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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)

POSITIVE PROFIT ALERT

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This announcement is made by Jinchuan Group International Resources Co. Ltd (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09 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 (“**Board**”) of directors (the “**Directors**”) of the Company would like to inform the shareholders of the Company and potential investors that, based on the preliminary review of the latest unaudited consolidated management accounts of the Group and the current information available to the Board, the Group is expected to record a profit attributable to the shareholders of the Company (“**Attributable Profit**”) for the six months ending 31 December 2020 (“**2020 2H**”) as compared to the unaudited loss attributable to shareholders of the Company of approximately US\$28.3 million for the six months ended 30 June 2020 (“**2020 1H**”). The estimated increase in Attributable Profit in 2020 2H as compared to 2020 1H is mainly attributable to the following factors:

1. The significant increase in market copper price in 2020 2H

Higher prices for copper in the first five months of 2020 2H as compared to the 2020 1H with market copper prices risen by approximately 21.4%, leading to a significant increase in revenue. Also, as a result of higher commodity price as compared to the second quarter of 2020, there has been an upward adjustment to the provisional sales price previously recognised.

2. Partial reversal of impairment loss recognised in 2020 1H

As detailed below, the Group has decided to put the operation in the Republic of Zambia (“**Zambia**”) under care and maintenance since July 2020 and has made a full provision of impairment losses of US\$8.6 million to the remaining balance of the property, plant and equipment of the Zambia operation in 2020 1H. Due to the rebound of copper price in 2020 2H and the successful entrance of the Lease Agreement (as defined below), the Group is able to partially recoup the investment cost of the Group’s Zambia assets and has partially reversed in 2020 2H the impairment losses recognised in 2020 1H.

LEASE AGREEMENT IN RESPECT OF ZAMBIA’S ASSETS

Reference is made to the impairment loss of, among others, the Group’s mine in Zambia as disclosed in the Company’s announcement dated 31 July 2020 and 2020 interim report. With the Group’s assets located in Zambia approaching end of mine life, the further decline in ore grade and plant recovery rate in the six months ended 30 June 2020 has led to the Group’s revisit of the mine’s operation and the Group has decided to suspend the operations at Chibuluma and place its mine in care and maintenance from July 2020.

The Group has further evaluated the options available for realising the long term value of the mine. On 28 December 2020, Chibuluma Mines Plc, an indirect non wholly-owned subsidiary of the Company, (as lessor), entered into a lease agreement (the “**Lease Agreement**”) with an independent third party (as lessee) for a 5-year term lease in respect of Chifupu Deposit and the plant and equipment thereof (collectively, the “**Mining Assets**”). Under the Lease Agreement, among other terms and conditions, the lessee (i) shall obtain the right to manage and operate the Mining Assets (as more particular defined in the Lease Agreement); (ii) shall obtain the right to extract mineral ore from the Group’s Chifupu Deposit; and (iii) shall be responsible for all operating expenses in relation to the Mining Assets during the tenure of the Lease Agreement. In addition, the lessee shall be responsible for the safety and environmental aspects of the mining operations and for complying with all applicable laws and regulations.

The total lease payment payable under the Lease Agreement is US\$6,200,000, payable in instalments over a two year period starting from the date of signing of the Lease Agreement. In addition to the lease payment, the Group will also be entitled to a monthly royalty payment calculated based on the volume of copper ore extracted and sold from Chifupu Deposit. The lessee has the priority to renew upon the expiry of the Lease Agreement.

The Group’s Chibuluma operations have recorded losses in the last two financial years and in the six months ended 30 June 2020 and the Group has no other current operation located in Zambia which can provide synergy to Chibuluma operation, the Board considers that the Lease Agreement can provide an opportunity for the Group to generate a stable rental income from the Mining Assets and minimise the Group’s exposure to extra capital expenditure and operating costs and risk associated therewith. The Board considers that the terms of the Lease Agreement are fair and reasonable and the entry of the Lease Agreement is in the best interest of the Company and its shareholders as a whole.

Based on the information provided by the lessee, the lessee is a limited liability company registered in Zambia and is principally engaged in underground mining, open-pit mine stripping, copper product logistics and equipment leasing. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the lessee is a third party independent of the Company and its connected persons.

As all the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the transaction contemplated by the Lease Agreement (the “**Transaction**”) are all less than 5%, the Transaction does not constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules and therefore the disclosure in this announcement is made by the Company on a voluntary basis.

GENERAL

The information contained in this announcement is based only on the preliminary assessment by the Board upon its review of the unaudited consolidated management accounts of the Group and the current information available to the Board which have not been audited nor reviewed by the Company’s independent auditor.

The overall financial results of the Group for the financial year ending 31 December 2020 will only be ascertained when all the relevant results and accounting treatments are finalized. Since the Group’s financial performance will also be affected by other factors such as final valuation on the Group’s assets and liabilities which possibly result in additional impairment loss (or gain) and/or provision to be recorded, the Company will make further announcement as and when required if there is further information in relation to the finalization of financial results of which are material is available. Shareholders of the Company and potential investors are also advised to refer to the details of the Company’s annual results announcement for the financial year ending 31 December 2020 which will be announced before the end of March 2021.

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, 28 December 2020

As at the date of this announcement, the Board comprises two executive directors, namely Mr. Gao Tianpeng and Mr. Cheng Yonghong; three non-executive directors, namely Mr. Zhang Youda, Mr. Liu Jian and Mr. Wang Qiangzhong; and three independent non-executive directors, namely Mr. Wu Chi Keung, Mr. Yen Yuen Ho, Tony and Mr. Poon Chiu Kwok.