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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)

**FURTHER ANNOUNCEMENT
REGARDING SHANGHAI JINCHUAN JUNHE ECONOMIC
DEVELOPMENT CO., LTD.**

As disclosed in the Announcement, on 12 December 2017, GHL, a wholly-owned subsidiary of the Company, entered into the JV Agreement with Junhe Holdings in relation to the formation of Shanghai Jinchuan Junhe. Shanghai Jinchuan Junhe was established as a limited liability company under the laws of the PRC on 15 December 2017 and is owned as to 60% by GHL and 40% by the Junhe Holdings. Shanghai Jinchuan Junhe is a non-wholly owned subsidiary of the Company.

On 7 September 2018, GHL and Junhe Holdings entered into the Further JV Agreement to revise the amount of the registered capital of Shanghai Jinchuan Junhe and to supplement the terms of the JV Agreement.

With respect to the actual investment amount (including but not limited to capital contribution) by GHL in Shanghai Jinchuan Junhe, Junhe Holdings has guaranteed to provide the GHL's Investment Return to GHL.

On 7 September 2018, GHL, Junhe Holdings, Junhe Group, Mr. He and Shanghai Jinchuan Junhe entered into the Undertaking and Guarantee Agreement for purposes of securing the due performance of the guarantee obligation of Junhe Holdings to pay the GHL's Investment Return under the Further JV Agreement.

As all the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the capital contribution by the Group in Shanghai Jinchuan Junhe, on an aggregated basis, are below 5%, the entering into the Further JV Agreement and the Undertaking and Guarantee Agreement does not constitute a notifiable transaction for the Company under Chapter 14 of the Listing Rules and this announcement serves to provide updates regarding Shanghai Jinchuan Junhe to the Shareholders and potential investors of the Company.

INTRODUCTION

As disclosed in the Announcement, on 12 December 2017, GHL, a wholly-owned subsidiary of the Company, entered into the JV Agreement with Junhe Holdings in relation to the formation of Shanghai Jinchuan Junhe. Shanghai Jinchuan Junhe was established as a limited liability company under the laws of the PRC on 15 December 2017 and is owned as to 60% by GHL and 40% by Junhe Holdings. Shanghai Jinchuan Junhe is a non-wholly owned subsidiary of the Company.

Pursuant to the JV Agreement, the registered capital of RMB100 million (equivalent to approximately US\$15 million) would be paid in two tranches by GHL and Junhe Holdings in cash into Shanghai Jinchuan Junhe in proportion to their respective equity interests in Shanghai Jinchuan Junhe.

On 7 September 2018, GHL and Junhe Holdings entered into the Further JV Agreement to revise the amount of the registered capital of Shanghai Jinchuan Junhe and to supplement the terms of the JV Agreement.

PRINCIPAL TERMS OF THE JV AGREEMENT (SUPPLEMENTED BY THE FURTHER JV AGREEMENT)

Scope of business

Shanghai Jinchuan Junhe will engage in processing and sale of the following categories of products: metal materials and products, hardware, electricity, fuel oil, petroleum products, non-ferrous metals, mineral products, electronic products, rubber products, coal, building materials, chemical raw materials and products (except for hazardous chemicals, controlled chemicals, fireworks products, explosive for domestic use and precursor chemicals) and gold products; import and export business of goods and technology.

Increase in Registered Capital

The registered capital of Shanghai Jinchuan Junhe is revised to RMB500 million (equivalent to approximately US\$75 million).

The increased registered capital shall be borne by the parties in proportion according to their existing shareholding interests in Shanghai Jinchuan Junhe.

The revised amount of registered capital of Shanghai Jinchuan Junhe and the capital contributions to be made by GHL and Junhe Holdings was determined after arm's length negotiations between GHL and Junhe Holdings with reference to the prospective business development and intended scale of operation of Shanghai Jinchuan Junhe.

As at the date of this announcement, the original registered capital of RMB100 million (equivalent to approximately US\$15 million) has been paid by the parties. The remaining contribution of RMB400 million (equivalent to approximately US\$60 million) will be paid by the parties in tranches according to Shanghai Jinchuan Junhe's requirement. The part of GHL of RMB240 million (equivalent to approximately US\$36 million) is intended to be funded by the internal resources of the Group and short-term borrowings.

CORPORATE GOVERNANCE OF SHANGHAI JINCHUAN JUNHE

Term of operation of Shanghai Jinchuan Junhe

The term of operation of Shanghai Jinchuan Junhe is 10 years from its date of establishment. The term is renewable by mutual agreement of GHL and Junhe Holdings.

Board of directors and the supervisor of Shanghai Jinchuan Junhe

The board of directors of Shanghai Jinchuan Junhe shall comprise of three directors, two of whom will be appointed by GHL and the remaining director will be appointed by Junhe Holdings. The chairman of the board of director of Shanghai Jinchuan Junhe will be elected by GHL.

Shanghai Jinchuan Junhe will have one supervisor nominated by GHL.

Matters requiring unanimous consent of the board of directors of Shanghai Jinchuan Junhe

- (a) amendments to the articles of association of Shanghai Jinchuan Junhe;
- (b) any increase or decrease in the registered capital or total investment of Shanghai Jinchuan Junhe, or any other transaction that may result in an increase or decrease in the registered capital of Shanghai Jinchuan Junhe (including the issuance of securities convertible or exchangeable into equity of Shanghai Jinchuan Junhe);

- (c) dissolution or liquidation of Shanghai Jinchuan Junhe;
- (d) the merger or acquisition of Shanghai Jinchuan Junhe with any other legal entity, or the separation of Shanghai Jinchuan Junhe; or
- (e) approval of the business plan or budget, or passing any significant changes to the business scope, plan or budget of Shanghai Jinchuan Junhe.

Transfer restrictions

If any JV Shareholder proposes to transfer all or any part of its equity interest in Shanghai Jinchuan Junhe to any person other than the other JV Shareholder, the consent of the other JV Shareholder and the approval or filing with the relevant governmental authorities will be required.

Change in control of a JV Shareholder

If the transfer of all (but not part) of the equity interest held by a JV Shareholder in Shanghai Jinchuan Junhe to its associated company(ies) will result in a change in control of the JV Shareholder, then the other JV Shareholder shall have the right (but not obliged) to terminate the JV Agreement (as supplemented).

Dividend policy and profit guarantee

With respect to the actual investment amount (including but not limited to capital contribution) by GHL in Shanghai Jinchuan Junhe, Junhe Holdings has guaranteed to provide a return of at least 8% per annum on such investment amount ("**GHL's Investment Return**") to GHL. Junhe Holdings and Shanghai Jinchuan Junhe have both agreed that the distributable profit for each financial year of Shanghai Jinchuan Junhe shall be paid firstly to GHL to settle the GHL's Investment Return. Payment of the GHL's Investment Return shall be by way of cash and be paid within 90 days after the end of such financial year of Shanghai Jinchuan Junhe, that is:

- If the profit of Shanghai Jinchuan Junhe distributable to GHL in any financial year is lower than the GHL's Investment Return, the shortfall on a dollar-to-dollar basis shall be paid by Junhe Holdings to GHL.
- If the profit available for distribution by Shanghai Jinchuan Junhe in a financial year shall exceed the GHL's Investment Return for that year, then the profit after deduction of the GHL's Investment Return shall be distributed by Shanghai Jinchuan Junhe to the JV Shareholders in proportion to their respective equity interests in Shanghai Jinchuan Junhe.

UNDERTAKING AND GUARANTEE AGREEMENT

On 7 September 2018, GHL, Junhe Holdings, Junhe Group, Mr. He and Shanghai Jinchuan Junhe entered into the Undertaking and Guarantee Agreement for purposes of securing the due performance of the guarantee obligation of Junhe Holdings to pay the GHL's Investment Return under the Further JV Agreement.

If Junhe Holdings fails to perform its obligations to pay the GHL's Investment Return when it becomes due under the Further JV Agreement, then Junhe Group and Mr. He as the guarantors shall pay the GHL's Investment Return to GHL.

If Junhe Holdings, Junhe Group and Mr. He fail to pay the GHL's Investment Return when it becomes due, GHL shall be entitled to claim against Junhe Holdings, Junhe Group and Mr. He a default interest at the rate of 5% per annum on the outstanding amount as and for liquidated damages, starting from the date when the GHL's Investment Return becomes due.

INFORMATION OF SHANGHAI JINCHUAN JUNHE

Shanghai Jinchuan Junhe is a company established in the PRC with limited liability, which is principally engaged in metals and commodities trading. As at the date of this announcement, 60% equity interest in Shanghai Jinchuan Junhe is owned by the GHL and the remaining 40% equity interest in Shanghai Jinchuan Junhe is owned by Junhe Holdings. Shanghai Jinchuan Junhe is a non-wholly owned subsidiary of the Company and its financial results has been consolidated into the financial statements of the Group.

Set out below is a summary of the key financial data of Shanghai Jinchuan Junhe based on its unaudited management accounts for the six months ended 30 June 2018:

	For the six months ended 30 June 2018 (unaudited) <i>US\$'000</i>
Revenue	401,258
Profit before tax	606
Profit after tax	455

Based on the unaudited management accounts, the unaudited net asset value of Shanghai Jinchuan Junhe as at 30 June 2018 was approximately US\$15.5 million.

REASONS FOR AND BENEFITS OF ENTERING INTO THE FURTHER JV AGREEMENT AND THE UNDERTAKING AND GUARANTEE AGREEMENT

With an intention to expand and diversify the business segments of the Company, the formation of Shanghai Jinchuan Junhe with Junhe Holdings will enable the Company to take comparative advantages of channels, capital and resources of 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 strategic partnership between the Company and Junhe Group will promote and achieve joint and mutual benefits founded upon a continuous and stable development and cooperation synergies of both parties.

The Further JV Agreement fortifies the controlling stake of the Group in Shanghai Jinchuan Junhe whereas the Undertaking and Guarantee Agreement enables the Group to recoup the internal costs of capital.

After taking into account the foregoing, the Directors (including the independent non-executive Directors) consider that the terms of the Further JV Agreement and the Undertaking and Guarantee Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

GENERAL INFORMATION OF THE PARTIES

The Company is a non-ferrous metal and mining corporation headquartered and listed in Hong Kong. The Company is primarily engaged in the development and operation of overseas mining resources project, as well as the trading of raw materials and products of copper, cobalt, nickel and other non-ferrous metal.

Junhe Holdings is a wholly-owned subsidiary of Junhe Group, which is an integrated conglomerate established in Shanghai and engages in various segments of business as supported by Shanghai's robust investment environment and capital flow, including (i) the global trading of non-ferrous metals, precious metals and mineral products; and (ii) industry investment (such as heavy machinery).

Mr. He is the legal representative and de facto controller of Junhe Group.

LISTING RULES IMPLICATIONS

As all the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the capital contribution by the Company in Shanghai Jinchuan Junhe, on an aggregated basis, are below 5%, the entering into the Further JV Agreement and the Undertaking and Guarantee Agreement does not constitute a notifiable transaction for the Company under Chapter 14 of the Listing Rules and this announcement serves to provide updates regarding Shanghai Jinchuan Junhe to the Shareholders and potential investors of the Company.

DEFINITIONS

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

"Announcement"	the announcement published by the Company on 12 December 2017 regarding the establishment of Shanghai Jinchuan Junhe
"associated company(ies)"	in relation to a JV Shareholder, any entity(ies) which is controlled by the JV Shareholder or under the common control any of the director(s), senior management or employee(s) of the JV Shareholder
"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)
"Director(s)"	the director(s) of the Company
"Further JV Agreement"	the further joint venture agreement dated 7 September 2018 entered into between GHL and Junhe Holdings to revise the amount of the registered capital of Shanghai Jinchuan Junhe and to supplement the terms of the JV Agreement
"GHL"	Golden Harbour International Trading Limited (金港源國際貿易有限公司), a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company
"GHL's Investment Return"	the investment return set forth in the section headed "Dividend policy and profit guarantee"
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Junhe Group"	Shanghai Jinchuan Junhe Group Co., Ltd, a company established in the PRC and the holding company of Junhe Holdings

“Junhe Holdings”	Junhe Holdings Limited, a company established in the PRC and a subsidiary of Junhe Group
“JV Agreement”	the joint venture agreement dated 12 December 2017 entered into between GHL and Junhe Holdings in relation to the formation of Shanghai Jinchuan Junhe
“JV Shareholder(s)”	the shareholder(s) of Shanghai Jinchuan Junhe, namely, GHL and/or Junhe Holdings
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. He”	Mr. He Qi, the de facto controller of Junhe Group
“PRC”	The People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shanghai Jinchuan Junhe”	上海金川均和經濟發展有限公司 (Shanghai Jinchuan Junhe Economic Development Co., Ltd.*), a limited liability company established under the laws of the PRC and in accordance with the terms of the JV Agreement. Shanghai Jinchuan Junhe is a non-wholly owned subsidiary of the Company
“Shareholder(s)”	holder(s) of the Share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Undertaking and Guarantee Agreement”	the undertaking and guarantee agreement dated 7 September 2018 entered into between GHL, Junhe Holdings, Junhe Group, Mr. He and Shanghai Jinchuan Junhe regarding the GHL’s investment return
“US\$”	United States dollars, the lawful currency of the United States
“%”	per cent

* For identification purpose only

For the purpose of this announcement, unless otherwise indicated, amounts denominated in RMB have been converted, for the purpose of illustration only, into United States dollars at the exchange rate of RMB1.00 = US\$0.15. The exchange rate does not constitute a representation that any amount has been, could have been or may be exchanged at such a rate or at any other rates.

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

Hong Kong, 7 September 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.