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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)

**ANNOUNCEMENT
REVISION OF ANNUAL CAPS OF AN EXISTING
CONTINUING CONNECTED TRANSACTION
AND
CONNECTED TRANSACTIONS**

**REVISION OF ANNUAL CAPS OF AN EXISTING CONTINUING
CONNECTED TRANSACTION**

On 31 December 2018, Kinsenda and Jin Gang entered into the Amendment Agreement, amending the terms of the Maintenance Contract. The Company is required to re-comply with the requirements under Rule 14A.54 of the Listing Rules.

In respect of the aggregate of the revised annual caps under the Maintenance Contract (as amended by the Amendment Agreement) and the Mining Contract, as one or more of the applicable percentage ratios exceeds 0.1% but less than 5% as calculated in accordance with Rule 14.07 of the Listing Rules, the Maintenance contract (as amended by the Amendment Agreement) and the Mining Contract and the respective proposed annual caps contemplated thereunder are subject to reporting and announcement requirements but are exempt from Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS

On 31 December 2018, Chibuluma and Jinchuan R&E entered into the Survey Contract relating to the provision of geochemical and ground-geophysical surveys in the Northwestern Province Exploration Project by Jinchuan R&E to Chibuluma.

On 31 December 2018, Ruashi and Jinchuan R&E entered into the Design Supervision Contract relating to the provision of design supervision services for the Musonoi Project by Jinchuan R&E to Ruashi.

As one or more of the applicable percentage ratios in respect of the total contract prices (on an aggregated basis) under the Survey Contract and the Design Supervision Contract exceeds 0.1% but less than 5% as calculated in accordance with Rule 14.07 of the Listing Rules, the Survey Contract and the Design Supervision Contract are subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules but are exempt from the Independent Shareholders' approval requirement.

I. INTRODUCTION

Revision of annual caps of an existing continuing connected transaction

On 31 December 2018, Kinsenda and Jin Gang entered into the Amendment Agreement, amending the terms of the Maintenance Contract. The Company is required to re-comply with the requirements under Rule 14A.54 of the Listing Rules.

Connected Transactions

On 31 December 2018, Chibuluma and Jinchuan R&E entered into the Survey Contract relating to the provision of geochemical and ground-geophysical surveys in the Northwestern Province Exploration Project by Jinchuan R&E to Chibuluma.

On 31 December 2018, Ruashi and Jinchuan R&E entered into the Design Supervision Contract relating to the provision of design supervision services for the Musonoi Project by Jinchuan R&E to Ruashi.

In respect of the aggregate of the contract amount of the Survey Contract and the Design Supervision Contract, as one or more of the applicable percentage ratios exceeds 0.1% but less than 5% as calculated in accordance with Rule 14.07 of the Listing Rules, the Survey Contract and the Design Supervision Contract and the respective contract sum contemplated thereunder are subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules but are exempt from Independent Shareholders' approval requirement.

II. RELATIONSHIP BETWEEN THE PARTIES

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 non-ferrous metal including, copper and cobalt, while it continues to leverage on the background and expertise of Jinchuan Group to pursue mining investment opportunities.

As at the date of this announcement, Kinsenda, Chibuluma and Ruashi are indirect non wholly-owned subsidiaries of the Company.

Jinchuan is the ultimate holding company of the Company. As at the date of this announcement, through its wholly-owned subsidiaries, Jinchuan indirectly owns 7,567,325,857 Shares, representing approximately 60.01% of the issued share capital of the Company.

Jin Gang is an indirect non wholly-owned subsidiary of Jinchuan and Jinchuan R&E is a direct wholly-owned subsidiary of Jinchuan.

As Jinchuan is a connected person of the Company under Chapter 14A of the Listing Rules, the transactions between Jinchuan Group (including Jin Gang and Jinchuan R&E) and the Group constitute connected/continuing connected transactions of the Company, and are subject to the relevant disclosure and (if required) Independent Shareholders' approval requirements as stipulated in the Listing Rules.

III. REVISION OF ANNUAL CAPS OF AN EXISTING CONTINUING CONNECTED TRANSACTION

Background

Reference is made to the announcement of the Company dated 17 July 2018 in relation to, among others, the Maintenance Contract and the annual caps.

Amendment Agreement

On 31 December 2018, Kinsenda and Jin Gang entered into the Amendment Agreement, pursuant to which the parties agreed to amend to the Maintenance Contract in terms set out below:

(1) *Variation of the Term*

The term shall be varied from 17 July 2018 and ending on 16 July 2021 (both days inclusive).

(2) *Extension of the Scope of Work*

Jin Gang shall employ required labours to do bagging concentrate work with satisfaction of plant production and ensure daily production volume are all bagged as required by Kinsenda, and the loading work as well, unless otherwise indicated.

(3) *Adjustments to the basic contract price*

The basic contract price for the maintenance work and the bagging and loading work under the Maintenance Contract (as amended by the Amendment Agreement) shall be adjusted to USD3,300,000 (exclusive of tax), together with such additions or deductions as are provided for in the Maintenance Contract (as amended by the Amendment Agreement).

The amendments set out in the Amendment Agreement shall become effective from 1 January 2019. Save for the revised terms set out above, the remaining terms of the Maintenance Contract shall remain unchanged.

Basis of determining the adjusted basic contract price

With respect to the Maintenance Contract (as amended by the Amendment Agreement), the adjusted basic contract price was determined by considering the quality and fee level of similar services provided by different service providers in the same industry in Africa. The adjustments to the basic contract price of the Maintenance Contract (as amended by the Amendment Agreement) has taken into account the additional contract price for bagging and loading at about USD3 per bag at 1 ton per bag and the extension in the term.

Revision of the annual caps

The table below sets out the original annual caps under the Mining Contract and the Maintenance Contract and the revised annual caps under the Maintenance Contract (as amended by the Amendment Agreement), respectively:

	Period from 17 July 2018 to 31 December 2018 (USD)	Year ending 31 December 2019 (USD)	Year ending 31 December 2020 (USD)	Period from 1 January 2021 to 16 July 2021 (USD)
Annual caps under the Mining Contract	7,270,538	14,541,076	14,541,076	7,270,538
Original annual caps under the Maintenance Contract	490,000	490,000	N/A	N/A
Revised annual caps under the Maintenance Contract (as amended by the Amendment Agreement)	490,000	1,210,000	1,210,000	720,000

The above revised annual caps have been determined with reference to (i) the adjusted basic contract; and (ii) a buffer of approximately 10% over the basic contract price to cater for the possible escalation in prices according to the actual re-measurable quantity produced and pursuant to the terms of the contracts. Given the nature of the contracts, the Directors are of the view that the proposed revised annual caps set out above are fair and reasonable.

Reasons for and benefits of entering into the Amendment Agreement

Kinsenda has a need to conduct bagging and loading of copper concentrate. It is more cost-effective for Kinsenda to outsource such service to a service provider as Kinsenda would not be required to maintain a large workforce of its own at all times. As Jin Gang is an existing service provider of Kinsenda and has good understanding to the production of Kinsenda, the Directors believe that engaging Jin Gang for bagging and loading services will reduce the overall cost as compared to other service providers in providing such services to Kinsenda.

The Directors (including the independent non-executive Directors) consider that (i) the transactions contemplated under the Amendment Agreement are to be carried out in the ordinary and usual course of business of the Group; (ii) the terms of the Maintenance Contract (as amended by the Amendment Agreement) are normal commercial terms or better, fair and reasonable, and in the interests of the Company and the Shareholders as a whole; and (iii) the revised annual caps under the Maintenance Contract (as amended by the Amendment Agreement) are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

Implications under the Listing Rules

In respect of the aggregate of the revised annual caps under the Maintenance Contract (as amended by the Amendment Agreement) and the Mining Contract, as one or more of the applicable percentage ratios exceeds 0.1% but less than 5% as calculated in accordance with Rule 14.07 of the Listing Rules, the Maintenance Contract (as amended by the Amendment Agreement) and the Mining Contract and the respective proposed annual caps contemplated thereunder are subject to the reporting and announcement requirements but are exempt from Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

IV. CONNECTED TRANSACTIONS

(1) SURVEY CONTRACT

On 31 December 2018, Chibuluma and Jinchuan R&E entered into the Survey Contract relating to the provision of geochemical and ground-geophysical surveys in the Northwestern Province Exploration Project by Jinchuan R&E to Chibuluma.

Principal terms of the Survey Contract

Date

31 December 2018

Parties

- (i) Chibuluma; and
- (ii) Jinchuan R&E.

Subject matter

Pursuant to the Survey Contract, Jinchuan R&E as contractor shall carry out geochemical soil sampling and ground-geophysical works for approximately 1,130.40 km² in area in the Northwestern Province Exploration Project. The contractor shall be responsible for clearing access to the tenement areas from the main road and already existing bush tracks.

In respect of the geochemical works, Jinchuan R&E will be in charge of all mobilization/demobilization, camping, labour, sampling, preparation, analysis with portable XRF, and will provide all equipment, vehicles, communication system required for the works. Jinchuan R&E will also interpret and submit a report for the geochemical works to be done.

In respect of ground-geophysical works, Jinchuan R&E will be in charge of all mobilization/demobilization, camping, labour, ground-geophysical surveys, and will provide all equipment, vehicles, communication system required for the works. Jinchuan R&E will also interpret and submit a report for the ground-geophysical works to be done.

Contract price

The basic contract price for geochemical work shall be approximately USD620,000, whilst the basic contract price for ground-geophysical work shall be approximately USD120,000. The total contract price shall be subject to adjustments based on actual work to be undertaken. Chibuluma expects that any change to the work, if required, would be of a minor nature which would not involve substantial additional expenditure.

Basis of determining the contract price

With respect to the Survey Contract, the basic contract price was determined by considering the quality and fee level of similar services provided by different service providers in the same industry in Africa.

Payment terms

The contract price shall be payable by Chibuluma to Jinchuan R&E based on the progress of the work. Payment will be made by Chibuluma to Jinchuan R&E within 30 days following receipt of the invoices, subject to sufficient supporting documentation that will enable the amount claimed to be verified against services performed and the contract prices:

- (i) 10% of the contract price will be invoiced after signing of the contract by Jinchuan R&E.
- (ii) 30% of the contract price will be invoiced after completing 50% of the scope of work.
- (iii) 30% of the contract price will be invoiced after completing the full scope of work.
- (iv) 20% of the contract price will be invoiced after submission of report(s) for the work.
- (v) 10% of the contract price will be invoiced after review and acceptance of all reports submitted for the work.

Reasons for and benefits of entering into the Survey Contract

Chibuluma has reviewed the qualification and the previous projects conducted by Jinchuan R&E and other contractors providing similar services, Chibuluma considers Jinchuan R&E as an experienced mining design company equipped with competent skill and knowledge, and believes that retaining Jinchuan R&E to undertake the geochemical and ground-geophysical works under the Survey Contract is in the best interest of Chibuluma, thereby building a solid foundation for the future mining operation of the Group.

The Directors (including the independent non-executive Directors) consider that the Survey Contract was entered into in the ordinary and usual course of business of the Group, on normal commercial terms or better, and in the interests of the Company and its shareholders as a whole, and that its terms are fair and reasonable.

(2) DESIGN SUPERVISION CONTRACT

On 31 December 2018, Ruashi and Jinchuan R&E entered into the Design Supervision Contract relating to the provision of design supervision services for the Musonoi Project by Jinchuan R&E to Ruashi.

Principal terms of the Design Supervision Contract

Date

31 December 2018

Parties

- (i) Ruashi; and
- (ii) Jinchuan R&E.

Subject matter

Pursuant to the Design Supervision Contract, Jinchuan R&E shall provide the following design supervision services for the Musonoi Project:

- (i) geological, geotechnical and geo-hydrological reports/studies;
- (ii) mining design;
- (iii) mining machine design;
- (iv) mineral processing design;
- (v) power supply design;
- (vi) mine general layout design;
- (vii) surface structures/civil design;
- (viii) financial analysis/technical economic; and
- (ix) all other necessary suggestions that will lead to the eventual successful implementation of the Musonoi Project.

Jinchuan R&E shall be responsible for the quality of the design documents and shall be responsible for modifying or supplementing any errors and/or omissions in the design documents, so as to ensure that the design documents (including the design and technical specifications and standards) comply with all applicable regulatory approvals and laws.

In the execution of the services, Jinchuan R&E shall engage, among others, a team of engineers with specialties in hydro-geology, geology, mining, mechanical, electrical, automation, water supply, general drawing, civil engineering, budgeting and mineral processing, etc.

Contract price

The basic contract price for design supervision services shall be approximately USD242,409 (subject to minor adjustments based on the amount and nature of works to be undertaken). The contract price shall be payable by Ruashi to Jinchuan R&E upon its successful delivery of the service under the Design Supervision Contract.

Basis of determining the contract price

With respect to the Design Supervision Contract, the basic contract price was determined by considering the quality and fee level of similar services provided by different service providers in the same industry in Africa.

Reasons for and benefits of entering into the Design Supervision Contract

Musonoi Project is the next large scale project to be developed by the Group and therefore the development of Musonoi Project is critical to the long-term growth of the Group. To ensure the design work prepared by independent third parties are proper and in compliance with applicable requirements, the Group has decided to engage Jinchuan R&E to review and supervise the relevant design documents.

With reference to the previous projects conducted by Jinchuan R&E, the Company considers Jinchuan R&E as an experienced mining design company, and believes such arrangements are for the benefit of the Company and lays solid foundation for the future mining operation of the Group.

The Directors (including the independent non-executive Directors) consider that the Design Supervision Contract was entered into in the ordinary and usual course of business of the Group, on normal commercial terms or better, and in the interests of the Company and its shareholders as a whole, and that its terms are fair and reasonable.

Implications under the Listing Rules

In respect of the aggregate of the contract amount of the Survey Contract and the Design Supervision Contract, as one or more of the applicable percentage ratios exceeds 0.1% but less than 5% as calculated in accordance with Rule 14.07 of the Listing Rules, the Survey Contract and the Design Supervision Contract and the respective contract sum contemplated thereunder are subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules but are exempt from the Independent Shareholders' approval requirement.

V. BOARD CONFIRMATION

None of the Directors have any material interest in each of the Maintenance Contract (as amended by the Amendment Agreement), the Survey Contract and the Design Supervision Contract for which they would be required to abstain from voting on the relevant board resolution(s) approving the said contracts 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(s) in connection with the Maintenance Contract (as amended by the Amendment Agreement), the Survey Contract and the Design Supervision Contract, as they also serve as directors and/or senior management of the Jinchuan Group.

VI. INFORMATION OF THE PARTIES

The Company is an investment holding company. The principal business of the Group is 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.

Kinsenda, a company incorporated in the DRC and is principally engaged in copper mining through Kinsenda Project which is located in the DRC and is one of the world's highest grade copper deposits with resources grade at 5.5% copper. The Company indirectly owns 77% interest of Kinsenda and the remaining 23% interest is held by Sodimico, a state-owned mining company in the DRC.

Chibuluma, a company incorporated in Zambia and is principally engaged in copper mining through Chibuluma South Mine and Chifupu Mine which are located in Zambia and comprising two underground mines with a process plant producing copper concentrate. The Company indirectly owns 85% interest of Chibuluma and the remaining 15% interest is held by ZCCM, a Zambian state-owned mining company.

Ruashi, a company incorporated in the DRC and is principally engaged in mining through Ruashi Mine which is located in the DRC and comprising 3 open pits and a process plant producing copper cathode and cobalt. Ruashi is also developing Musonoi Project. The Company indirectly owns 75% interest of Ruashi and the remaining 25% interest is held by Gécamines, a state-owned mining company in the DRC.

Jinchuan is the ultimate holding company of 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, 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, non-ferrous metal plates, chemical products and chemicals of non-ferrous metals.

Jin Gang, a company incorporated in the DRC and is principally engaged in engineering, construction, mining construction, equipment maintenance as well as business trading. Jin Gang is an indirect non wholly-owned subsidiary of Jinchuan and therefore an associate of the Company under the Listing Rules.

Jinchuan R&E, a company incorporated in the PRC and is principally engaged in providing research and development of metallic and non-metallic products, technical consultancy and engineering design and supervision etc. Jinchuan R&E is a direct wholly-owned subsidiary of Jinchuan and therefore an associate of the Company under the Listing Rules.

VII. DEFINITIONS

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

“Amendment Agreement”	the amendment agreement entered into between Kinsenda and Jin Gang on 31 December 2018 relating to the amendments to the Maintenance Contract
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Chibuluma”	Chibuluma Mines plc, an indirect non wholly-owned subsidiary of the Company
“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
“Design Supervision Contract”	the contract entered into between Ruashi and Jinchuan R&E on 31 December 2018 relating to the provision of design supervision services in the Musonoi Project by Jinchuan R&E to Ruashi
“Director(s)”	the director(s) of the Company
“DRC”	the Democratic Republic of the Congo

“Gecamines”	La Générale des Carrières et des Mines, a state-owned mining company in the DRC
“Group”	collectively, the Company and its subsidiaries and associates controlled by the Company from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Shareholders”	Shareholders other than Jinchuan Group and its associates
“Jin Gang”	Jin Gang (D.R Congo) SA, an indirect non wholly-owned subsidiary of Jinchuan
“Jinchuan”	金川集團股份有限公司 (Jinchuan Group Co., Ltd.*), a state-owned enterprise established in the PRC and the controlling shareholder of the Company
“Jinchuan Group”	collectively, Jinchuan and its subsidiaries and associates controlled by it from time to time, for the purpose of this announcement, excluding the Group
“Jinchuan R&E”	金川鎳鈷研究設計院有限責任公司 (Jinchuan Nickel & Cobalt Research and Engineering Institute Co., Ltd.*), a direct wholly-owned subsidiary of Jinchuan
“Kinsenda”	Kinsenda Copper Company SA, an indirect non wholly-owned subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Maintenance Contract”	the contract entered into between Kinsenda and Jin Gang on 17 July 2018 relating to the provision of maintenance work in the process and backfill plants in the Kinsenda Mine by Jin Gang to Kinsenda
“Mining Contract”	the contract entered into between Kinsenda and Jin Gang on 17 July 2018 relating to the provision of underground mining production in Kinsenda by Jin Gang to Kinsenda
“PRC”	the People’s Republic of China, for the purposes of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Ruashi”	Ruashi Mining SAS, an indirect non wholly-owned subsidiary of the Company
“Share(s)”	ordinary shares of HK\$0.01 each in the issued share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Sodimico”	Société de Développement Industriel et Minere du Congo, a state-owned enterprise in the DRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Survey Contract”	the contract entered into between Chibuluma and Jinchuan R&E on 31 December 2018 relating to the provision of geochemical and ground-geophysical surveys in the Northwestern Province Exploration Project by Jinchuan R&E to Chibuluma
“subsidiaries”	has the meaning ascribed to it under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)

“USD”	US dollars, the lawful currency of the United States
“ZCCM”	ZCCM Investment Holdings plc, a Zambian state-owned mining company
“%”	per cent.

* *For identification purpose only*

By order of the Board
Jinchuan Group International Resources Co. Ltd
Wong Hok Bun Mario
Company Secretary

Hong Kong, 31 December 2018

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