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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)

**OPERATIONAL UPDATE
FOR THE THREE MONTHS ENDED 31 MARCH 2019
AND
UPDATE ON THE LEGAL DISPUTE WITH THE NON-CONTROLLING
SHAREHOLDER OF A SUBSIDIARY OF THE GROUP**

This announcement is made by Jinchuan Group International Resources Co. Ltd (the “**Company**”, together with its subsidiaries, collectively the “**Group**”) pursuant to Rule 13.09(2)(a) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The board of directors (the “**Board**”) of the Company announces the unaudited operational update for the three months ended 31 March 2019 (the “**First Quarter**”) and the update on the legal dispute with the Non-Controlling Shareholder of a Subsidiary (as defined hereafter).

OPERATIONAL UPDATE FOR THE THREE MONTHS ENDED 31 MARCH 2019

Operational Data

The Group’s operational data of mining operations and the revenue generated from trading of mineral and metal products summarized and shown below in Table 1 are derived from the management account and internal records currently available to the Group. Such operation data are intended to give investors an overview of the Group’s operations in a timely manner which may differ from the actual data to be disclosed in future periodic report(s) of the Group.

Table 1

	For the three months ended 31 March 2019	For the three months ended 31 March 2018
Mining operations		
Production:		
Copper (tonne)	18,210	15,823
Cobalt (tonne)	1,355	1,471
Product sold:		
Copper (tonne)	19,656	15,613
Cobalt (tonne)	212	1,420
Revenue:		
Copper (US\$'000)	110,439	108,441
Cobalt (US\$'000)	5,468	91,369
Trading of mineral and metal products		
Revenue – trading of externally sourced mineral and metal products (US\$'000)	267,247	65,679

During the First Quarter, the Group's mining operations produced 18,210 tonnes of copper (three months ended 31 March 2018: 15,823 tonnes) and 1,355 tonnes of cobalt (three months ended 31 March 2018: 1,471 tonnes).

During the First Quarter, the Group's mining operations sold 19,656 tonnes of copper (three months ended 31 March 2018: 15,613 tonnes), representing an increase of 26% year-on-year compared to the corresponding period in 2018, and 212 tonnes of cobalt (three months ended 31 March 2018: 1,420 tonnes), representing a decrease of 85% year-on-year compared to the corresponding period in 2018.

Out of the sales of the copper and cobalt, the Group's mining operations generated revenue of approximately US\$110.4 million and US\$5.5 million, respectively (three months ended 31 March 2018: US\$108.4 million and US\$91.4 million, respectively) in the First Quarter, representing approximately 2% and (94%) year-on-year increase/(decrease) compared to the corresponding period in 2018.

Moreover, the revenue generated from trading of externally sourced mineral and metal products amounted to approximately US\$267.2 million, representing an increase of 307% as compared to US\$65.7 million in the corresponding period in 2018.

Analysis and Prospect

During the First Quarter, there was a significant year-on-year decrease in the market price of cobalt, which is one of the main products of the Group, and a certain decline in the market price of copper products.

Although the market prices of copper and cobalt products have gradually rebounded since mid-February 2019 and late March 2019, respectively, it is expected that the average market prices of copper and cobalt products would have a considerable drop on year-on-year basis until the end of next reporting period. Consequently, if the sluggish copper and cobalt markets were to continue into the next reporting period, it is expected that the profit attributable to owners of the Company for the six months period ending 30 June 2019 will continue to decline to a certain extent compared with the same period of 2018.

In view of the low cobalt price, the Group has strategically slowed its sale of cobalt to connected party and has increased its storage of cobalt inventory, leading to the significant decrease in cobalt sold in the First Quarter as compared to the corresponding period in 2018. The Group believes commodity prices will gradually rebound in the second quarter of the year and that the Group has the ability to sell its inventories in the global commodity market quickly to realise its inventory value. The Group continues to monitor the commodity market price fluctuation closely in order to react timely to market changes, and will continue to expand its customer base in search of best market term available. In the meantime, the Group has started the negotiation with cobalt customer in revising relevant contract terms.

UPDATE ON THE LEGAL DISPUTE WITH THE NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY OF THE GROUP

As previously disclosed by the Group in, among others, the Company's interim results announcement dated 15 August 2018 and annual results announcement dated 19 March 2019, the Group received a claim from a non-controlling shareholder of a subsidiary of the Group (the "**Non-controlling Shareholder of a Subsidiary**"), requesting for payment of overdue royalties for years from 2009 to 2017, together with interest, mineral content fee and alleged compensation for loss of the dividend.

The Group received in June 2018 from the Non-controlling Shareholder of a Subsidiary a demand for payment of overdue royalties together with a claim for interest and compensation aforesaid amounting in aggregate to approximately US\$100 million.

During the year ended 31 December 2018, the Group continued to communicate with the Non-controlling Shareholder of a Subsidiary for amicable settlement of the dispute. The Group has commenced arbitration proceedings and the formal hearing is expected to be held in the International Court of Arbitration in Paris, France in October 2019. As at 31 December 2018, after taking into consideration of a legal opinion, the possible future outcome of matters under dispute based on the then available information as assessed by the management, the Group has made a provision and accruals in the consolidated financial statements.

Recently, the Non-controlling Shareholder of a Subsidiary increased its quantum of claims from approximately US\$100 million to approximately US\$150 million.

After further consultation with legal and related advisors and the assessment by the management based on the currently available information, the management is of a view that the increased quantum of claims does not affect the merit of the case. As such, the Group does not consider it necessary to increase the provision and accruals for the legal claims. Nevertheless, for overall business strategic purpose, ongoing negotiation with the Non-controlling Shareholder of a Subsidiary is being undertaken with a view of achieving an amicable settlement.

The legal dispute and its potential impact on the financial performance of the Group are being reviewed on a regular basis. The Company will publish further announcement(s) on the update of the legal dispute as and when required. **Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company, and should note that undue reliance on or use of the above information may cause investment risks.**

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

Hong Kong, 8 May 2019

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. Zhang Youda, Mr. Yang Jinshan 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.