 2018 Cobalt Agreement) were negotiated between the parties on an arm's length basis and are on normal commercial terms that are fair and reasonable; (2) the Proposed Revised Annual Caps are fair and reasonable; and (iii) the 2018 CCT Supplemental Agreement (including for the avoidance of doubt the 2018 Cobalt Agreement) will be conducted in the ordinary and usual course of business of the Company and its subsidiaries and are in the interests of the Company and the Shareholders as a whole. Accordingly, it recommends that the Independent Shareholders vote in favour of the resolution to approve 2018 CCT Supplemental Agreement (including for the avoidance of doubt the 2018 Cobalt Agreement) and Proposed Revised Annual Caps.

The Directors consider that the resolution as set out in the Notice of the EGM is in the interests of the Company and its Shareholders as a whole. Accordingly, the Directors recommend the Shareholders vote in favour of the resolution to be proposed at the EGM.

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## LETTER FROM THE BOARD

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### 17. ADDITIONAL INFORMATION

Your attention is also drawn to the general information set out in the Appendix to this circular.

Yours faithfully,  
For and on behalf of the Board  
**Jinchuan Group International Resources Co. Ltd**  
**Gao Tianpeng**  
*Executive Director*



**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)**

9 May 2018

*To the Independent Shareholders*

Dear Sir or Madam,

**PROPOSED REVISED ANNUAL CAPS FOR  
CONTINUING CONNECTED TRANSACTIONS**

We refer to the circular dated 9 May 2018 issued by the Company to its shareholders (the “**Circular**”) of which this letter forms a part. Capitalised terms defined in the Circular shall have the same meanings when used in this letter unless the context otherwise requires.

We are appointed as members of the Independent Board Committee to advise you on (i) whether the terms and conditions of the 2018 CCT Supplemental Agreement (including for the avoidance of doubt the 2018 Cobalt Agreement) were negotiated between the parties on an arm’s length basis and are on normal commercial terms that are fair and reasonable; (ii) whether the Proposed Revised Annual Caps are fair and reasonable; and (iii) whether the 2018 CCT Supplemental Agreement (including for the avoidance of doubt the 2018 Cobalt Agreement) will be conducted in the ordinary and usual course of business of the Company and its subsidiaries and are in the interests of the Company and the Shareholders as a whole, and to advise you on how to vote at the EGM, taking into account the recommendations of Altus.

Altus was appointed to advise the Independent Board Committee and the Independent Shareholders on (i) whether the terms and conditions of the 2018 CCT Supplemental Agreement (including for the avoidance of doubt the 2018 Cobalt Agreement) were negotiated between the parties on an arm’s length basis and are on normal commercial terms that are fair and reasonable; (ii) whether the Proposed Revised Annual Caps are fair and reasonable; and (iii) whether the 2018 CCT Supplemental Agreement (including for the avoidance of doubt the 2018 Cobalt Agreement) will be conducted in the ordinary and usual course of business of the Company and its subsidiaries and are in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote at the EGM.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Having taken into account the principal factors and reasons considered by, and the recommendations of Altus contained in its letter set out on pages 30 to 58 of the Circular, we are of the view that the terms of the 2018 CCT Supplemental Agreement (including for the avoidance of doubt the 2018 Cobalt Agreement) and the Proposed Revised Annual Caps are fair and reasonable, and the 2018 CCT Supplemental Agreement (including for the avoidance of doubt the 2018 Cobalt Agreement) are on normal commercial terms, in the ordinary course of business of the Company and its subsidiaries and in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve 2018 CCT Supplemental Agreement (including for the avoidance of doubt the 2018 Cobalt Agreement) and the Proposed Revised Annual Caps contemplated thereunder.

Yours faithfully,  
For and on behalf of  
the Independent Board Committee  
**Jinchuan Group International Resources Co. Ltd**  
**Wu Chi Keung, Yen Yuen Ho, Tony and Poon Chiu Kwok**  
*Independent Non-executive Directors*

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## LETTER FROM ALTUS

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*The following is the text of a letter of advice from the Independent Financial Adviser 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, which has been prepared for the purpose of incorporation in this circular.*

# ALTUS.

Altus Capital Limited  
21 Wing Wo Street  
Central  
Hong Kong

9 May 2018

*To the Independent Board Committee and the Independent Shareholders*  
Jinchuan Group International Resources Co. Ltd  
Unit 3101, 31/F  
United Centre  
95 Queensway  
Admiralty  
Hong Kong

Dear Sir/Madam,

### **PROPOSED REVISED ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS**

#### **INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to advise 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. Details of which are set out in the “Letter from the Board” contained in the circular dated 9 May 2018 (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless otherwise defined herein or required by the context.



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## LETTER FROM ALTUS

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### **The 2016 CCT Agreement**

Pursuant to the 2016 CCT 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 Jinchuan Group, and Jinchuan has agreed to cause Jinchuan Group (for the purpose of this Circular, excluding the Group) to purchase from the Group, the Mineral and Metal Products.

Upon renewal of the 2017-2019 Annual Caps 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.

### **2018 Announcement and Ratification**

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 sales figures of copper blister to Jinchuan Group for 2017. The 2017 Transaction Amount was approved and ratified by the then Independent Shareholders at the extraordinary general meeting of the Company held on 16 April 2018.

### **2018 CCT Supplemental Agreement (including for the avoidance of doubt the 2018 Cobalt Agreement) and the Proposed Revised Annual Caps**

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 has a term of three years 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 revise the term as well as the annual caps of the Continuing

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## LETTER FROM ALTUS

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Connected Transactions under the 2016 CCT Agreement; and (2) Golden Harbour and Lanzhou Jinchuan entered into the 2018 Cobalt Agreement to revise the terms of the continuing connected transactions contemplated thereunder. Under the 2018 CCT Supplemental Agreement (including for the avoidance of doubt the 2018 Cobalt Agreement), the Company estimated the Proposed Revised Annual Caps in relation to the Continuing Connected Transactions to be approximately USD755 million, USD793 million and USD833 million for the years ending 31 December 2018, 2019 and 2020, respectively.

### LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, Jinchuan is a controlling shareholder of the Company. Through its wholly-owned subsidiaries, Jinchuan indirectly owns 2,981,205,857 Shares, representing approximately 61.7% 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 to approve, among other things, 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 relevant resolution to be passed at the EGM.

None of the Directors have any material interest in the 2018 CCT Supplemental Agreement (including for the avoidance of doubt the 2018 Cobalt Agreement) and the Proposed Revised Annual Caps contemplated thereunder for which they would be required to abstain from voting on the board resolution approving the 2018 CCT Supplemental Agreement (including for the avoidance of doubt the 2018 Cobalt Agreement) and the Proposed Revised Annual Caps contemplated thereunder pursuant to the Articles of Association. However, for good corporate governance, Mr. Chen Dexin, Mr. Gao Tianpeng, Mr. Qiao Fugui and Mr. Zhang Youda, voluntarily abstained from voting on the relevant board resolution 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, as they also serve as directors and/or senior management of Jinchuan and/or Jinchuan HK.

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## LETTER FROM ALTUS

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### THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee consisting of Mr. Wu Chi Keung, Mr. Yen Yuen Ho, Tony and Mr. Poon Chiu Kwok, being all the independent non-executive Directors, has been established to advise the Independent Shareholders on (i) whether the terms of the 2018 CCT Supplemental Agreement (including for the avoidance of doubt the 2018 Cobalt Agreement) are on normal commercial terms that are fair and reasonable; (ii) whether the 2018 CCT Supplemental Agreement (including for the avoidance of doubt the 2018 Cobalt Agreement) and the transactions contemplated thereunder will be conducted in the ordinary and usual course of business of the Company and its subsidiaries and are in the interests of the Company and the Shareholders as a whole; (iii) whether the Proposed Revised Annual Caps for the years ending 31 December 2018, 2019 and 2020 are fair and reasonable; and (iv) how the Independent Shareholders should vote in respect of the resolution relating thereto to be proposed at the EGM, taking into account the recommendation of the Independent Financial Adviser.

### THE INDEPENDENT FINANCIAL ADVISER

As the Independent Financial Adviser to the Independent Board Committee, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders as to (i) whether the terms of the 2018 CCT Supplemental Agreement (including for the avoidance of doubt the 2018 Cobalt Agreement) are on normal commercial terms that are fair and reasonable; (ii) whether the 2018 CCT Supplemental Agreement (including for the avoidance of doubt the 2018 Cobalt Agreement) and the transactions contemplated thereunder will be conducted in the ordinary and usual course of business of the Company and its subsidiaries and are in the interests of the Company and the Shareholders as a whole; (iii) whether the Proposed Revised Annual Caps for the years ending 31 December 2018, 2019 and 2020 are fair and reasonable; and (iv) how the Independent Shareholders should vote in respect of the resolution relating thereto to be proposed at the EGM.

We had acted as the independent financial adviser to the Company with regards to the Ratification, the continuing connected transactions under the 2016 Cobalt Supplemental Agreement and the continuing connected transactions under the 2016 CCT Agreement, details of which are set out in the letters from Altus contained in a circular of the Company dated 27 March 2018 (the “**2018 March Circular**”), the 2016 Circular and 2017 Circular respectively. Save for the aforesaid engagements, we have not acted as the independent financial adviser in relation to any transactions of the Company in the last two years prior to the date of the Circular. Pursuant to Rule 13.84 of the Listing Rules, and given that remuneration for our engagement to opine on the 2018 CCT Supplemental Agreement (including for the avoidance of doubt the 2018 Cobalt Agreement) and the Proposed Revised Annual Caps contemplated thereunder is at market level and not conditional upon successful passing of the resolution at the EGM, and that our engagement is on normal commercial terms, we are independent of the Company.

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## LETTER FROM ALTUS

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### **BASIS OF OUR ADVICE**

In formulating our opinion, we have relied on the statements, information, opinions and representations contained or referred to in the financial information of the Group set out in the annual report for the year ended 31 December 2016 (“**2016 Annual Report**”) and the annual results announcement for the year ended 31 December 2017 (“**2017 Results Announcement**”), the 2016 Circular, the 2017 Circular, the 2018 March Circular and the Circular respectively provided to us by the Company, the Executive Directors and the management of the Company (the “**Management**”). We have assumed that all statements, information, opinions and representations contained or referred to in the 2016 Circular, the 2017 Circular, the 2018 March Circular and the Circular respectively provided to us by the Management were true, accurate and complete at the time they were made and continued to be so as at the date of the Circular.

We have no reason to believe that any statements, information, opinions or representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the statements, information, opinions or representations provided to us untrue, inaccurate or misleading.

We have assumed that all the statements, information, opinions and representations for matters relating to the Company or Jinchuan contained or referred to in the 2016 Circular, the 2017 Circular, the 2018 March Circular and the Circular respectively provided to us by the Company, the Executive Directors and the Management have been reasonably made after due and careful enquiry. We have relied on such statements, information, opinions and representations and have not conducted any independent investigation into the business, financial conditions and affairs or the future prospects of the Company or Jinchuan.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

#### **1. Background information of the Company and its subsidiaries and their relationship with the Jinchuan Group**

##### *1.1 Principal activities of the Group and Jinchuan Group*

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 repositioned itself as an international upstream non-ferrous metals company.

Jinchuan 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, the fourth 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 nonferrous metals.

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## LETTER FROM ALTUS

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### 1.2 Operating results of the Group

Set out below is a summary of the operating results of the Group for each of the year ended 31 December 2015, 2016 and 2017 as extracted from the 2016 Annual Report and the 2017 Results Announcement respectively.

	<b>For the year ended 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>USD'000</i> <i>(audited)</i>	<i>USD'000</i> <i>(audited)</i>	<i>USD'000</i> <i>(audited)</i>
Revenue			
– Copper sales			
• Trading of mineral and metal products	137,182	101,659	97,975
• Mining operations	257,684	205,189	262,977
	394,866	306,848	360,952
– Cobalt sales	75,825	57,997	186,226
– Zinc sales	–	–	2,010
	470,691	364,845	549,188
Cost of sales	(462,637)	(362,488)	(433,025)
Gross profit	8,054	2,357	116,163
Reversal of impairment loss (Impairment loss)	(312,264)	53,748	17,080
Profit/(loss) for the year attributable to owners of the Company	(291,767)	8,347	41,624

*Source: 2016 Annual Report and 2017 Results Announcement*

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## LETTER FROM ALTUS

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### *1.2.1 For the year ended 31 December 2017*

Revenue for the year ended 31 December 2017 was approximately USD549.2 million, representing an increase of approximately 50.5% from approximately USD364.8 million for the year ended 31 December 2016. The increase in revenue was mainly attributable from the mining operation. The copper mining revenue increased by approximately 28% from 2016 to 2017 due to the higher copper prices and comparable production volume of copper. The cobalt revenue also increased by approximately 221% from 2016 to 2017 due to the increase in both the cobalt prices and production volume.

The trading of Mineral and Metal Products segment recorded a decrease in revenue from sales of copper related raw materials by approximately 3.6% from approximately USD101.7 million for the year ended 31 December 2016 to approximately USD98.0 million for the year ended 31 December 2017 due to deliver volume of product varied year-on-year.

Cost of sales for the year ended 31 December 2017 increased by approximately 19.5% to approximately USD433.0 million for the year ended 31 December 2017 from approximately USD362.5 million in the previous year. The increase was mainly attributable to the stripping cost incurred to mine low grade ore (which by the end of 2017, the mining area already passed the low grade ore area), and offset by the decrease in processing costs due to the implementation of cost saving measures, such as reduced dependence on diesel generators and using the lower cost local electricity supply.

Gross profit of the Group increased by approximately 4,742% from approximately USD2.4 million for the year ended 31 December 2016 to approximately USD116.2 million for the year ended 31 December 2017, which was mainly due to the increase in copper and cobalt prices and the increase in cobalt production volume.

During the year ended 31 December 2017, the Group recorded a non-cash reversal of impairment loss of approximately USD17.1 million (2016: reversal of impairment loss of approximately USD53.7 million). The reversal of impairment loss was resulted from the change in value of the principal parameters used in the 2015 impairment assessment in the mining operations, mainly the higher price estimate for commodities, namely copper and cobalt, and the lower cost estimate resulted from the successful implementation of cost control measures in 2017.

As a result of the above, the Group's recorded profit for the year attributable to owners of the Company of approximately USD41.6 million for the year ended 31 December 2017 as compared approximately USD8.3 million recorded for the year ended 31 December 2016.

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## LETTER FROM ALTUS

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### *1.2.2 For the year ended 31 December 2016*

Revenue for the year ended 31 December 2016 was approximately USD364.8 million, representing a decrease of approximately 22.5% from approximately USD470.7 million for the year ended 31 December 2015. The decrease in revenue was mainly attributable to a worldwide downturn in commodity prices including copper, which was the main driving factor for the decrease in the Group's overall sales revenue. The copper mining revenue dropped by approximately 20.4% from 2015 to 2016 due to the lower copper prices and lower output of copper. The cobalt revenue decreased by approximately 23.5% from 2015 to 2016 due to the decrease in production volume.

The trading of Mineral and Metal Products segment recorded a significant decrease in revenue on sales of copper related raw materials by approximately 25.9% from approximately USD137.2 million for the year ended 31 December 2015 to approximately USD101.7 million for the year ended 31 December 2016 due to the then less favourable market conditions.

Cost of sales for the year ended 31 December 2016 was at a lower level compared to the cost of sales for the year ended 31 December 2015. The decrease was mainly attributable to the lower volume sold and the continued implementation of cost savings measures during the year ended 31 December 2016.

Gross profit of the Group decreased by approximately 70.4% from approximately USD8.1 million for the year ended 31 December 2015 to approximately USD2.4 million for the year ended 31 December 2016, which was mainly due to the decrease in copper price and the decrease in production volume.

During the year ended 31 December 2016, the Group recorded a non-cash reversal of impairment loss of approximately USD67.8 million on the mineral rights, and an impairment loss of approximately USD14.0 million on the exploration and evaluation assets respectively. The reversal of impairment loss was resulted from the change in value of the principal parameters used in the 2015 impairment assessment in the mining operations, mainly the higher price estimate for commodities, namely copper and cobalt, and the lower cost estimate resulted from the successful implementation of cost control measures in 2016.

As a result of the above, the Group's recorded profit for the year attributable to owners of the Company of approximately USD8.3 million for the year ended 31 December 2016 as compared to a loss of approximately USD291.8 million recorded for the year ended 31 December 2015 (attributable principally to an impairment loss of approximately USD312.3 million for the year ended 31 December 2015).

### *1.3 Relationship between the Group and Jinchuan Group*

As set out in the 2016 Annual Report and the 2017 Result Announcement respectively, the Company serves as the flagship 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.

Taking into account the principal activities of the Group and Jinchuan Group and the relationship between them mentioned above, we consider that the 2018 CCT Supplemental Agreement (including for the avoidance of doubt the 2018 Cobalt Agreement) and the transactions contemplated thereunder adhere to the business strategy of the Company, represent a continuation of the long-term relationship between the Group and Jinchuan Group and will be conducted in the ordinary and usual course of business of the Group.

### *1.4 Prospects of the Group*

Cobalt price had increased significantly as a result of growing new energy vehicle and battery market during 2017. According to the Management, copper and cobalt prices are anticipated to show a steady to optimistic outlook in medium to long term. In order to drive operational performance, the Group will continue to implement measures to control cost and improve efficiency.

Apart from the operating mines of Ruashi Mine and Chibuluma South Mine in the Group's African mining operations, Kinsenda Project had 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 is in production from early 2018. The Group will continue to explore ore resources within its own mine site as well as surrounding areas that could extend the mine life and increase output and production volumes to achieve the growth.

The Group also intends to leverage on Jinchuan Group's experience and skills in areas such as mining, concentrating and metallurgy of non-ferrous metal, and other mining operational expertise to expand its businesses and services in such areas, and eventually an international mining company that integrates mining, concentrating and metallurgy process with a developed trading segment.



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## LETTER FROM ALTUS

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### **2. Reasons for and benefits of the 2018 CCT Supplemental Agreement (including for the avoidance of doubt the 2018 Cobalt Agreement) and the Proposed Revised Annual Caps**

As stated in the paragraph headed “1.1. Principal activities of the Group and Jinchuan Group” above, the principal business of the Group is in the mining operations, primarily copper and cobalt production and the trading of Mineral and Metal Products. Hence, it is the Group’s ordinary and usual course of business to mine and trade the Mineral and Metal Products.

The 2018 CCT Supplemental Agreement (including for the avoidance of doubt the 2018 Cobalt Agreement) represents a continuation of the existing arrangements in respect of the trading of Mineral and Metal Products between the Group and Jinchuan Group under the 2016 CCT Agreement (including the 2016 Cobalt Supplemental Agreement). As the general framework of the pricing mechanism, the quality of the Mineral and Metal Products, and the credit and payment terms are set out in the abovementioned agreements, the Management will (upon obtaining the Independent Shareholders’ approval at the EGM) have (i) the flexibility to execute the Continuing Connected Transactions along the general transaction principles and within the abovementioned framework and (ii) the tools to manage whether the Continuing Connected Transaction is, from time to time, conducted in the ordinary and usual course of business of the Company and its subsidiaries and is in the interests of the Company and the Shareholders as a whole.

As mentioned in the paragraph headed “1.4 Prospects of the Group” above, it is the Group’s intention and stated business strategy to leverage on Jinchuan Group’s experience and skills in areas such as mining, processing and metallurgy of non-ferrous metal, and other mining operational expertise to expand its businesses and services in such areas. Given that Jinchuan is one of the world’s largest mining enterprises being the third largest producer of nickel in the world, one of the top five suppliers of cobalt (in terms of cobalt mine production in 2017) in the world, one of the top five producers of cobalt (in terms of cobalt processing in 2017) in the PRC and the third largest copper producer in the PRC and is a state-owned enterprise, Jinchuan Group is inevitably one of the few major customers of the Group in the market which have significant demand of Mineral and Metal Products from time to time, have a stable financial position to support their significant demand and have the expertise on the mining and trading businesses which may share with the Group as and when required.

As described under the paragraph headed “Reasons for selling cobalt of the Group to Jinchuan Group” in the “Letter from the Board” of the Circular, due to the demand for cobalt may continue in short to medium term, major cobalt processing producers in the PRC are keen to lock up the supply chain for cobalt. Insofar as the Company is aware, there has been no restriction for the Group to sell cobalt in China. Jinchuan Group has been the strategic business partner of Ruashi Mining back in 2008 and the only off-taker of cobalt metals from Ruashi Mine since its commercial operation in 2009. Hence, taking into account the volume in-take of cobalt by Jinchuan Group, the cobalt prices payable by Jinchuan Group (as further described in the paragraph headed “3.2.2 Pricing mechanism - basis of determining the selling prices of the cobalt contained in cobalt hydroxide” below) are fair and reasonable and on normal commercial terms or better, as well as the long term strategic business relationship as described in paragraph headed “1.3 Relationship between the Group and Jinchuan Group” above, the Directors considers and we concur that it is beneficial to the Company and its Shareholders as a whole to continue the sale of cobalt to Jinchuan Group under the 2018 CCT Supplemental Agreement (including for the avoidance of doubt the 2018 Cobalt Agreement), but not other cobalt processing producers in the PRC.

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## LETTER FROM ALTUS

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In addition, in view of the above, the Directors believe and we concur that the strategic partnership in the supply of cobalt carbonate and/or cobalt hydroxide between Ruashi Mine and Lanzhou Jinchuan is mutually beneficial to both parties.

Setting the Proposed Revised Annual Caps under the 2018 CCT Supplemental Agreement (including for the avoidance of doubt the 2018 Cobalt Agreement) also provides the tool for the Management and the Independent Non-executive Directors to monitor the amount of Continuing Connected Transaction carried out between the Group and Jinchuan Group from time to time, which is a crucial element for proper corporate governance.

Having considered the above and the factors set out in the section headed “1.3 Relationship between the Group and Jinchuan Group”, we believe that the 2018 CCT Supplemental Agreement (including for the avoidance of doubt the 2018 Cobalt Agreement) will be conducted in the ordinary and usual course of business of the Company and its subsidiaries and are in the interests of the Company and the Shareholders as a whole.

### **3. Principal terms of the 2018 CCT Supplemental Agreement and the 2018 Cobalt Agreement**

#### ***3.1 The 2018 CCT Supplemental Agreement***

Below are the key terms of the 2018 CCT Supplemental Agreement that we have considered. Details of the 2018 CCT Supplemental Agreement are set out in the “Letter from the Board” of the Circular.

##### *3.1.1 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 Jinchuan Group, and Jinchuan has agreed to cause Jinchuan Group (for the purpose of this circular, excluding the Group) to purchase from the Group, the Mineral and Metal Products.

##### *3.1.2 Pricing mechanism – basis of determining 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. It is noted that such adjustments namely involve the moisture content, the percentage of metal content and the impurity element

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## LETTER FROM ALTUS

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content in the metals. The above pricing mechanism is intended to ensure that the trading prices for the Mineral and Metal Products provided by the Group to Jinchuan Group will be determined on normal commercial terms.

We have reviewed and compared (i) three contracts and trading transactions entered into between the Group and Jinchuan Group for transactions carried out during the three years ended 31 December 2017; and (ii) seven contracts and trading transactions entered into between the Group and Independent Third Parties for transactions carried out during the three years ended 31 December 2017 in respect of trading of Mineral and Metal Products (apart from cobalt and its related products). It is noted that all of the contracts reviewed by us are mineral framework agreements which, by its nature, can be few for each year. In addition, it is noted that those customers are major mineral trading companies. Taking into account the above, we believe that it is an exhaustive list of contracts in relation to trading of Mineral and Metal Products (apart from cobalt and its related products) entered into during the three years ended 31 December 2017. We noted that

- (i) it is a market practice for metal traders to adopt pricing mechanism that make reference to the prices of the relevant metal as announced by the LME, the LBMA and/or the Metal Bulletin after making certain adjustments according to the metal content and quality. Further discussion on the market practice is set out in the paragraph headed “3.3 Market practice in relation to the pricing mechanism” below; and
- (ii) the terms and pricing mechanisms of the reviewed contracts entered into between the Group and Jinchuan Group were in line with the terms and pricing mechanisms of the transactions between the Group and Independent Third Parties.

Taking into account the above, we are of the view that the basis to determine the trading prices of the Mineral and Metal Products is fair and reasonable.

### *3.1.3 General transaction principles*

During the past three years ended 31 December 2017, the Group has conducted the Continuing Connected Transactions in accordance with the general transaction principles. Details of the general transaction principles are set out in the “Letter from the Board” of the Circular.

We have reviewed the internal control manual adopted by the Management of the Company, which detailing the guidance and policies for conducting the transactions contemplated under the 2016 CCT Agreement going forward, the operational flowchart, and had discussions with the management team of the Company, including the Chief Executive Officer and the Chief Financial Officer of the Company of the enhanced internal control measures, and believe the Continuing Connected Transactions contemplated under the 2018 CCT Supplemental Agreement should continue to be conducted in accordance with the general transaction principles.

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## LETTER FROM ALTUS

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### 3.1.4 Others

As described in the “Letter from the Board” of the Circular, save for the revisions to the term and the annual caps set out in the 2018 CCT Supplemental Agreement, the other terms of the 2016 CCT Agreement shall remain unchanged. Below are the 2 particular terms:

#### 3.1.4.1 Quality of the Mineral and Metal Products

As described in the general transaction principles, the Mineral and Metal Products provided by the Group should be of good quality and at fair and reasonable prices.

For cobalt, particular quality requirements are set out in the paragraph headed “3.2.3 Quality of cobalt hydroxide” below.

Based on our review of the ten contracts mentioned above, we noted that if the metal content is below a certain level with respect to the relevant metal, Jinchuan Group has the right to reject the delivery. We also noted that the minimum content level applies to other customers of the Group which are Independent Third Parties. Based on the above, we are of the view that having a minimum content level requirement in the contract is in line with market practice and fair and reasonable.

#### 3.1.4.2 Credit and payment terms

For transactions between the Group and Jinchuan Group, all invoices shall be made in US dollars by D/P at sight through a first class bank. All payments shall be made in US dollars by telegraphic transfer.

Based on our review of the abovementioned contracts, we noted that other customers of the Group which are Independent Third Parties would accept either letter of credit or telegraphic transfer in immediately available funds and against a letter of credit.

Given the background of Jinchuan Group as described in the paragraph headed “1.1 Principal activities of the Group and Jinchuan Group” above and such payment method had been applied over the period under review, we believe that by accepting payment by way of D/P at sight as compare to letter of credit would not increase the uncertainty of receipt of payment by the Group. Based on the above, we are of the view that the credit and payment terms are fair and reasonable.

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## LETTER FROM ALTUS

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### 3.2 *The 2018 Cobalt Agreement*

Below are the key terms of the 2018 Cobalt Agreement that we have considered. Details of the 2018 Cobalt Agreement are set out in the “Letter from the Board” of the Circular.

#### 3.2.1 *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.

#### 3.2.2 *Pricing mechanism – basis of determining 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). According to the Management, given the surge in the price and demand for cobalt, the Group successfully negotiated with Jinchuan Group for a term under the 2018 Cobalt Agreement, whereby the higher the Metal Bulletin cobalt price the Group will be able to apply a higher basis coefficient (up to a maximum 78.0%) of towards calculating the selling price. It is noted that the lowest basis co-efficient under the 2018 Cobalt Agreement is 69.5% which is the basis co-efficient currently fixed in the 2016 Cobalt Supplemental Agreement. Taking into account the surge in the price and demand for cobalt, we are of the view that such scale up selling price is in favour of the Group and in the interests of the Company and the Shareholders as a whole.

We have reviewed and compared (i) all three contracts entered into between the Group and Jinchuan Group; and (ii) one contract entered into between the Group and another customer (which is an Independent Third Party), in respect of trading of cobalt contained in cobalt hydroxide between the three years ended 31 December 2017. It is noted that all of the contracts reviewed by us are mineral framework agreements which, by its nature, can be one for each year. In addition, the Independent Third Party customer is a major mineral trading company. Taking into account the above, we believe that it is an exhaustive list of contracts in relation to selling of cobalt contained in cobalt hydroxide entered into between the three years ended 31 December 2017. We noted that:

- (i) it is a market practice for metal traders to adopt pricing mechanism that use, in line with market practice with respect to the relevant metal, a certain percentage of the prices quoted by the LME, the LBMA and/or the Metal Bulletin after making certain adjustments according to the metal content and quality. Further discussion on the market practice is set out in the section headed “3.3 Market practice in relation to the pricing mechanism” below; and

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## LETTER FROM ALTUS

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- (ii) the terms and pricing mechanisms of the reviewed contracts between the Group and Jinchuan Group were in line with the terms and pricing mechanisms of the transactions between the Group and Independent Third Parties.

Taking into account the above, we are of the view that the basis to determine the trading prices of cobalt contained in cobalt hydroxide is fair and reasonable.

### *3.2.3 Quality of cobalt hydroxide*

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 there will not be any additional incentive.

If the cobalt content is below 25%, the selling price will be a 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%.

Based on our review of the four contracts mentioned above, we noted that if the cobalt content is below 20%, Jinchuan Group has the right to reject the delivery. We also noted that the minimum content level applies to the Independent Third Party customer. Based on the above, we are of the view that having a minimum content level requirement in the contract is fair and reasonable.

Based on our review of the four contracts mentioned above, we also noted that there is no allowance for an incentive if the cobalt content is equal to or above 30%. We have obtained the cobalt contents of the output from Ruashi Mining for the two years ended 31 December 2017 and up to March 2018 (the latest practicable date for the purpose of this letter) and noted that it has been maintained at an average rate of approximately 26.34%, 26.67% and 29.16% respectively. With the improving mining process, the Company expects the cobalt content will be improved whilst the impurity element content in the cobalt contained in cobalt hydroxide will be contained or even reduced going forward. Hence, we are of the view that the incentive of an additional 1% of the purchase price payable by Lanzhou Jinchuan to the Group is in favour of the Group and in the interests of the Company and the Shareholders as a whole.

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Based on our review of the four contracts mentioned above, we noted that if the cobalt content is below 25%, the selling price will be reduced depending on the actual cobalt content, which applies to the Independent Third Party customer. Hence, we are of the view that having a minimum content level requirement in the contract is acceptable.

### *3.2.4 Credit and payment terms*

For transactions between the Group and Jinchuan Group, all invoices shall be made in US dollars by D/P at sight through a first class bank. All payments shall be made in US dollars by telegraphic transfer.

Based on our review of the abovementioned contracts, we noted that the Independent Third Party customer of the Group would settle by either letter of credit or telegraphic transfer in immediately available funds and against a letter of credit.

Given the background of Jinchuan Group as described in the paragraph headed “1.1 Principal activities of the Group and Jinchuan Group” above and such payment method had been applied over the period under review, we believe that by accepting payment by way of D/P at sight as compare to letter of credit would not increase the uncertainty of receipt of payment by the Group. Based on the above, we are of the view that the credit and payment terms are fair and reasonable.

### *3.2.5 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. The maximum tonnage represents 1,000 tonnes more than the annual maximum tonnage set out in the 2016 Cobalt Agreement.

For the years ended 31 December 2016 and 2017 and for the two months ended 28 February 2018, the amount of cobalt hydroxide sold by the Group to Lanzhou Jinchuan were 3,264 tonnes, 4,677 tonnes and 1,024 tonnes, respectively. As an illustration, based on the monthly average amount of cobalt hydroxide sold by the Group to Lanzhou Jinchuan up to 28 February 2018, the volume to be sold by the Group to Lanzhou Jinchuan on an annualised basis for the year ending 31 December 2018 would amount to about 6,000 tonnes.

Given that 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 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.



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## LETTER FROM ALTUS

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We noted that (i) Golden Harbour is not obligated under the 2018 Cobalt Agreement to purchase all of the cobalt hydroxide produced by Ruashi Mine; (ii) Golden Harbour is not obligated under the 2018 Cobalt Agreement to sell all of the cobalt hydroxide produced by the Group to Jinchuan Group; and (iii) the respective arrangements under the 2018 Cobalt Agreement are non-exclusive. However, as it is Jinchuan Group's strategy to use the Group as the flagship of Jinchuan Group for undertaking overseas operations in the exploration and exploitation of mining assets and related trading (as described in section headed "1.3 Relationship between the Group and Jinchuan Group" above), it is therefore likely for Jinchuan Group to purchase cobalt from the Group produced by the Group.

We also noted that pursuant to the 2018 Cobalt Agreement, if Golden Harbour fails to deliver cobalt hydroxide produced by the Group 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 this 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 a specified period of time under the 2018 Cobalt Agreement, 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. According to the Management, historically the Group has consistently been able to produce an annual amount over 2,500 tonnes of cobalt hydroxide since its commencement of production. In view of the above, we believe the minimum and maximum quantity of sales specified in the 2018 Cobalt Agreement provide some certainty as well as flexibility for the Group on the sale of cobalt to Jinchuan Group in the event that the Group secures new customers in relation to its cobalt hydroxide trading business, which is justifiable and reasonable.

### **3.3 Market practice in relation to the pricing mechanism**

In order to consider whether the pricing mechanism adopted by the Company under the 2018 CCT Supplemental Agreement (including the 2018 Cobalt Agreement) is in line with market practices, we have identified transactions conducted by and/or pricing policies adopted by other companies ("**Comparable Companies**") which are (i) listed on the Stock Exchange; and (ii) principally engaged in mining operations between 2011 and 2017. We, based on our best endeavor and as far as we are aware, have identified an exhaustive and complete list of six Comparable Companies and reviewed 11 transactions, as set out below.

- (i) KAZ Minerals Plc ("**KAZ**", stock code: 847, formerly known as Kazakhmys Plc), as set out in the listing document of Kazakhmys dated 21 June 2011, contracts for mineral products of the KAZ group do not have a fixed sale price, goods are priced by reference to the relevant metal markets quoted price for the relevant monthly delivery period and depending on types of mineral products, pricing is also adjusted with respect to the content and respective treatment charges;



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## LETTER FROM ALTUS

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- (ii) China Silver Group Limited (“**China Silver**”, stock code: 815), as set out in the listing document of China Silver dated 14 December 2012, pricing of minerals are determined with reference to the relevant metal markets and adjusted for, among others, the content of the underlying minerals and locations of supplies;
- (iii) MMG Limited (“**MMG**”, stock code: 1208), as set out in the circular of MMG dated 30 June 2014, MMG entered into an offtake agreement in respect of the supply of copper concentrates, the pricing of which shall be determined by reference to the content of copper, silver and gold in the copper concentrates and the relevant metal prices quoted on the LME or other relevant London markets reflecting the grade and quality of the product, subject to treatment and refining charges being consistent with those prevailing in the international market for comparable products at the time of entering into the relevant sale agreement;
- (iv) as set out in an announcement of MMG dated 1 March 2016, MMG entered into the Copper Concentrate Sales Framework Agreement in relation to the sale of copper concentrates produced by MMG group excluding copper concentrates produced at the Las Bambas Project, the pricing of which shall be determined on an arms’ length basis and comparable to the prevailing market rates or at rates similar to those offered by the group to any other independent third parties. Such prices shall be calculated based on the relevant metal prices, including copper, gold and silver as quoted on the LME or other relevant London markets averaged over an agreed quotation period; and less agreed treatment and refining charges which are consistent with those prevailing in the PRC metal market for comparable imported copper concentrates at the time of the relevant sale agreement;
- (v) China Daye Non-Ferrous Metals Mining Limited (“**China Daye**”, stock code: 661), as set out in the circular of China Daye dated 24 November 2016, pricing of copper concentrate will be determined with reference to (as applicable): (i) the market price of gold as quoted on the Chicago Mercantile Exchange (adjusted with reference to the premium or discount quoted by Reuters) or by the London Bullion Market Association (“**LBMA**”); (ii) the market price of silver as quoted on the Chicago Mercantile Exchange (adjusted with reference to the premium or discount quoted by Reuters) or by the LBMA; and (iii) the market price of copper as quoted on the LME (adjusted with reference to the premium or discount quoted by Reuters as applicable);

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## LETTER FROM ALTUS

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- (vi) China Nonferrous Mining Corporation Limited (“**China Nonferrous**”, stock code: 1258), as set out in the circular of China Nonferrous dated 15 May 2017, pricing of copper products will be determined with reference to (i) the monthly moving average price or monthly average settlement price of copper quoted on the LME; or (ii) the monthly moving average price or the monthly average settlement price of copper quoted on the Shanghai Futures Exchange; or (iii) when the market price of copper products could not be adequately reflected through (i) and (ii) at the place of sale or the receiving market, the price reasonably determined by both parties after making reference to the monthly average selling price of copper at the place of sale or the receiving market. Such price will be determined by making reference to a recognized copper stock index that is comparable to the LME or the Shanghai Futures Exchange, such as Tianjin Precious Metals Exchange or COMEX (i.e. Chicago Mercantile Exchange);
- (vii) as set out in an announcement of MMG dated 20 September 2017, MMG entered into the Rosebery Concentrate Sales Agreement in relation to the sale of copper concentrates produced at the Rosebery Mine, the pricing of which shall be determined on an arms’ length basis and comparable to with or superior to the pricing offered to those offered by the group to any other independent third parties. Such prices shall be calculated based on the relevant metal prices, including copper, gold and silver as quoted on the LME (for copper) and the LBMA (for gold and silver) averaged over an agreed quotation period; and less agreed treatment and refining charges;
- (viii) as set out in an announcement of MMG dated 18 October 2017, MMG entered into the Dugald River Zinc Concentrate Sale Agreement in relation to the sale of zinc concentrates produced at the Dugald River Mine, the pricing of which shall be determined on an arms’ length basis and comparable to the market for concentrates qualities such Dugald River zinc concentrates. Such prices shall be calculated based on the zinc contained in the product as the Special High Grade Settlement Price for zinc quoted on the LME, and silver contained in the product at LBMA Silver Price sport quotation, each averaged over an agreed quotation period; and less agreed treatment and refining charges which is consistent with those charges prevailing for comparable zinc concentrate sold by major global zinc concentrate producers in the PRC at the time of the delivery;
- (ix) as set out in an announcement of MMG dated 10 November 2017, MMG entered into the Copper Cathode Sales Agreement in relation to the sale of copper cathode produced at the Sepon Mine, the pricing of which shall be determined on an arms’ length basis and being the LME Copper Cash Settlement Quotation as published in the London Metal Bulletin averaged over the relevant Quotation Period plus an agreed premium;

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## LETTER FROM ALTUS

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- (x) as set out in another announcement of MMG dated 8 December 2017, MMG entered into another Dugald River Zinc Concentrate Sale Agreement in relation to the sale of zinc concentrates produced at the Dugald River Mine, the pricing of which shall be determined on an arms' length basis and comparable to the market for concentrates qualities such Dugald River zinc concentrates. Such prices shall be calculated based on the zinc contained in the product as the Special High Grade Settlement Price for zinc quoted on the LME, and silver contained in the product at LBMA Silver Price sport quotation, each averaged over an agreed quotation period; and less agreed treatment charge which is consistent with those charges prevailing for comparable zinc concentrate contracts; and
- (xi) Jiangxi Copper Company Limited ("**Jiangxi Copper**", stock code: 358), as set out in the circular of Jiangxi Copper dated 8 December 2017, Jiangxi Copper entered into an agreement in respect of the supply of copper related products, lead materials, zinc materials and other materials, the pricing of which shall be determined by referring to the monthly average closing price quoted on relevant metal markets adjusted for content and costs.

After review of the Comparable Companies, we noted that all comparable transactions that adopted a similar pricing mechanism as that of the Company, which makes reference to the prices of the relevant metal as announced by the LME and/or the LBMA after making certain adjustments including but not limited to treatment charges and refining charges.

Although these comparable transactions did not use basis coefficient and only one make reference to Metal Bulletin in their pricing mechanism, as in the case of the Company in determining the price of cobalt and its related products, their pricing mechanism were determined with reference to a market quoted price (such as LME) and adjusted by its contents, grade/quality, and/or location of supplies which is similar to the Group using Metal Bulletin for cobalt. Metal Bulletin cobalt price is bench mark price for cobalt business and adjusted by its contents, grade/quality and/or location of supplies. It is also noted that none of the Comparable Companies entered into transaction in relation to cobalt and its related products.

Taking into account the above, we therefore conclude that the pricing mechanism adopted by the Company under the 2018 CCT Supplemental Agreement (including the 2018 Cobalt Agreement) is in line with market practices.

### **3.4 Section summary**

Taking into account the above and the arrangement between the Group and Jinchuan Group under the 2018 CCT Supplemental Agreement (including the 2018 Cobalt Agreement) is non-exclusive and there should be no bias or preference for the Group to deal with Jinchuan Group, we are of the view that the terms of the 2018 CCT Supplemental Agreement (including the 2018 Cobalt Agreement) are fair and reasonable.

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## LETTER FROM ALTUS

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### 4. Proposed Revised Annual Caps

#### 4.1 Historical figures and existing 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 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 <i>(note 1)</i>	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 <i>(note 2)</i>	N/A <i>(note 3)</i>	N/A
– under 2015 Cobalt Agreement (as supplemented)	75.8 million	45 million			

*Notes:*

1. The 2017 Annual Cap was exceeded. The 2017 Transaction Amount was approved and ratified at the extraordinary general meeting of the Company held on 16 April 2018.
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 USD62 million (unaudited).

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## LETTER FROM ALTUS

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### 4.2 Proposed Revised Annual Caps

As set out in the “Letter from the Board” of the Circular, the Proposed Revised Annual Caps are determined by reference to: (i) the acute fluctuation of the price and demand for cobalt; (ii) the enhanced productivity capacity of Ruashi Mine; (iii) the increase in the basis coefficient contemplated under the 2018 Cobalt Agreement, which in turn, increase the selling price of cobalt; and (iv) a buffer representing approximately 3 months the sales value of the Mineral and Products for each of the Proposed Revised Annual Caps.

The following table sets out the Proposed Revised Annual Caps

	Year ending 31 December		
	2018	2019	2020
	USD	USD	USD
Proposed Revised Annual Caps	<u>755 million</u>	<u>793 million</u>	<u>833 million</u>

As described in the paragraph headed “2018 Announcement and Ratification” above, the 2017 Transaction Amount exceeded the 2017 Annual Cap, and such amount has to be approved and ratified by the then independent shareholders of the Company at the extraordinary general meeting of the Company held on 16 April 2018.

To consider whether the Proposed Revised Annual Caps for the 2018 CCT Supplemental Agreement (including the 2018 Cobalt Agreement) are fair and reasonable, we have to take into account the following factors:

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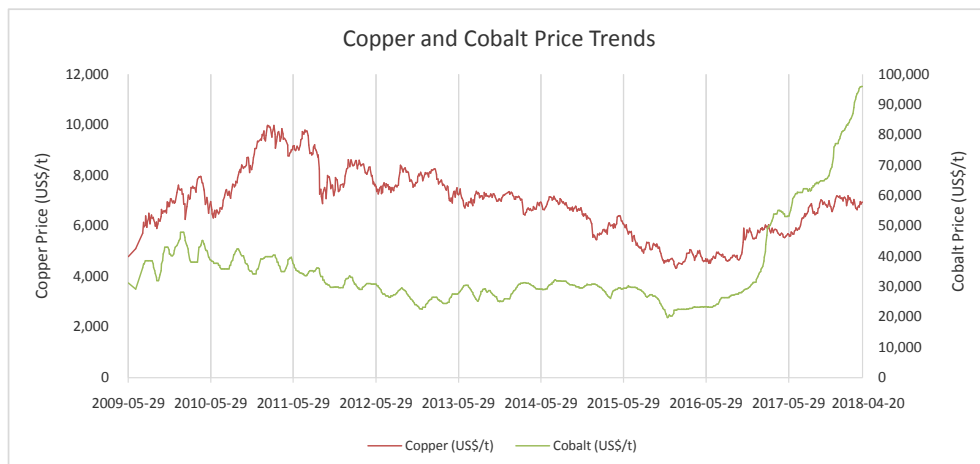
## LETTER FROM ALTUS

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### 4.2.1 The proposed revised annual cap for the year ending 31 December 2018

#### 4.2.1.1 The historical copper and cobalt prices

Set out below is the chart showing the copper and cobalt prices between 29 May 2009 (about 9 years prior to the date of the 2018 CCT Supplemental Agreement, which is the earliest information the Company has collected) to 20 April 2018 (being the latest practicable date for the purpose of this letter) for the purpose of illustrating copper and cobalt historical price trends.



Source: Company. It has made reference to LME historical price.  
<https://www.lme.com/metals/non-ferrous/#tab3>

During the period under review, the highest quotations for copper and cobalt prices were approximately USD9,980 per tonne and USD96,011 per tonne recorded on 4 March 2011 and 20 April 2018 respectively and the lowest quotations for copper and cobalt prices were approximately USD4,321 per tonne and USD19,842 per tonne recorded on 15 January 2016 and 9 December 2015 respectively.

Due to the increasing demand for new energy vehicles and related batteries, since early 2017, cobalt market regained momentum. Cobalt benchmark Metal Bulletin price surged from USD33,069 per tonne as at 11 January 2017 (being the latest practicable date used in the 2017 Circular) to USD60,627 per tonne as at 30 June 2017, representing an increase of approximately 83.3%. Then the price continued to rise steadily from USD60,627 per tonne as at 30 June 2017 to USD64,375 per tonne as at 29 September 2017. Thereafter, the price surge again in the last quarter of 2017 from USD64,375 per tonne as at 4 October 2017 to USD77,162 per tonne as at 29 December 2017, representing an increase of approximately 19.9%. In short, the Cobalt benchmark Metal Bulletin price surged by 133.3% from the beginning of 2017 to the end of 2017.

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## LETTER FROM ALTUS

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Since January 2018, the cobalt prices continued to pick up and increased from USD77,162 per tonne as at 3 January 2018 to USD96,011 as at 20 April 2018 (being the latest practicable date for the purpose of this letter), representing an increase of approximately 24.4%.

Taking into account the above, the Management in deriving the annual cap for the year ending 31 December 2018 has made reference to the expected average cobalt selling price at USD129,000 per tonne. We have discussed with the Management and noted their basis to estimate the average cobalt selling price at USD129,000 per tonne were as follows:

- (i) the historical trend shows that the price fluctuation can be very acute and in a short time frame as described above;
- (ii) the demand for cobalt will continue to increase due to global demand for new energy related batteries and electric vehicles; and
- (iii) the year-on-year growth of average cobalt price between 2016 to 2017 was approximately 2.3 times; and by applying the same year-on-year growth rate of the average cobalt price between 2017 to 2018 as 2.3 times over the average cobalt price for the year ended 31 December 2017 of approximately USD56,000 per tonne will derive the average cobalt selling price of USD129,000 per tonne for the year ending 31 December 2018.

Taking into account the above, we consider by making reference to the latest cobalt price, the historical rate of increase to estimate the expected cobalt price for the year ending 31 December 2018 and then together with the expected sales volume (as described in the paragraph headed “4.2.1.2 The historical and estimated output of cobalt hydroxide from Ruashi Mining” below) to derive the Proposed Revised Annual Cap as fair and reasonable.

#### 4.2.1.2 The historical and estimated output of cobalt hydroxide from Ruashi Mining

Set out below is the table of the output of cobalt from Ruashi mine over the past 2 years ended 31 December 2017 and the two months ended 28 February 2018:

	<b>For the year ended</b>		<b>For the</b>	<b>For the</b>
	<b>31 December</b>	<b>2017</b>	<b>two months</b>	<b>year ending</b>
	<b>2016</b>	<b>2017</b>	<b>ended</b>	<b>31 December</b>
	<i>tonnes</i>	<i>tonnes</i>	<b>28 February</b>	<b>2018</b>
	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Estimate</i>
Cobalt output	3,391	4,638	1,031	6,000

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## LETTER FROM ALTUS

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We have discussed with the Management the reasons for the year-on-year growth of production output between 2016 and 2017, and obtained from the Management Ruashi Mining's output data for January 2018 and February 2018, we consider the Management using the actual output for the two months ended 28 February 2018 and then annualise it to derive the annual output for the year ending 31 December 2018 as fair and reasonable.

As described in the paragraph headed "3.2.5 Quantity of cobalt hydroxide" above, although (i) Golden Harbour is not obligated under the 2018 Cobalt Agreement to purchase all of the cobalt hydroxide produced by Ruashi Mine; (ii) Golden Harbour is not obligated under the 2018 Cobalt Agreement to sell all of the cobalt hydroxide produced by the Group to Jinchuan Group; and (iii) the respective arrangements under the 2018 Cobalt Agreement are non-exclusive, due to the background of Jinchuan Group, the relationship between the Group and Jinchuan Group and the increasing global demand for cobalt, due to the reasons and benefits of the 2018 CCT Supplemental Agreement (including for the avoidance of doubt the 2018 Cobalt Agreement) set out in paragraph 2 above, it is therefore highly probable for Jinchuan Group to purchase cobalt from the Group produced by the Group from Ruashi Mining. Hence, we consider using the maximum expected annual output of 6,000 tonnes to calculate the Proposed Revised Annual Caps as fair and reasonable.

### 4.2.1.3 Pricing mechanism

As described in the paragraph "3.2.2 Pricing mechanism - basis of determining the selling prices of the cobalt contained in cobalt hydroxide" above, the higher the Metal Bulletin cobalt price the Group will be able to apply a higher basis coefficient (up to a maximum 78.0%) of towards calculating the selling price. Given that the Metal Bulletin cobalt price as at 14 March 2018 already exceeded USD89,066/tonne, and the continue and increasing demand for cobalt will likely push and sustain the price above the USD89,066/tonne level. On this basis, we are of the view that by applying the maximum basis coefficient of 78.0% towards calculating the selling price to Jinchuan Group and, then by multiplying with the cobalt price as described in paragraph 4.2.1.1 above together with the maximum expected sales volume as described in paragraph 4.2.1.2 above, to derive the Proposed Revised Annual Caps as fair and reasonable.

### 4.2.1.4 Buffer

According to the Management, the reasons for inclusion of the 25% buffer are as follows:

- (1) The price of most metals including copper and cobalt has fluctuated widely in recent years, and particularly the copper price has fallen since February 2013 due to the weakening copper demand. Low commodity prices have slowed or shuttered copper and nickel production, in turn limiting cobalt supply. Thus, the increased demand for cobalt creates the potential for a substantial imbalance between supply and demand in the coming years.



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## LETTER FROM ALTUS

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Taking into account (i) the historical copper and cobalt prices trend set out in paragraph 4.2.1 of this letter above; (ii) the Group has no control over the prices of and/or demand for cobalt which can rise (and fall) within a short timeframe; and (iii) the background leading to the incident where the 2017 Transaction Amount exceeded the 2017 Annual Cap, in particular, due to an unexpected surge in the price and demand for cobalt particularly in the fourth quarter of 2017, we are of the view that it is reasonable for the Management to include a buffer to cater for the acute increase in prices as a result of supply/demand imbalances.

In addition, cobalt prices had kept at the level of approximately USD159,000 to USD187,000 per tonne for years between late 1970's to mid 1980's and reached as high as USD190,000 per tonne in early 1980's. Such historical high price range and the highest price recorded represent another 23% to 45% and 47% respectively higher than the estimated average cobalt selling price of USD129,000 per tonne assumed for calculating the proposed annual cap for the year ending 31 December 2018. Given that there exists the possibility of an acute price increase, the proposed buffer of 25% falls within the abovementioned range of 23% to 45% higher than the estimated average selling price of USD129,000 per tonne and by adding a buffer of 25% to the average cobalt price for the year ending 31 December 2018 of USD129,000 per tonne will give rise to a price of USD161,250 per tonne which is on the lower end of the abovementioned range, we are of the view the proposed buffer of 25% as fair and reasonable.

- (2) The Company would need approximately 3 months to finalise the process of obtaining the Independent Shareholders' approval to revise the annual caps for the Continuing Connected Transaction, and
- (3) 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.

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## LETTER FROM ALTUS

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Having discussed with the Management, including the Chief Executive Officer and the Chief Financial Officer, we noted the Company had taken approximately 3 months to complete the process of the Ratification. Furthermore, we have discussed the operation flow chart with the Management, including the Chief Executive Officer and the Chief Financial Officer, to understand that it requires 4 to 6 weeks to arrange transportation before making actual delivery of products and realizing sales value, and another 4 to 5 weeks for the management team to access actual sales value after delivery of products and realizing of sales revenue. In summary, there is about 8 to 11 weeks of time gap before the Management could be able to access to a reliable information on the actual sales value after delivery of products and the amount to be recognize as sales revenue. In view of the above, we are of the view that it is reasonable for the Management to include a buffer to cater for the time required to gather the necessary information and, in the event necessary, to seek the independent Shareholders' approval to revise the annual caps for the Continuing Connected Transaction.

Taking into account the above, we are of the view that the inclusion of a 25% buffer to the proposed Annual Cap for the year ending 31 December 2018 is fair and reasonable.

#### 4.2.1.5 Section summary

Taking into account the expected cobalt price, the expected sales volume and the maximum basis coefficient under the price mechanism are fair and reasonable, we are of the view that the Proposed Revised Annual Cap for the year ending 31 December 2018 which is derived by multiplying the expected cobalt price with the expected sales volume, the maximum basis coefficient and the additional 25% buffer as fair and reasonable.

#### 4.2.2 *The proposed annual caps for the year ending 31 December 2019 and 2020*

The proposed annual caps for the year ending 2019 and 2020 represent a year-on-year increase of approximately 5% and 5% from the corresponding prior year's annual cap respectively. Given that (i) the Proposed Revised Annual Cap for the year ending 31 December 2018 has been determined on a fair and reasonable basis; (ii) the annual output of cobalt from the Ruashi Mine is expected to remain at 6,000 tonnes per annum; and (iii) the maximum basis coefficient under the pricing mechanism will maintain so long as the cobalt prices remain at or above USD89,066/tonne for the two years ended 31 December 2020, we believe by providing a 5% growth per annum (which is slightly lower than the target GDP growth rate of the PRC for 2018 of 6.5%) in estimating the proposed annual caps for the years ending 31 December 2019 and 2020 as fair and reasonable.

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## LETTER FROM ALTUS

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### 5. Internal control measures

The abovementioned basis of determining the trading/selling prices of the Mineral and Metal Products under the 2018 CCT Supplemental Agreement (including for the avoidance of doubt the 2018 Cobalt Agreement) and the Proposed Revised Annual Caps is intended to ensure that the trading/selling prices for the Mineral and Metal Products provided by the Group to Jinchuan Group will be determined on normal commercial terms.

It is noted that 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 2018 CCT Supplemental Agreement (including for the avoidance of doubt the 2018 Cobalt Agreement), and that the pricing policies will be strictly complied with.

According to the Management, the implementation of 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 actual quantity and the 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 also be reviewed by the senior management prior to the execution of any transaction under 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 arm's length basis and the trading terms are no less favourable than those with independent third parties. Furthermore, according to the Management, the Company will evaluate the Continuing Connected Transactions on a regular basis.

According to the Management, the Company will make timely announcement(s) and seek Independent Shareholders' pre-approval, initial by the Board, in the event that any adjustment to any annual cap becomes foreseeable, based on the monthly report submitted.

We have reviewed the internal control manual adopted by the Management of the Company, detailing the guidance and policies for conducting the transactions contemplated under the 2018 CCT Supplemental Agreement (including for the avoidance of doubt the 2018 Cobalt Agreement) going forward, the operational flowchart, and had discussions with the management team of the Company, including the Chief Executive Officer and the Chief Financial Officer of the Company of the abovementioned internal control measures.

With reference to the above, we noted that the internal control procedures of the Group are in place and the Management believes, and we concur that the internal control measures of the Group are sufficient for the purpose of monitoring the transactions contemplated under the 2018 CCT Supplemental Agreement (including for the avoidance of doubt the 2018 Cobalt Agreement) and the Proposed Revised Annual Caps going forward.

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## LETTER FROM ALTUS

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Given the above, we consider that there exist appropriate procedures and arrangements to ensure that the transactions contemplated under the 2018 CCT Supplemental Agreement (including for the avoidance of doubt the 2018 Cobalt Agreement) will continue to be conducted on terms that are fair and reasonable and are in the interests of the Company and the Shareholders as a whole; and on normal commercial terms and in the ordinary and usual course of business of the Group.

### RECOMMENDATION

In view of the above principal factors and reasons for entering into the transactions contemplated under the 2018 Supplemental Agreement, we are of the view that (i) the entering into of the 2018 CCT Supplemental Agreement (including for the avoidance of doubt the 2018 Cobalt Agreement) and the Proposed Revised Annual Caps is in the ordinary and usual course of business of the Company, and in the interests of the Company and the Shareholders as a whole; (ii) the terms of the 2018 CCT Supplemental Agreement (including for the avoidance of doubt the 2018 Cobalt Agreement) are on normal commercial terms, and are fair and reasonable as far as the Independent Shareholders are concerned; and (iii) the Proposed Revised Annual Caps for the years ending 31 December 2018, 2019 and 2020 respectively are fair and reasonable so far as the Independent Shareholders are concerned.

Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favor of the resolution to be proposed at the EGM to approve the 2018 CCT Supplemental Agreement (including for the avoidance of doubt the 2018 Cobalt Agreement) and the transactions contemplated thereunder (including the Proposed Revised Annual Caps).

Yours faithfully,  
For and on behalf of  
**Altus Capital Limited**  
**Jeanny Leung**  
*Executive Director*

*Ms. Jeanny Leung (“Ms. Leung”) is a Responsible Officer of Altus licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and permitted to undertake work as a sponsor. She is also a Responsible Officer of Altus Investments Limited licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO. Ms. Leung has about 30 years of experience in corporate finance advisory and commercial field in Greater China, in particular, she has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance transactions.*

*For the purpose of this letter, unless otherwise indicated, the exchange rate of USD1.00 = HK\$7.78 has been used for currency translation, where applicable. Such exchange rate is for illustration purpose only and does not constitute a representation that any amount in HK\$ or USD have been, could have been or may be converted at such or any other rates or at all.*

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this circular misleading.

## 2. SHARE CAPITAL

Number of Shares	Nominal value HK\$
<i>Authorised</i>	
<u>20,000,000,000</u> Shares	<u>200,000,000.00</u>
<i>Issued, to be issued and fully paid</i>	
4,833,753,051 Shares in issue as at the Latest Practicable Date	4,833,753,051
8,466,120,000 Shares to be issued as conversion shares upon full conversion of the perpetual subordinated convertible securities ( <i>Note 1</i> )	8,466,120,000
<u>13,299,873,051</u>	<u>13,299,873,051</u>

*Note 1:* The perpetual subordinated convertible securities ("PSCS") were issued by the Company to Jinchuan (BVI) Limited, the nominee of Jintai Mining Investment Limited, pursuant to the sale and purchase agreement dated 27 August 2013 entered into by, among others, the aforesaid parties for the acquisition of the entire issued share capital of Jin Rui Mining Investment Limited. Upon full conversion of the PSCS and based on the initial conversion price of HK\$1.00, the Company shall allot and issue 8,466,120,000 new Shares credited as fully paid, subject to terms of the PSCS, details of which are set out in the circular of the Company dated 30 August 2013.

### 3. DISCLOSURE OF INTERESTS

#### (a) Directors' interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, none of the Directors and the chief executives of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which are required: (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he is taken or deemed to have under such provisions of the SFO); (b) pursuant to Section 352 of the SFO, to be entered into the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules.

#### (b) Persons who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial shareholders

So far as is known to the Directors and the chief executive of the Company, as at the Latest Practicable Date, the following persons had interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company (being 5% or more of the Company's issued share capital) under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of substantial shareholders maintained under section 336 of the SFO. These interests are in addition to those disclosed above in respect of the Directors and the chief executive of the Company.

Name of Shareholder	Note	Capacity/ nature of interest	Number of Shares held	Number of Shares which may be converted from PSCS (Note 3)	Percentage of the total number of Shares in issue (%) (Note 2)
Jinchuan	(1)	Interest of a controlled corporation	2,981,205,857	8,466,120,000	236.82%
Jinchuan HK	(1)	Interest of a controlled corporation	2,981,205,857	8,466,120,000	236.82%
Jinchuan (BVI) Limited	(1) & (3)	Interest of a controlled corporation/Beneficial owner	2,981,205,857	8,466,120,000	236.82%
Jinchuan (BVI) 1 Limited	(1)	Beneficial owner	1,888,449,377	N/A	39.07%
Jinchuan (BVI) 2 Limited	(1)	Beneficial owner	557,834,372	N/A	11.54%
Jinchuan (BVI) 3 Limited	(1)	Beneficial owner	534,922,108	N/A	11.07%

Name of Shareholder	Note	Capacity/ nature of interest	Number of Shares held	Number of Shares which may be converted from PSCS (Note 3)	Percentage of the total number of Shares in issue (%) (Note 2)
Taikang Asset Management Co., Ltd*	(4)	Interest of a controlled corporation	483,000,000	N/A	9.99%
Shandong Hi-Speed Urbanization Fund Management Centre (Limited Partnership)*	(4)	Interest of a controlled corporation	483,000,000	N/A	9.99%
SD Hi-Speed Huanbohai (Tianjin) Equity Investment Fund (Limited Partnership)	(4)	Interest of a controlled corporation	483,000,000	N/A	9.99%
SD Hi-Speed Investment HK Limited	(4)	Beneficial owner	483,000,000	N/A	9.99%

## Notes:

- Jinchuan directly owns 100% of the issued share capital of Jinchuan HK which in turn owns 100% of the issued share capital of Jinchuan (BVI) Limited which owns 100% of the issued share capital of Jinchuan (BVI) 1 Limited, Jinchuan (BVI) 2 Limited and Jinchuan (BVI) 3 Limited. Therefore, Jinchuan, Jinchuan HK and Jinchuan (BVI) Limited are deemed to have an interest in 1,888,449,377 shares, 557,834,372 shares and 534,922,108 shares of the Company held by Jinchuan (BVI) 1 Limited, Jinchuan (BVI) 2 Limited and Jinchuan (BVI) 3 Limited, respectively, under the SFO.
- The calculation is based on the number of Shares as a percentage of the total number of issued Shares (i.e. 4,833,753,051) as at the Latest Practicable Date.
- Jinchuan (BVI) Limited directly holds PSCS in the amount of US\$1,085.4 million (equivalent to approximately HK\$8,466.1 million) which may be converted into 8,466,120,000 Shares of the Company at an initial conversion price of HK\$1.00. Under the SFO, Jinchuan (BVI) Limited is deemed to be interested in the 8,466,120,000 Shares of the Company underlying the PSCS.
- Taikang Asset Management Co., Ltd\* owned 99.17% of the issued share capital of Shandong Hi-Speed Urbanization Fund Management Centre (Limited Partnership)\* which in turn owned 99% of the issued share capital of SD Hi-Speed Huanbohai (Tianjin) Equity Investment Fund (Limited Partnership) which owned 100% of the issued share capital of SD Hi-Speed Investment HK Limited. Therefore, Taikang Asset Management Co., Ltd\*, Shandong Hi-Speed Urbanization Fund Management Centre (Limited Partnership)\* and SD Hi-Speed Huanbohai (Tianjin) Equity Investment Fund (Limited Partnership) were deemed to have interest in the 483,000,000 shares of the Company held by SD Hi-Speed Investment HK Limited under the SFO.

\* For identification purposes only

5. Save as disclosed below, as at the Latest Practicable Date, none of the Directors is a director or employee of a company which had interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 Part XV of the SFO.

<b>Name of Director</b>	<b>Posts held in Jinchuan</b>
Mr. Chen Dexin	President
Mr. Qiao Fugui	Assistant to President
Mr. Zhang Youda	General manager of Financial Department

<b>Name of Director</b>	<b>Posts held in Jinchuan HK</b>
Mr. Chen Dexin	Director
Mr. Gao Tianpeng	Director
Mr. Zhang Youda	Director

Save as disclosed above, as at the Latest Practicable Date, the Directors and the chief executive of the Company were not aware of any person who had any interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

#### **4. DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors has any existing service contract or proposed service contract with any member of the Company and its subsidiaries which will not expire or be determinable by the Company or its subsidiaries (as the case may be) within one year without payment of compensation (other than statutory compensation).

#### **5. QUALIFICATION AND CONSENT OF EXPERT**

##### **(a) Qualification of expert**

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

<b>Name</b>	<b>Qualification</b>
Altus Capital Limited	a corporation licensed to carry on Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO

##### **(b) Consent of expert**

As at the Latest Practicable Date, Altus has given and has not withdrawn consent to the issue of this circular with the inclusion therein of its letter and references to its name in the form and context in which it appears.



**(c) Interests of expert**

As at the Latest Practicable Date, Altus was not directly or indirectly interested in any securities of any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group nor did it have any direct or indirect interest in any assets which had been, since 31 December 2017 (being the date to which the latest published audited financial statements of the Group were made up), acquired or disposed of by, or leased to, any member of the Group.

**6. LITIGATION**

As at the Latest Practicable Date, no member of the Group were engaged in any litigation, arbitration or claim of material importance and there is no litigation, arbitration or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

**7. MATERIAL ADVERSE CHANGE**

The Directors are not aware of any material adverse change in the financial position or trading position of the Company and its subsidiaries since 31 December 2017 (being the date to which the latest published audited financial statements of the Group were made up) and up to the Latest Practicable Date.

**8. COMPETING INTERESTS**

As at the Latest Practicable Date, the following Directors were considered to have interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Company and its subsidiaries pursuant to the Listing Rules.

Mr. Chen Dexin, Mr. Qiao Fugui and Mr. Zhang Youda held directorship and/or position as senior management in Jinchuan which principally engages in businesses of production of nickel, copper, cobalt, platinum group metals, nonferrous metal plates, chemical products and chemicals of nonferrous metals.

Mr. Chen Dexin, Mr. Gao Tianpeng and Mr. Zhang Youda held directorship and/or position as senior management in Jinchuan HK, which indirectly holds 61.7% issued share capital of the Company, and is principally engaged in investment holding and trading of mineral and metal products.

**9. INTEREST IN ASSETS ACQUIRED**

As at the Latest Practicable Date, the Directors did not have any interest, direct or indirect, in any assets which have been, since 31 December 2017 (the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, there is no contract or arrangement in which a Director is materially interested and which is significant in relation to the business of the Group.

**10. MISCELLANEOUS**

- (i) The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- (ii) The head office and principal place of business in Hong Kong of the Company is located at Unit 3101, 31/F, United Centre, 95 Queensway, Admiralty, Hong Kong.
- (iii) The branch share registrar of the Company in Hong Kong is Boardroom Share Registrars (HK) Limited at Room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong.
- (iv) The company secretary of the Company is Ms. So Yee Kwan who is a manager of Corporate Services of Tricor Services Limited. Ms. So is a Chartered Secretary and an Associate of both The Institute of Chartered Secretaries & Administrators in the United Kingdom and The Hong Kong Institute of Chartered Secretaries.

**11. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be made available for inspection during normal business hours on Business Days at the office of the Company at Unit 3101, 31/F, United Centre, 95 Queensway, Admiralty, Hong Kong from the date of this circular up to and including 25 May 2018, and at the EGM:

- (a) the 2016 CCT Agreement;
- (b) the 2018 CCT Supplemental Agreement;
- (c) the 2018 Cobalt Agreement;
- (d) the letter from the Independent Board Committee, the text of which is set out in this circular;
- (e) the letter from Altus, the text of which is set out in this circular;
- (f) the written consent of Altus referred to in the paragraph headed “Qualification and Consent of Expert” in this Appendix; and
- (g) a copy of this circular.

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## NOTICE OF EGM

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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)**

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “EGM”) of the shareholders of Jinchuan Group International Resources Co. Ltd (the “**Company**”) will be held at Unit 3101, 31/F United Centre, 95 Queensway, Admiralty, Hong Kong at 3:00 p.m. on Friday, 25 May 2018 for the purpose of considering, and if thought fit, passing the following resolution as ordinary resolution of the Company:

### **ORDINARY RESOLUTION**

“**THAT:**

the supplemental agreement dated 6 April 2018 (the “**2018 CCT Supplemental Agreement**”) entered into between the Company (as vendor) and 金川集團股份有限公司 (Jinchuan Group Co., Ltd.\*) (“**Jinchuan**”) (as purchaser), a company incorporated in the People’s Republic of China and the controlling shareholder of the Company, for extending the term of trading of the Mineral and Metal Products (as defined in the circular of the Company dated 9 May 2018) between the Company and its subsidiaries and associates controlled by the Company from time to time (collectively the “**Group**”) and Jinchuan and its subsidiaries and associates controlled by Jinchuan from time to time until 31 December 2020 (collectively the “**Jinchuan Group**”, for the purpose of this resolution, excluding the Group) (including for the avoidance of doubt the agreement dated 6 April 2018 (the “**2018 Cobalt Agreement**”) entered into between Golden Harbour International Trading Limited, a wholly owned subsidiary of the Company (“**Golden Harbour**”) and Lanzhou Jinchuan Advances Materials Technology Co., Ltd.\* (蘭州金川新材料科技股份有限公司) (“**Lanzhou Jinchuan**”), a subsidiary held by Jinchuan Group relating to the sale and purchase of cobalt hydroxide that are produced by Ruashi Mining SAS (as defined in the circular of the Company dated 9 May 2018)), and the continuing connected transactions contemplated under the 2018 CCT Supplemental Agreement be and are hereby approved, confirmed and ratified, and any one director of the Company be and is hereby authorised to take such actions and execute such documents as he may consider necessary or desirable to carry out and complete the transactions contemplated under the 2018 CCT Supplemental Agreement and the 2018 Cobalt Agreement; and that the Proposed Revised Annual Caps (as defined in the circular of the Company dated 9 May 2018) for the continuing connected transactions contemplated under the 2018 CCT Supplemental Agreement (including for the avoidance of doubt the 2018 Cobalt Agreement) for each of the

\* For identification purpose only

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## NOTICE OF EGM

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following financial years: (1) the financial year ending 31 December 2018; (2) the financial year ending 31 December 2019; and (3) the financial year ending 31 December 2020, being not exceeding the amount of USD755 million, USD793 million and USD833 million, respectively, be and are hereby approved.”

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

Hong Kong, 9 May 2018

*Notes:*

1. A member entitled to attend and vote at the EGM is entitled to appoint more than one proxy to attend and, on poll, vote on his behalf. A proxy need not be a member of the Company.
2. A form of proxy for use at the EGM is enclosed. Whether or not you intend to attend the EGM in person, you are urged to complete and return the form of proxy in accordance with the instructions printed thereon as soon as possible. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned EGM thereof if you so wish. In the event that you attend the EGM after having returned the completed form of proxy, your form of proxy will be deemed to have been revoked.
3. The Register of Members will be closed from Monday, 21 May 2018 to Friday, 25 May 2018 (both days inclusive). During such period, no transfer of Shares will be registered from the purpose of determining the entitlement to attend and vote at the EGM. All transfer documents accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Boardroom Share Registrars (HK) Limited at Room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong no later than 4:30 p.m. on Friday, 18 May 2018. Shareholders whose names are recorded on the Register of Members on Friday, 25 May 2018 are entitled to attend and vote at the EGM.
4. To be valid, the form of proxy, together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power of attorney, must be deposited at Boardroom Share Registrars (HK) Limited at Room 2103B, 21/F., 148 Electric Road, North Point, Hong Kong, not less than 48 hours before the time appointed for holding the EGM (i.e. before 3:00 p.m. on Wednesday, 23 May 2018) or any adjournment thereof.
5. In the case of joint registered holders of any shares of the Company, any one of such joint registered holders may vote at the EGM, either in person or by proxy, in respect of such shares as if he/she/it were solely entitled thereto; but if more than one of such joint registered holders are present at the EGM, either in person or by proxy, the vote of that one of them so present, either in person or by proxy, whose name stands first on the register of members in respect of such shares shall be accepted to the exclusion of the votes of the other joint registered holder(s).
6. Time and dates in this notice are Hong Kong time and dates.

*As at the date of this circular, 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.*