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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)

CONTINUING CONNECTED TRANSACTIONS

On 17 July 2018, Kinsenda and Jin Gang entered into the Maintenance Contract relating to the provision of maintenance work in the process and backfill plants in the Kinsenda Project by Jin Gang to Kinsenda. The term of the Maintenance Contract shall be 12 months commencing on 17 July 2018 and ending on 16 July 2019 (both days inclusive).

On 17 July 2018, Kinsenda and Jin Gang entered into the Mining Contract relating to the provision of underground mine production in the Kinsenda Project by Jin Gang to Kinsenda. The term of the works under the Mining Contract shall be completed within 3 years from the date of signing of the Mining Contract.

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. Accordingly, Jinchuan is a connected person of the Company under Chapter 14A of the Listing Rules and the transactions between Jinchuan Group and the Group constitute connected/continuing connected transactions of the Company.

In respect of the aggregate of the proposed annual caps under the Maintenance Contract 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 Hong Kong Listing Rules, the Maintenance Contract and the Mining Contract and the respective proposed annual caps contemplated thereunder are subject to reporting, announcement requirements but are except from independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

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 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, 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. Accordingly, Jinchuan is a connected person of the Company under Chapter 14A of the Listing Rules and the transactions between Jinchuan Group 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.

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.

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 enterprise in the DRC.

Jinchuan HK is a controlling Shareholder. 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, 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.

MAINTENANCE CONTRACT

On 17 July 2018, Kinsenda and Jin Gang entered into the Maintenance Contract relating to the provision of maintenance work in the process and backfill plants in the Kinsenda Project by Jin Gang to Kinsenda.

Principal terms of the Maintenance Contract

Date

17 July 2018

Parties

- (i) Kinsenda; and
- (ii) Jin Gang

Term

For a term of 12 months commencing on 17 July 2018 and ending on 16 July 2019 (both days inclusive).

Subject matter

Pursuant to the Maintenance Contract, Jin Gang as contractor shall provide the following services in the process and backfill plants at the site(s) on all of the main equipment, facility and auxiliary equipment, which shall include but not necessary be limited to the following:

- (i) identify the frequencies and types of inspections/maintenance and repairs required on equipment, set up a record of inspection and maintenance history for all equipment and establish a specific maintenance procedure, detailing frequencies, compile requirements of all spare parts as well as layout of the process and backfill plants;
- (ii) provide daily maintenance/inspection which shall include fastening, greasing, replacement, repair and cleaning of the equipment and the facility in the process and/backfill plants;

- (iii) provide off-line planned maintenance and/or repair work on breakdown equipment such as pumps, flotation machines and rollers; and
- (iv) provide breakdown/emergency repair work on equipment and ensure all requirements in terms of warranty and guarantee restriction as imposed by the original equipment manufacturer is adhered to.

Contract price

The basic contract price for the maintenance work under the Maintenance Contract is USD900,000 (exclusive of VAT), together with such additions or deductions as are provided for in the Maintenance Contract. Payment of the contract price will be settled in cash in arrears on a monthly basis.

Basis of determining the contract price

The basic contract price under the Maintenance Contract was determined based on arm's length terms in accordance with the pricing mechanism mentioned below.

If the parties shall extend the term of or effect a material change to the terms of the Maintenance Contract, the Company shall re-comply with the requirements under Rule 14A.54 of the Listing Rules.

MINING CONTRACT

On 17 July 2018, Kinsenda and Jin Gang entered into the Mining Contract relating to the provision of underground mining production in the Kinsenda Project by Jin Gang to Kinsenda.

Principal terms of the Mining Contract

Date

17 July 2018

Parties

- (i) Kinsenda; and
- (ii) Jin Gang

Term

Subject to any requirement in the scope of work as to the completion of any portion of the permanent works before completion of the whole, the whole of the works shall be completed within 3 years from the date of signing of the Mining Contract.

Subject Matter

Pursuant to the Mining Contract, Jin Gang as contractor shall provide certain services, namely the development of the decline, access cross cuts, gathering drives, footwall drives, ventilation cross cuts, ventilation drive, ventilation raises, service raises, a pump chamber, stope mining and remedial work activities underground as instructed by Kinsenda in the Kinsenda Project.

Contract price

The basic contract price (excluding any possible escalation) for the services under the Mining Contract is USD39,657,480 (exclusive of VAT). Payment of the contract price will be settled in cash in arrears on a monthly basis.

The basic contract value is based on the estimated quantity of capital development, operational development and production as set out in the Mining Contract. Final payment will be made according to the actual re-measurable quantity produced.

Basis of determining the contract price

The contract price under the Mining Contract was determined through bidding process based on arm's length terms in accordance with the pricing mechanism mentioned below.

If the parties shall extend the term of or effect a material change to the terms of the Mining Contract, the Company shall re-comply with the requirements under Rule 14A.54 of the Listing Rules.

THE PROPOSED ANNUAL CAPS

The table below sets out the proposed annual caps for each of the Maintenance Contract and the Mining Contract:

	Period from 17 July 2018 to 31 December 2018 (USD)	Year ending 31 December 2019 (USD)	Year ending 31 December 2020 (USD)	Six months and sixteen days ending 16 July 2021 (USD)
Proposed annual caps:				
– under the Maintenance Contract	490,000	490,000	N/A	N/A
– under the Mining Contract	7,270,538	14,541,076	14,541,076	7,270,538

The above proposed annual caps have been determined with reference to: (i) the basic contract prices; and (ii) a buffer of approximately 9-10% 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 annual caps set out above are fair and reasonable.

REASONS FOR AND BENEFIT OF THE MAINTENANCE CONTRACT AND THE MINING CONTRACT

Maintenance Contract

Kinsenda finished trial production at the end of 2017, and there are more than 1,200 sets or 18 types of main equipment, facilities and ancillary facilities comprising of the process plant, such as ball mill, flotation machines, thickener and backfill system. The existing maintenance personnel of the Group is not able to meet the demand.

Currently, equipment may be on an annual maintenance contract or may be maintained through payment for costs and services on a time and materials basis. This may result in excessive and unnecessary costs for maintenance in the case of the equipment under an annual contract and it may also present the risk of expensive and unbudgeted costs for the equipment not under such contract.

In order to improve quality of work and minimize the cost, Kinsenda has appointed Jin Gang to provide maintenance services. Jin Gang shall be responsible for establishing an equipment maintenance management service program that provides for all inspection/repairs and maintenance for equipment included under such services. Under the Maintenance Contract, Jin Gang shall assume the responsibility for ensuring that all necessary inspections, repairs and maintenance to the equipment are performed.

In addition, given that the site(s) exists in a malaria area, Jin Gang shall take appropriate precautions and shall be responsible for any costs associated with such malaria prevention or contraction by Jin Gang's employees or visitors.

Based on the above and owing to the close relationship between the Group and Jinchuan Group, the Directors are of the view that Jin Gang is able to provide Kinsenda with the maintenance services in a timely and reliable manner, thereby minimising the management and operational costs of the Group.

Mining Contract

Kinsenda has the need to purchase underground mining production services while Jin Gang has the capability and expertise in providing such services to Kinsenda.

Jin Gang is a subsidiary of Jinchuan Group and is mainly engaged in engineering, construction, mining construction and equipment maintenance. By leveraging on Jin Gang's strengths and experience in underground mining production, the Directors are of the view that Jin Gang is able to provide Kinsenda with the underground mining production services in a more convenient and cost-efficient manner.

Reasonableness and fairness of the Maintenance Contract and the Mining Contract

The terms of the Maintenance Contract and the Mining Contract have been agreed upon arm's length negotiation between Kinsenda and Jin Gang. The arrangement between Kinsenda and Jin Gang under each of the Maintenance Contract and the Mining Contract is non-exclusive and there should be no bias or preference for Kinsenda to deal with Jin Gang or any member of the Jinchuan Group.

The Directors (including the independent non-executive Directors) consider that (i) the transactions contemplated under each of the Maintenance Contract and the Mining Contract are to be carried out in the ordinary and usual course of business of the Group; (ii) the terms of each of the Maintenance Contract and the Mining Contract are normal commercial terms, fair and reasonable, and in

the interests of the Company and the Shareholders as a whole; and (iii) the proposed annual caps under each of the Maintenance Contract and the Mining Contract are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

None of the Directors have any material interest in each of the Maintenance Contract and the Mining Contract and the proposed annual caps for which they would be required to abstain from voting on the relevant board resolution approving the Maintenance Contract and the Mining Contract and the proposed 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 resolutions in connection with the Maintenance Contract and the Mining Contract and the proposed annual caps, as they also serve as directors and/or senior management of Jinchuan and/or Jinchuan HK.

PRICING MECHANISM

With respect to the Maintenance 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 the South Africa. According to a feasibility study for Kinsenda Project, which was designed by a global engineering group in March 2013, the costs of equipment maintenance was about USD1.9 per ton. The pricing process of the Maintenance Contract also compared Metorex's costs of equipment maintenance at Chibuluma Mines in Zambia, which was about USD1.56 per ton. The costs of equipment maintenance under the Maintenance Contract is about USD1.5 per ton, which is lower than the above prices.

With respect to the Mining Contract where the Company adopted public bidding, several bidders were invited to participate in the bidding process. After taking into account the scope of services, requirement for management levels, qualifications and project quotations of all service providers participating in the bidding and other relevant data, the final service provider i.e. Jin Gang, was determined. The entire public bidding process of the service providers is in compliance with the Company's internal guideline for bidding and the terms and prices for the provision of the relevant service project by service provider(s) are less favourable than the prevailing market price level for provision of similar services by other independent service providers.

In addition, as part of the Company's internal control measures, the implementation of the Maintenance Contract and the Mining Contract and the relevant pricing terms in accordance with the general transaction principles therein (including the relevant adjustments) 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 Maintenance Contract and the Mining Contract to ensure the relevant general transaction principles are being complied with on arm's length basis and the terms are no less favourable than those with independent third parties.

IMPLICATIONS UNDER THE LISTING RULES

In respect of the aggregate of the proposed annual caps under the Maintenance Contract 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 Hong Kong Listing Rules, the Maintenance Contract and the Mining Contract and the respective proposed annual caps contemplated thereunder are subject to reporting, announcement requirements but are except from independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

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

“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
“Director(s)”	the director(s) of the Company

“DRC”	the Democratic Republic of the Congo
“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 Shareholders”	Shareholders other than Jinchuan Group and its associates
“Jin Gang”	Jin Gang (D.R Congo) SA
“Jinchuan”	金川集團股份有限公司(Jinchuan Group Co., Ltd.), a stated-owned enterprise established in the PRC and the controlling shareholder of the Company
“Jinchuan Group”	collectively, Jinchuan and its subsidiaries and associates controlled by it from time to time, for the purpose of this announcement, excluding the Group
“Jinchuan HK”	Jinchuan Group (Hongkong) Resources Holdings Limited (金川集團(香港)資源控股有限公司), an investment holding company incorporated in Hong Kong and a wholly-owned subsidiary of Jinchuan.
“Kinsenda”	Kinsenda Copper Compnay SA
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Metorex”	Metorex (Proprietary) Limited, an indirect wholly-owned subsidiary of the Group
“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 Project 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 the Kinsenda Project 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
“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”	US dollars, the lawful currency of the United States
“%”	per cent.

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

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

Hong Kong, 17 July 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.