THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold all your shares in Jinchuan Group International Resources Co. Ltd, you should at once hand this circular and the accompanying proxy form to the purchaser or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser.

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)

PROPOSED REVISED ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS, RE-ELECTION OF RETIRING DIRECTOR AND NOTICE OF EXTRAORDINARY GENERAL MEETING

Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders

ALTUS CAPITAL LIMITED

A letter from the Board is set out on pages 7 to 30 of this circular. A letter from the Independent Board Committee is set out on pages 31 to 32 of this circular. A letter from Altus containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 33 to 62 of this circular.

A notice convening the EGM to be held at Unit 3101, 31/F, United Centre, 95 Queensway, Hong Kong at 3:00 p.m. on Wednesday, 10 July 2019 is set out on pages 72 to 74 of this circular.

Whether or not you are able to attend the EGM in person, you are requested to complete the accompanying proxy form in accordance with the instructions printed thereon and return it to the branch share registrar of the Company in Hong Kong, Boardroom Share Registrars (HK) Limited at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong, as soon as possible but in any event not less than 48 hours before the time fixed for the holding of the EGM (i.e. before 3:00 p.m. on Monday, 8 July 2019) or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM if you so wish.

21 June 2019

CONTENTS

DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the meanings set out below:

"2013 CCT Agreement"	the framework agreement dated 2 December 2013 entered into between the Company and JCG for trading of Mineral and Metal Products between the Group and JCG Group
"2015 Cobalt Agreement"	the agreement dated 2 December 2015 entered into between GHL and Lanzhou Jinchuan for the sale and purchase of cobalt hydroxide produced by Ruashi, as supplemented by the 2016 Cobalt Supplemental Agreement
"2016 CCT Agreement"	the framework agreement dated 29 November 2016 entered into between the Company and JCG for trading of Mineral and Metal Products between the Group and JCG Group for the three years commencing 1 January 2017 up to 31 December 2019
"2016 Cobalt Supplemental Agreement"	the supplemental agreement dated 15 June 2016 entered into between GHL and Lanzhou Jinchuan for the sale and purchase of the cobalt hydroxide produced by Ruashi, the terms of which are to supplement the 2015 Cobalt Agreement
"2018 CCT Supplemental Agreement"	the supplemental agreement dated 6 April 2018 entered into between the Company and JCG for extending the term of the trading of Mineral and Metal Products between the Group and JCG Group until 31 December 2020
"2018 Cobalt Agreement"	the agreement dated 6 April 2018 entered into between GHL and Lanzhou Jinchuan for the sale and purchase of cobalt hydroxide produced by Ruashi
"2019 CCT Agreement"	the agreement dated 5 June 2019 entered into between the Company and JCG for trading of the Mineral and Metal Products between the Group and JCG Group for the three years commencing retrospectively from 1 June 2019 and expiring on 31 May 2022

"Altus" or "Independent Financial Adviser"	Altus Capital Limited, a corporation licensed to carry on Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong), the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in connection with the 2019 CCT Agreement and the Proposed Revised Annual Caps
"Articles of Association"	the articles of association of the Company
"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 and 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
"Continuing Connected Transactions"	collectively, the continuing connected transactions for the trading of Mineral and Metal Products between the Group and JCG Group contemplated under the 2019 CCT Agreement
"Director(s)"	the director(s) of the Company
"DRC"	the Democratic Republic of Congo
"DRC Mining Code"	the mining code from time to time in force in the DRC
"EGM" or "Extraordinary General Meeting"	the extraordinary general meeting to be convened by the Company at Unit 3101, 31/F United Centre, 95 Queensway, Hong Kong at 3:00 p.m. on Wednesday, 10 July 2019 for, among other matters, approving (i) the 2019 CCT Agreement and the transactions contemplated thereunder including the Proposed Revised Annual Caps and (ii) the re-election of the Retiring Director

"GHL"	Golden Harbour International Trading Limited, a company incorporated in Hong Kong and indirectly wholly-owned by the Company
"Group"	collectively, the Company and its subsidiaries (including GHL) 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 Board Committee"	the independent committee of the Board, consisting of the three independent non-executive Directors, established to advise the Independent Shareholders in connection with the 2019 CCT Agreement and the transactions contemplated thereunder including the Proposed Revised Annual Caps
"Independent Third Party(ies)"	person(s) who or company(ies) together with its/their ultimate beneficial owner(s) which is/are third party(ies) independent of the Company and its connected person(s) (as defined under the Listing Rules)
"Independent Shareholders"	Shareholders other than JCG Group and its associates
"JCG"	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
"JCG Group"	collectively, JCG and its subsidiaries (including Lanzhou Jinchuan) and associates controlled by it from time to time, for the purpose of this circular, excluding the Group
"JCHK"	Jinchuan Group (Hongkong) Resources Holdings Limited, an investment holding company incorporated in Hong Kong and a wholly-owned subsidiary of JCG
"Junhe Group"	Shanghai Junhe Group Co., Ltd., the holding company of Junhe Holdings Limited which in turn is a shareholder of Shanghai Jinchuan Junhe

"Kinsenda Mine"	an underground copper mine owned by the Group and situated in Katanga Province in the DRC
"Lanzhou Jinchuan"	蘭州金川新材料科技股份有限公司 (Lanzhou Jinchuan Advanced Materials Technology Co., Ltd.*), a company incorporated in the PRC, approximately 99% interest of which is indirectly held by JCG
"Latest Practicable Date"	20 June 2019
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"LME"	London Metal Exchange, a recognized investment exchange regulated by the Financial Conduct Authority of the United Kingdom and a recognised publisher of reference prices for various metals which are timely published on its designated website (https://www.lme.com/) on a daily basis for metal and investment communities
"MB"	Metal Bulletin, a premium intelligence service for metal and steel professionals, being part of the Euromoney Institutional Investor Plc Group of companies and a recognized publisher of reference prices for long-term cobalt trading contracts which are timely published on its designated website (www.metalbulletin.com) on a twice-a-week basis for subscribed members and publications
"Mineral and Metal Products"	mineral products, metal products and other raw materials, including but not limited to copper or nickel ores and concentrates, copper or nickel cathodes and other forms of copper, nickel or other metals bearing raw materials, cobalt and its related products

"Original Annual Caps"	the revised annual caps of the continuing connected transactions between the Group and JCG Group contemplated under the 2016 CCT Agreement (as supplemented by the 2018 CCT Supplemental Agreement) (including for the avoidance of doubt, the 2018 Cobalt Agreement) for the financial year ended 31 December 2018 for an amount not exceeding US$755 million, the financial year ending 31 December 2019 for an amount not exceeding US$793 million, and the financial year ending 31 December 2020 for an amount not exceeding US$833 million
"PRC"	the People's Republic of China, for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Proposed Revised Annual Caps"	the proposed revised annual caps of the Continuing Connected Transactions for the seven months period ending 31 December 2019, two financial years ending 31 December 2020 and 2021 and the five months period ending 31 May 2022, details of which are set out in the paragraph headed "6. PROPOSED REVISED ANNUAL CAPS AND THE DETERMINATION BASIS"
"Register of Members"	the register of members of the Company maintained by the branch share registrar of the Company in Hong Kong, Boardroom Share Registrars (HK) Limited at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong
"Retiring Director"	Mr. Wang Qiangzhong, retiring at the EGM and, being eligible, is offering himself for re-election at the EGM, in accordance with the Articles of Association
"Ruashi"	Ruashi Mining SAS, a company incorporated in the DRC and an indirect non wholly-owned subsidiary of the Company
"Ruashi Mine"	an opencast oxide copper and cobalt mine owned by Ruashi and situated in the DRC on the outskirts of Lubumbashi, the capital of Katanga Province

"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company listed on the Stock Exchange
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) for the time being in force
"Shareholder(s)"	the holder(s) of the Share(s)
"Shanghai Jinchuan Junhe"	上海金川均和經濟發展有限公司 (Shanghai Jinchuan Junhe Economic Development Co., Ltd*), a company incorporated in the PRC and a 60% owned subsidiary of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiaries"	has the meaning ascribed to it under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
"Zambia"	the Republic of Zambia
"US$"	United States dollars, the lawful currency of the United States of America
"lb"	pound(s) (2.204 pounds = 1 kilogram)
"%"	percentage

* *For identification purposes only*

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

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)

Executive Directors:
Mr. Gao Tianpeng *(Chief Executive Officer)*
Mr. Qiao Fugui

Non-executive Directors:
Mr. Zhang Youda *(Chairman of the Board)*
Mr. Zeng Weibing
Mr. Yang Jinshan
Mr. Wang Qiangzhong

Independent Non-executive Directors:
Mr. Wu Chi Keung
Mr. Yen Yuen Ho, Tony
Mr. Poon Chiu Kwok

Registered office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head office and principal place of business in Hong Kong:
Unit 3101, 31/F, United Centre
95 Queensway, Hong Kong

21 June 2019

To the Shareholders

Dear Sir or Madam,

PROPOSED REVISED ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS, RE-ELECTION OF RETIRING DIRECTOR AND NOTICE OF EXTRAORDINARY GENERAL MEETING

1. INTRODUCTION

Reference is made to (1) the announcement and the circular in relation to, among others, the continuing connected transactions under the 2016 CCT Agreement (as supplemented by the 2018 CCT Supplemental Agreement) and 2018 Cobalt Agreement published by the Company on 6 April 2018 and 9 May 2018, respectively; and (2) the announcement regarding the 2019 CCT Agreement and the Proposed Revised Annual Caps published by the Company on 5 June 2019.

The purpose of this circular is to provide the Shareholders with information on, among other things, (i) considering and approving the 2019 CCT Agreement and the transaction contemplated thereunder including the Proposed Revised Annual Caps and (ii) the proposed re-election of the Retiring Director contained in the notice of EGM, so that the Shareholders may make an informed decision on voting in respect of the resolutions to be tabled at the EGM.

2. RELATIONSHIP BETWEEN THE GROUP AND JCG GROUP

The Company was acquired by JCG Group in November 2010 and since then has been serving as the flagship and listed international base metals platform of JCG 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 JCG Group to pursue mining investment opportunities.

As at the Latest Practicable Date, through its wholly-owned subsidiaries, JCG indirectly owns 7,567,325,857 Shares, representing approximately 60.01% of the issued share capital of the Company. Accordingly, JCG is a connected person of the Company under Chapter 14A of the Listing Rules and the Continuing Connected Transactions constitute continuing connected transactions of the Company.

3. BACKGROUND

On 6 April 2018, (1) the Company and JCG entered into the 2018 CCT Supplemental Agreement to revise the term as well as the annual caps of the continuing connected transactions between the Group and JCG Group contemplated under the 2016 CCT Agreement; and (2) GHL and Lanzhou Jinchuan entered into the 2018 Cobalt Agreement to revise the terms relating to the sale and purchase of cobalt hydroxide. The 2018 CCT Supplemental Agreement (for the avoidance of doubt, including the 2018 Cobalt Agreement) and the Original Annual Caps were approved by Independent Shareholders at the extraordinary general meeting of the Company held on 25 May 2018.

On 5 June 2019 (after trading hours), the Company and JCG entered into the 2019 CCT Agreement which will replace the 2016 CCT Agreement (as supplemented by the 2018 CCT Supplemental Agreement) and the 2018 Cobalt Agreement. The 2019 CCT Agreement and the transactions contemplated thereunder including the Proposed Revised Annual Caps are conditional upon the approval of the Independent Shareholders at the EGM.

4. 2019 CCT AGREEMENT

On 5 June 2019 (after trading hours), the Company and JCG entered into the 2019 CCT Agreement which, if approved by the Independent Shareholders at the EGM, will replace the (i) 2016 CCT Agreement (as supplemented by the 2018 CCT Supplemental Agreement) in relation to the continuing connected transactions for the trading of Mineral and Metal Products between the Group and JCG Group; and (ii) the 2018 Cobalt Agreement in relation to the sale and purchase of cobalt hydroxide produced by Ruashi.

The principal terms of the 2019 CCT Agreement are as follows:

Date

5 June 2019

Parties

(i) the Company (as seller); and

(ii) JCG (as buyer)

Term

Subject to the fulfilment of the conditions precedent, the 2019 CCT Agreement shall replace the 2016 CCT Agreement (as supplemented by the 2018 CCT Supplemental Agreement) and the 2018 Cobalt Agreement and shall commence retrospectively from 1 June 2019 to 31 May 2022. Subject to compliance with the Listing Rules, the parties shall be entitled to re-negotiate the terms for the sale and purchase of the Mineral and Metal Products upon expiry of the 2019 CCT Agreement.

Subject Matter

Pursuant to the 2019 CCT Agreement, the Company has agreed to cause the Group to sell to JCG Group, and JCG has agreed to cause JCG Group (for the purpose of this circular, excluding the Group) to purchase from the Group, the Mineral and Metal Products that the Group may source from third parties or produce by the mines of the Group during the term of the 2019 CCT Agreement.

The quantity of each type of Mineral and Metal Products to be sold to JCG Group is not fixed under the terms of the 2019 CCT Agreement but is to be determined and agreed between the relevant parties from time to time.

Conditions Precedent

The undertaking of the Continuing Connected Transactions is conditional upon the Company having obtained the Independent Shareholders' approval at the EGM for the 2019 CCT Agreement and the transactions contemplated thereunder including the Proposed Revised Annual Caps.

General transaction principles

The Continuing Connected Transactions should be conducted in accordance with the following general principles:

(i) the Mineral and Metal Products provided by the Group should be of good quality and at fair and reasonable prices;

(ii) the Group and JCG Group shall be entitled to enter into separate contracts for trading/sale and purchase of the Mineral and Metal Products contemplated under the 2019 CCT Agreement from time to time. Such contracts should comply with the relevant regulatory requirements in Hong Kong (including but not limited to the Listing Rules) and other applicable laws and regulations in the respective jurisdiction, and should set out, among other things, the parties of the transaction(s), the terms and conditions of the transaction(s) (including, if applicable, the annual minimum purchase quantity), the relevant product(s) and the trading price(s), the delivery time and the payment terms. The terms of such trading contracts should be on normal commercial terms and should be no less favourable than those available to Independent Third Parties; and

(iii) the terms offered by the Group should be competitive in terms of the quality and trading price of the Mineral and Metal Products. Priority should only be given to the Group by JCG Group if the quality and trading price of the Mineral and Metal Products provided by the Group to JCG Group are no less favourable than those available from Independent Third Parties.

Basis of the selling prices of the Mineral and Metal Products

The consideration of the Mineral and Metal Products sold will be determined with reference to the prevailing market price of the Mineral and Metal Products at the time of each specific agreement to be entered into pursuant to the 2019 CCT Agreement, subject to certain adjustments mainly involve the basis coefficient pricing, the moisture content, the percentage of metal content and the impurity element content in the metals. Market prices of copper, cobalt, nickel and other relevant metals refer to (i) the monthly moving average price or the monthly average settlement price of copper quoted on the LME; or (ii) the monthly moving average price of cobalt quoted on the MB; or (iii) the monthly moving average price or the monthly average settlement price of nickel quoted on the LME; or (iv) when the market price of other Mineral and Metal Products could not be adequately reflected through (i), (ii) and (iii) at the place of sale or the receiving market, the price shall be reasonably determined by both parties after making reference to the monthly average selling price of Mineral and Metal Products at the place of sale or the receiving market. Such price will be determined by making reference to the selling price charged by other renowned mining companies at the place of sale or receiving market, and a recognized stock index that is comparable to the LME or the MB, such as SMM Information & Technology Co., Ltd, Shanghai Futures Exchange or Chicago Mercantile Exchange. This mechanism is intended to ensure that the selling prices for the Mineral and Metal Products provided by the Group to JCG Group will be determined on normal commercial terms.

Payment terms

Payments of the transactions will be settled in arrears, or such other manners as agreed by the parties in accordance with the agreed timing and manners as specified in the separate contracts to be entered into between members of the Group and JCG Group from time to time.

5. HISTORICAL ANNUAL CAPS AND THE HISTORICAL TRADING AMOUNTS

The following table sets out the historical annual caps for transactions and the historical trading amounts of Mineral and Metal Products between the Group and the JCG Group, respectively, for the periods indicated below:

	Year ended 31 December 2016 *(US$)*	Year ended 31 December 2017 *(US$)*	Year ended 31 December 2018 *(US$)*	Year ending 31 December 2019 *(US$)*	Year ending 31 December 2020 *(US$)*
Historical annual caps:					
– under 2013 CCT Agreement or as the case may be 2016 CCT Agreement (as supplemented by 2018 CCT Supplemental Agreement) and the 2018 Cobalt Agreement	1,500 million	209.6 million	755 million	793 million	833 million
– under 2015 Cobalt Agreement (as supplemented by 2016 Cobalt Supplemental Agreement)	106 million				
Historical trading amounts:					
– under 2013 CCT Agreement or as the case may be 2016 CCT Agreement (as supplemented by 2018 CCT Supplemental Agreement) and the 2018 Cobalt Agreement	26.9 million	209.6 million	238.7 million	N/A *(Note)*	
– under 2015 Cobalt Agreement (as supplemented by 2016 Cobalt Supplemental Agreement)	58 million				

Note: According to the information available to the Company, as at 31 May 2019, the total trading amount recorded by the Group for the period from 1 January 2019 to 31 May 2019 under the 2016 CCT Agreement (as supplemented by 2018 CCT Supplemental Agreement) was nil.

6. PROPOSED REVISED ANNUAL CAPS AND THE DETERMINATION BASIS

The following table sets out the Proposed Revised Annual Caps:

	Year ending 31 December 2019 *(US$)*	Year ending 31 December 2020 *(US$)*	Year ending 31 December 2021 *(US$)*	Period ending 31 May 2022 *(US$)*
Proposed Revised Annual Cap	490 million	490 million	490 million	204 million

In arriving at the Proposed Revised Annual Caps, the Directors have taken account of the following for consideration:

1) The acute fluctuation of the price and demand for cobalt. Cobalt benchmark MB price surged from approximately US$31,416 per tonne as at 31 December 2016 to approximately US$77,162 per tonne as at 31 December 2017, representing an increase of approximately 145.6%. The trend continues in 2018 and cobalt price reached a peak of US$96,342 per tonne on 25 April 2018. The demand for cobalt shrank due to the new supply available in the market, change in the DRC Mining Code and the high inventory kept by electric battery manufacturers in the PRC. Cobalt benchmark MB price dropped considerably to approximately US$58,422 per tonne as at 31 December 2018 and further to US$36,046 per tonne as at 30 April 2019. The average monthly cobalt price between January 2018 and April 2019 of US$70,736 per tonne is adopted for estimating the Proposed Revised Annual Caps.

2) The possible sale of copper concentrate produced by Kinsenda Mine in the DRC, subject to tendering and bidding exercise outcome. Previously, copper concentrate produced by Kinsenda Mine were sold to refineries in Zambia, as a result of the implementation of a 5% import tax on all copper concentrates into Zambia by the Zambia Government in January 2019, the Group and the customers have mutually agreed to cease exporting Kinsenda Mine's product to Zambia and started shipping copper concentrates to the PRC for sale. JCG Group's refinery in the PRC is in need of copper concentrates and will need to source for copper concentrates overseas.

3) The inclusion of 25% of the buffer representing approximately 3 months of the sales value of the Mineral and Metal Products for the Proposed Revised Annual Caps. The Company believes that it would be prudent to leave 3 months of the sales value of the Mineral and Metal Products as a buffer. One reason is that the Company would need approximately 3 months to finalize the process of obtaining the Independent Shareholders' approval to revise the annual caps for the Continuing Connected Transaction, the other reason is that normally it would need one to one and a half months to arrange transportation before making actual delivery of products and realizing sales value, also it needs 20-25 days for management team to access actual sales value after delivery of products and realizing of sales revenue.

Shareholders should note that the Proposed Revised Annual Caps represent an estimate based on information currently available and that the actual utilisation and sufficiency of the Proposed Revised Annual Caps would depend on a number of factors, including but not limited to, the tendering and bidding exercise outcome, the price of the Mineral and Metal Products and the demand of JCG Group. The Proposed Revised Annual Caps have no direct relationship to, nor should be taken to have any bearing on, the Group's financial or potential financial performance or percentage of contributions of sales revenue to JCG Group to the overall revenue of the Group over the term of the 2019 CCT Agreement in the coming years.

7. REASONS FOR AND BENEFIT OF THE 2019 CCT AGREEMENT

Reasons for selling cobalt of the Group to JCG Group

Cobalt is a strategic and critical metal used in many diverse industrial and military applications. Boosted by the PRC national policies, cobalt has been in strong demand by enterprises in the PRC for processing rechargeable, lithium-ion batteries that power laptops and smartphones and electric cars.

According to the information available to the Company, global cobalt mine production was around 120,000 tonnes in 2017. Cobalt mine supply is heavily concentrated to several suppliers. In 2018, the PRC imported 77,200 tonnes of cobalt mine products and JCG Group was amongst the top five producers.

The Group's Africa subsidiaries are copper focused mining companies with significant copper and cobalt reserves and resources. The Group's mining projects are located in the DRC and Zambia in the Central African copperbelt, which hosts some of the world's largest copper and cobalt deposits, containing over a third of the world's cobalt mineral reserves and a tenth of the world's copper mineral reserves.

Insofar as the Company is aware, there has been no restriction for the Group to sell cobalt in the PRC. JCG Group has been the strategic business partner of Ruashi back in 2008 and the only offtaker of cobalt metals from Ruashi Mine since its commercial operation in 2009 till 2018.

The Directors consider that it is beneficial for the Company and its shareholders as a whole to continue the sales of the cobalt to JCG Group, but not other cobalt processing producers in the PRC, on the following grounds:

(a) JCG Group has been one of the top cobalt processing company in the PRC for years. Historically, JCG Group has been the key cobalt processing player with whom global cobalt miners would like to do business. Among the top five cobalt processing companies in the PRC, only JCG Group has state-owned background. JCG Group is tier one company in Gansu Province and Gansu Government has strong expectation for JCG Group to continue to grow and keep the industry leading position.

(b) JCG Group is one of the market leaders in cobalt processing production in the PRC. It has processing capacity to take all of the volume of cobalt production by Ruashi Mine. The Group can thus recognize its operational and administrative costs in sourcing and managing other buyers for its cobalt products.

(c) It is for strategic reason JCG Group enters into cobalt agreements with the Group to ensure its access to the cobalt. JCG Group has been the only offtaker of cobalt metals from the Ruashi Mine since it commenced commercial operation in 2009, when JCG Group had no shareholding relationship with Ruashi, up till the end of 2018. The arrangement will continue to subsist whether or not JCG Group is a controlling shareholder of the Group.

(d) The cobalt prices payable by JCG Group are consistent with market practice and the commercial terms by reference to an independent benchmark price that reflects prevailing rates plus an adjustment mechanism is fair and reasonable.

Based on the above, the Directors believe that the strategic partnership in the supply of cobalt hydroxide between Ruashi Mine and Lanzhou Jinchuan is mutually beneficial to both parties.

Reasons for selling copper and nickel of the Group to JCG Group

JCG Group is one of the major players of copper and nickel refinery in the PRC and is the third largest copper producer in the PRC and the third largest nickel producer in the world. Copper and nickel are strategic and critical metals used in many industrial applications. It is expected that the potential sale of copper and nickel of the Group to JCG Group will expand the Group's potentials to realise its Mineral and Metal Products.

Sales to Independent Third Parties

Even though the JCG Group has been the largest customer of the Group, there are other major customers of the Group who are Independent Third Parties. The Group believes that each of the major independent customers, or a combination of a few of them, has the capacity to purchase at least a very significant portion of the Group's Mineral and Metal Products output as they are generally international trading companies and/or global refineries. These major independent customers include Company A, Company B, Company C, Company D and Company E.

The table below sets out the sales transaction amounts of Mineral and Metal Products to these major independent customers (who are Independent Third Parties) as well as other independent customers for the three years ended 31 December 2018:

	2016 Sales Amount *(US$'000)*	**2017 Sales Amount** *(US$'000)*	**2018 Sales Amount** *(US$'000)*
Company A	–	68,942	161,386
Company B	52,288	70,341	159,214
Company C	–	–	141,428
Company D	–	–	90,399
Company E	–	–	54,910

The Group sold all its copper cathode and copper concentrate to Independent Third Parties in the past three years ended 31 December 2018. To the best knowledge and belief of the Directors, these major independent customers also procure copper products in substantial volume from other suppliers and their overall demand being greater than the Group's supply capacity. Coupled with the fact that the aforementioned customers have repeatedly expressed their intention to increase purchase volume of the Group's copper and cobalt products at various occasions, on such basis, the Directors are of the view that these major independent customers can purchase at least a significant portion of the Group's copper output. Nevertheless, to minimize customer concentration risk, the Group has diversified its sales to a number of independent major customers as well as sales to customers in Zambia, the DRC, Switzerland and the PRC for the past three years ended 31 December 2018.

Following the implementation of a 5% import tax on copper concentrate imported from the DRC to Zambia by the Zambia Government in January 2019, the Group has re-negotiated with its customers to adjust the delivery method and/or final destination of the delivery. One of the major copper concentrate offtake contracts will expire in August 2019 and the Group is now undergoing a global tendering process to sell its copper concentrate products and JCG Group is one of the bidders who is invited to participate in the global tendering.

The Group strives to maintain a balance of customer portfolio to minimize customer concentration risk. In fact, the total amount of sales to Independent Third Parties for the year ended 31 December 2016, 2017 and 2018 represents 80%, 62% and 83% of the total actual sales amount respectively.

No Heavy Reliance

Notwithstanding approximately 17% of the Group's Mineral and Metal Products were sold to the JCG Group in the year ended 31 December 2018, the Directors are of the view that the Company does not have a heavy reliance on JCG Group that would render the Company unsuitable for listing. The Group is able to transact with Independent Third Parties and sell them substantially or all of its Mineral and Metal Products to be produced if it so needs or wishes. The Group's choosing of JCG Group as a major customer of its Mineral and Metal Products is a commercial decision, which, the Directors believe, is in the best interests of the Group and the Shareholders as a whole, after careful consideration and taking into account the following factors:

i. The Group is capable of reducing its level of sales of the Mineral and Metal Products to JCG Group.

   a) The business model of the Group can be changed to reduce the level of reliance, if it so needs or wishes, as there is shortage of supply of copper, cobalt and nickel in the PRC. As stated above, the Group believes that each of the independent major customers of the Group, or a combination of a few of them, has the capacity to purchase at least a significant portion of the Group's copper output. In order to reduce a customer concentration risk, the Group has diversified its sale to a number of independent customers as well as customers in Zambia, the DRC, Switzerland, Singapore and the PRC over the years. The Group also maintains close commercial relationships with various copper refiners in the PRC and downstream copper processing plants, who are customers for copper concentrates and copper cathode respectively. In addition, the Group has an experienced sales team which has sufficient knowledge in the distribution channels, coupled with the fact that the management of the Group has extensive experience in the mining industry and is capable of developing customer base due to their wide network. Thus the Group will be able to sell its products to other independent customers, if it so needs and wishes.

b) In terms of the nature of the products, as copper and nickel are a widely-used commodity product and an essential raw material for different industries, it has a readily available market and may be traded on any of the relevant international trading platforms and/or commodity exchanges. All copper, nickel and cobalt products have relatively transparent pricing mechanism, with their prices determined with reference to the prices published by relevant international trading platforms such as the LME or MB. They are fungible and easily marketable. Accordingly, the nature of the Group's products enables the Group to source customers easily. The Group has, over the years, successfully established extensive contacts and commercial relationships with global non-ferrous metal producers, traders and downstream processing plants, who are customers for copper blister, copper cathode, copper concentrates and cobalt hydroxide. It has been the intention of the Group to strengthen its trading operations with other customers and therefore the Group is actively looking for opportunities to increase the diversity of its income sources and business operations. The Group strives to extend its business cooperation with existing independent customers and at the same time source new customers and suppliers to expand the portfolio of its trading business and to strengthen its revenue-generating ability. It is the primary objective of the Group to look for opportunities to increase the diversity of its income sources and business operations. The Company expects that the income stream to be generated from Mineral and Metal Products sales to Independent Third Parties will increase over time and will help reduce the level of reliance on JCG Group.

c) The Group continued the expansion of its trading business via the incorporation of Shanghai Jinchuan Junhe, a joint venture with Junhe Group, in 2018. For the year ended 31 December 2018, Shanghai Jinchuan Junhe had recorded a revenue of US$784 million, through the trading of products including copper cathode, nickel cathode, etc. to Independent Third Parties.

ii. It is in the best interests of the Group and the Shareholders as a whole to maintain certain level of sale of Mineral and Metal Products to JCG Group.

a) The Board after careful assessment has determined that it will be in the best interests of the Group and the Shareholders as a whole to maintain the current level of sale of Mineral and Metal Products to the JCG Group and not to overly diversify its customer base. Further, due to the nature of commodity transactions, settlement risk is also a very important consideration. The Company believes that the risk of default of JCG Group is very remote as JCG Group is a state-owned enterprise.

It also has a good credit standing in the Mineral and Metal Products industry and the Group has developed long-term cooperation relationship with the JCG Group over the years.

Moreover, it is crucial for the Group as a Mineral and Metal Products producer to maintain a solid customer base to secure stable sales volumes of Mineral and Metals Products. Overly diversifying its customer base would increase the unnecessary fluctuation in the Group's sales volume.

b) The Board would like to emphasize that the Group acts in the best interests of the Group and the Shareholders as a whole in formulating sales policy. The Group decides the proportion of sales to different customers according to the terms of the sales and their settlement risk. As sales volume to JCG Group is not specified in the 2019 CCT Agreement, the Group can vary the sales volume should there be any adverse change of terms of sale to JCG Group. While the Group may selectively diversify its sales to other high quality customers, the Group does not see the commercial need to overly diversify its customer base at this stage since it would bring additional business and financial risks and administrative burdens to the Group. The Group considers that shifting substantial sales volume to other Independent Third Party customers might conversely bring in new business and/or financial uncertainties/risks to the Group, because it has to re-assess the credit-worthiness of such new Independent Third Party customers. As JCG is the ultimate controlling Shareholder, it has maintained a more secured, reliable and trustworthy relationship with the Group when compared to any other Independent Third Party customers.

The Group is the flagship and listed international base metals platform of JCG 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 JCG Group to pursue mining investment opportunities. The Group will continue to focus on boosting its international trade business of the Mineral and Metal Products produced by the Group's mines by cementing relationships with the Group's existing network of overseas suppliers, as well as expanding customer portfolio by making strategic moves in the development and selection of suppliers and customers.

iii. The Group is capable of maintaining its revenue in the future in view of the following:

a) copper, nickel and cobalt are widely used commodities and essential raw material for different industries, so it can be sold on public markets at a transparent market price;

b) the Group can sell the Mineral and Metal Products to other Independent Third Party customers given the global commodity market's volume is much larger than the Group's production; and

c) the loss of the JCG Group as a customer will not materially affect the financial performance of the Group as other independent major customers can easily replace JCG Group by purchasing a very significant portion of the Group's production output on similar or slightly less favourable terms. Further, the Group will always take extreme caution to manage its business operation by balancing the risk management, liquidity requirement and profitability from time to time in the future.

With that said, as demonstrated in the section headed "9. PRICING MECHANISM OF THE CONTINUING CONNECTED TRANSACTIONS" of this circular, the Company will continue to implement its comprehensive internal control system to ensure that its continuing connected transactions are conducted on normal commercial terms or better and in the ordinary course of business of the Group, and in the interests of the Company and the Shareholders as a whole. Therefore, despite the fact that JCG Group is the controlling Shareholder of the Group, the Directors consider that the overall pricing basis under the 2019 CCT Agreement is fair and reasonable, and the transactions thereunder are conducted on normal commercial terms or better and in the ordinary course of business of the Group. Accordingly, the 2019 CCT Agreement and transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

Based on the above, the Directors believe that the strategic partnership in the supply of Mineral and Metal Products between the Group and JCG Group is mutually beneficial to both parties.

Volatility in the prices of the Mineral and Metal Products

The Group is principally engaged in (i) the mining of metals, primarily copper and cobalt, in the DRC and in Zambia; and (ii) the trading of mineral and metal products in the PRC and Hong Kong.

The prices of copper, cobalt and nickel are typically sensitive to any changes in the domestic and international economic situation and geopolitical influence. As a result of the growth in the new energy vehicles and battery market during 2017, cobalt price had increased significantly. However, the metal prices began to drop after the first quarter of 2018 with wide range fluctuation in copper price, and unilateral sharp fall in cobalt price.

As a result of the acute fluctuation in the prices of cobalt and copper, GHL in the past had entered into various agreement(s) or supplemental agreement(s) with Lanzhou Jinchuan to adjust the terms so as to reflect the market trend and the international market practice. It is intended that by entering into the 2019 CCT Agreement and by following the pricing mechanism mentioned in section headed "9. PRICING MECHANISM OF THE CONTINUING CONNECTED TRANSACTIONS" below, the Group would have more room to negotiate the terms of the sales of the Mineral and Metal Products with members of JCG Group.

8. REASONABLENESS AND FAIRNESS OF THE 2019 CCT AGREEMENT AND THE PROPOSED REVISED ANNUAL CAPS

The terms of the 2019 CCT Agreement have been agreed upon arm's length negotiation between the Company and JCG and the pricing mechanism contemplated under the 2019 CCT Agreement are fair and reasonable and are beneficial to the Company and Shareholders as a whole. The arrangement between the Group and JCG Group under the 2019 CCT Agreement is non-exclusive and there should be no bias or preference for the Group to deal with JCG Group. In addition, the strategic partnership in the trading of the Mineral and Metal Products between the Group and JCG Group is mutually beneficial to both parties.

Given that the transactions will be carried out in the ordinary course of business of each party, the parties consider that it will be beneficial to enter into the 2019 CCT Agreement in order to allow more room for the Group to negotiate the terms of the sale of the Mineral and Metal Products with members of JCG Group. The Directors consider that the 2019 CCT Agreement was entered into in the ordinary and usual course of business of the Group and on normal commercial terms (on arm's length basis) or better or on terms no less favourable than those terms offered by Independent Third Parties to the Group for similar products, and that the terms of the 2019 CCT Agreement (including the Proposed Revised Annual Caps) 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 the 2019 CCT Agreement and the Proposed Revised Annual Caps contemplated thereunder for which they would be required to abstain from voting on the relevant board resolution approving the 2019 CCT Agreement and the Proposed Revised Annual Caps contemplated thereunder pursuant to the Articles of Association of the Company. However, for good corporate governance, Mr. Zhang Youda, Mr. Gao Tianpeng, Mr. Qiao Fugui and Mr. Yang Jinshan have voluntarily abstained from voting on the relevant board resolution in connection with the 2019 CCT Agreement and the Proposed Revised Annual Caps contemplated thereunder, as they also serve as directors and/or senior management at JCG and/or its subsidiaries.

9. PRICING MECHANISM OF THE CONTINUING CONNECTED TRANSACTIONS

The selling prices of the Mineral and Metal Products will be determined by reference to the prices of copper, nickel, cobalt and other relevant metals as announced by the LME and/or the MB, subject to certain adjustments to be made in accordance with the relevant market practices. Generally, such adjustments mainly involve the moisture content, the percentage of metal content and the impurity element content in the metals. The mechanism is intended to ensure that the selling prices for the Mineral and Metal Products provided by the Group to JCG Group will be determined on normal commercial terms.

In particular, the selling price of the cobalt contained in cobalt hydroxide will be determined on basis of the MB cobalt price with a basis coefficient (subject to an adjustment based on the cobalt content and impurity element content in the metals). It is a market practice for metal traders to adopt pricing mechanism that use, in line with market practice with respect to the relevant metal, a certain percentage of the prices quoted by a recognised publisher or on a recognised exchange, subject to certain adjustments according to the metal content and quality. The setting of a benchmark by reference to the MB is considered to be appropriate as it is the premium intelligence service for metal professionals and is a recognised publisher of reference prices for short- and long-term cobalt trading contracts. Prior to entering into each separate agreement relating to the sale of cobalt, member(s) of the Group will conduct an international tendering so as to obtain the best of the then cobalt price and basis coefficient. The mechanism is intended to ensure that the selling prices for cobalt offered by JCG Group will be competitive and no less favourable than the prices offered by Independent Third Parties to the Group.

The selling price of the copper (including copper concentrate) will be determined on basis of the LME copper price with or without a basis coefficient (subject to an adjustment based on the copper content and impurity element content in the metals). It is a market practice for metal traders to adopt pricing mechanism that use, in line with market practice with respect to the relevant metal, a certain percentage of the prices quoted by a recognised publisher or on a recognised exchange, subject to certain adjustments according to the metal content and quality. The setting of a benchmark by reference to the LME is considered to be appropriate as it is the premium intelligence service for metal professionals and is a recognised publisher of reference prices for short- and long-term copper trading contracts. Prior to entering into each separate agreement relating to the sale of copper (including copper concentrate), member(s) of the Group will conduct an international tendering so as to obtain the best of the then copper price and basis coefficient. The mechanism is intended to ensure that the selling prices for copper (including copper concentrate) offered by JCG Group will be competitive and no less favourable than the prices offered by Independent Third Parties to the Group.

The Group has in place internal control measures for choosing between JCG Group and other independent third party buyers for the Group's Mineral and Metal Products. Under such measures, the Group will select the successful buyer of the Group's Mineral and Metal Products by the way of tender. In particular, before entering into specific purchase and sales contract with the potential buyers, at least 3 quotations from different parties (including JCG Group) will be obtained by the Group and the Group will assess each potential buyer based on the following criteria:

(a) Pricing terms

(b) Payment terms

(c) Payment ability (with the assessment on historical payment record of potential buyers)

(d) Volume of intended transactions (buyers with the ability to take up a large volume of the Group's products will be preferred)

The screening process, rationale and result on the potential buyers will be documented and submitted to the senior management of the Group for review and final approval before entering into specific purchase and sales contract with the successful buyers.

The above pricing mechanisms are intended to ensure that the selling prices for the Mineral and Metal Products to be provided by the Group to JCG Group will be determined on normal commercial terms. The Company has established internal control measures to standardize and stipulate the pricing policies and mechanism, the assignment of responsibility and decision-making authority to ensure the Continuing Connected Transactions will be conducted in accordance with the terms of the 2019 CCT Agreement, and that the pricing policies will be strictly complied with. As part of the Company's internal control measures, the implementation of the 2019 CCT Agreement and the relevant pricing terms in accordance with the general transaction principles therein, including the relevant adjustments to metal product prices, the relevant costs and expenses as well as the actual quantity and amount of the Mineral and Metal Products, 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 document(s) under the 2019 CCT Agreement to ensure the relevant general transaction principles are being complied with on arm's length basis and the trading terms are no less favourable than those with independent third parties. The Company will evaluate the Continuing Connected Transactions on a yearly basis.

The independent non-executive Directors shall conduct an annual review on whether the terms on which the Continuing Connected Transactions undertaken during the relevant year have been conducted on normal commercial terms by assessing whether the trading prices for the Mineral and Metal Products have been determined by following the above pricing mechanism, selected on a random basis, with Independent Third Parties and by comparing the terms with those conducted with Independent Third Parties and after taking into account the factors that have been identified above (as and if appropriate).

10. PRINCIPAL ACTIVITIES OF THE PARTIES

The Company is an investment holding company. The Group is principally engaged in (i) the mining of metals, primarily copper and cobalt, in the DRC and in Zambia; and (ii) the trading of Mineral and Metal Products in the PRC and Hong Kong.

JCG is the ultimate holding company of the Company. JCG was founded in 1958 and is a state-owned enterprise with its majority interest held by the People's Government of Gansu Province. JCG Group is one of the world's largest mining enterprises and 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 JCG Group includes the production of nickel, copper, cobalt, platinum group metals, non-ferrous metal plates, chemical products and chemicals of non-ferrous metals.

11. LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, through its wholly-owned subsidiaries, JCG indirectly owns 7,567,325,857 Shares, representing approximately 60.01% of the issued share capital of the Company. Accordingly, JCG is a connected person of the Company under Chapter 14A of the Listing Rules and the Continuing Connected Transactions constitute continuing connected transactions of the Company.

Since one or more of the applicable percentage ratios of the Proposed Revised Annual Caps as calculated in accordance with Rule 14.07 of the Hong Kong Listing Rules exceeds 5%, the 2019 CCT Agreement and the transactions contemplated thereunder including the Proposed Revised Annual Caps are subject to reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The Board will seek the approval of the Independent Shareholders to approve the 2019 CCT Agreement and the transactions contemplated thereunder including the Proposed Revised Annual Caps. JCG and its associates will abstain from voting on the relevant resolution(s) to be passed at the EGM.

12. CONFIRMATION OF THE BOARD

The Directors (including the independent non-executive Directors) are of the view that (1) the terms and conditions of the 2019 CCT Agreement were negotiated between the parties on an arm's length basis and are on normal commercial terms that are fair and reasonable; (2) the Proposed Revised Annual Caps are fair and reasonable; and (3) the 2019 CCT Agreement will be conducted in the ordinary and usual course of business of the Company and its subsidiaries and are in the interests of the Company and the Shareholders as a whole.

None of the Directors have any material interest in the 2019 CCT Agreement and Proposed Revised Annual Caps for which they would be required to abstain from voting on the relevant board resolution approving the 2019 CCT Agreement and the Proposed Revised Annual Caps pursuant to the Articles of Association of the Company. However, for good corporate governance, Mr. Zhang Youda, Mr. Gao Tianpeng, Mr. Qiao Fugui and Mr. Yang Jinshan voluntarily abstained from voting on the relevant board resolution in connection with the 2019 CCT Agreement and Proposed Revised Annual Caps, as they also serve as directors and/or senior management of JCG and/or JCHK.

13. RE-ELECTION OF THE RETIRING DIRECTOR

As at the Latest Practicable Date, the Board consists of nine Directors, namely, Mr. Gao Tianpeng, Mr. Qiao Fugui, Mr. Zhang Youda, Mr. Yang Jinshan, Mr. Zeng Weibing, Mr. Wang Qiangzhong, Mr. Wu Chi Keung, Mr. Yen Yuen Ho, Tony and Mr. Poon Chiu Kwok.

Pursuant to Article 16.2 of the Articles of Association, any Director appointed as an addition to the Board shall hold office only until the next following general meeting of the Company and be subject to re-election at such meeting. Accordingly. Mr. Wang Qiangzhong ("**Mr. Wang**") shall retire as a non-executive Director at the EGM and, being eligible, has offered himself for re-election.

Retiring director seeking for re-election at the EGM has been considered with reference to his qualification, experience and management position to the Group. The nomination accorded with the nomination policy and objective criteria as set out in the Company's board diversity policy. Having considered Mr. Wang's qualification and past working experience, the Board was satisfied that Mr. Wang has the required character, integrity and experience to continue to fulfil the role and function of the non-executive Director.

The Board accepted the nomination and recommended Mr. Wang to stand for re-election at the EGM.

Details of the Retiring Director proposed to be re-elected are set out in Appendix I to this circular.

14. EXTRAORDINARY GENERAL MEETING

The Company will convene the EGM on Wednesday, 10 July 2019, to seek approval from Shareholders, among other things, the re-election of the Retiring Director; and from Independent Shareholders on, among other things, the 2019 CCT Agreement and Proposed Revised Annual Caps. JCG and its associates (holding an aggregate of 7,567,325,857 Shares in the Company, representing approximately 60.01% of the total issued share capital of the Company as at the Latest Practicable Date) will abstain from voting on the resolution in relation to the 2019 CCT Agreement and Proposed Revised Annual Caps at the EGM. The proposed resolution regarding the 2019 CCT Agreement and the Proposed Revised Annual Caps contemplated thereunder and the proposed resolution on the re-election of the Retiring Director will be passed by way of ordinary resolutions.

Set out on pages 72 to 74 is a notice to convene the EGM to be held at Unit 3101, 31/F United Centre, 95 Queensway, Admiralty, Hong Kong at 3:00 p.m. on Wednesday, 10 July 2019 at which ordinary resolutions will be proposed to the Shareholders to consider, and if thought fit, approve (i) the 2019 CCT Agreement and the Proposed Revised Annual Caps contemplated thereunder and (ii) the re-election of the Retiring Director.

A proxy form for the EGM is enclosed with this circular. Whether or not you are able to attend the EGM in person, you are requested to complete the proxy form and return it to the Company's branch share registrar at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong, in accordance with the instructions printed thereon not less than 48 hours before the time fixed for the EGM (i.e. before 3:00 p.m. on Monday, 8 July 2019) or any adjournment thereof. The completion and delivery of a proxy form will not preclude you from attending and voting at the EGM in person.

15. VOTING BY WAY OF POLL

Pursuant to Rule 13.39(4) of the Listing Rules, all votes at the EGM will be taken by poll and the Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.

16. CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Monday, 8 July 2019 to Wednesday, 10 July 2019 (both days inclusive). During such period, no transfer of Shares will be registered for the purpose of determining the entitlement to attend and vote at the EGM. All transfer documents accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Boardroom Share Registrars (HK) Limited at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong no later than 4:30 p.m. on Friday, 5 July 2019. Shareholders whose names are recorded on the Register of Members on Wednesday, 10 July 2019 are entitled to attend and vote at the EGM.

17. RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee set out on pages 31 to 32 of this circular which contains its recommendation to the Independent Shareholders in relation to the 2019 CCT Agreement and the Proposed Revised Annual Caps. Your attention is also drawn to the letter from Altus set out on pages 33 to 62 of this circular which contains its recommendations to the Independent Board Committee and the Independent Shareholders in relation to the 2019 CCT Agreement and the Proposed Revised Annual Caps contemplated thereunder, and the principal factors and reasons taken into account in arriving at its recommendations.

The Independent Board Committee, having taken into account the advice of Altus, considers that (1) the terms and conditions of the 2019 CCT Agreement were negotiated between the parties on an arm's length basis and are on normal commercial terms that are fair and reasonable; (2) the Proposed Revised Annual Caps are fair and reasonable; and (iii) the 2019 CCT Agreement will be conducted in the ordinary and usual course of business of the Company and its subsidiaries and are in the interests of the Company and the Shareholders as a whole. Accordingly, it recommends that the Independent Shareholders vote in favour of the resolution to approve 2019 CCT Agreement and the Proposed Revised Annual Caps.

The Directors consider that the resolutions as set out in the Notice of the EGM is in the interests of the Company and its Shareholders as a whole. Accordingly, the Directors recommend the Shareholders vote in favour of the resolutions to be proposed at the EGM.

18. ADDITIONAL INFORMATION

Your attention is also drawn to the general information set out in the Appendixes to this circular.

Yours faithfully,
For and on behalf of the Board
Jinchuan Group International Resources Co. Ltd
Wong Hok Bun Mario
Company Secretary

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)

21 June 2019

To the Independent Shareholders

Dear Sir or Madam,

PROPOSED REVISED ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS

We refer to the circular dated 21 June 2019 issued by the Company to its shareholders (the "**Circular**") of which this letter forms a part. Capitalised terms defined in the Circular shall have the same meanings when used in this letter unless the context otherwise requires.

We are appointed as members of the Independent Board Committee to advise you on (i) whether the terms and conditions of the 2019 CCT Agreement were negotiated between the parties on an arm's length basis and are on normal commercial terms that are fair and reasonable; (ii) whether the Proposed Revised Annual Caps are fair and reasonable; and (iii) whether the 2019 CCT Agreement will be conducted in the ordinary and usual course of business of the Company and its subsidiaries and are in the interests of the Company and the Shareholders as a whole, and to advise you on how to vote at the EGM, taking into account the recommendations of Altus.

Altus was appointed to advise the Independent Board Committee and the Independent Shareholders on (i) whether the terms and conditions of the 2019 CCT Agreement were negotiated between the parties on an arm's length basis and are on normal commercial terms that are fair and reasonable; (ii) whether the Proposed Revised Annual Caps are fair and reasonable; and (iii) whether the 2019 CCT Agreement will be conducted in the ordinary and usual course of business of the Company and its subsidiaries and are in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote at the EGM.

Having taken into account the principal factors and reasons considered by, and the recommendations of Altus contained in its letter set out on pages 33 to 62 of the Circular, we are of the view that the terms of the 2019 CCT Agreement and the Proposed Revised Annual Caps are fair and reasonable, and the 2019 CCT Agreement are on normal commercial terms, in the ordinary course of business of the Company and its subsidiaries and in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve 2019 CCT Agreement and the Proposed Revised Annual Caps contemplated thereunder.

Yours faithfully,
For and on behalf of
the Independent Board Committee
Jinchuan Group International Resources Co. Ltd

Wu Chi Keung, Yen Yuen Ho, Tony
and Poon Chiu Kwok
Independent Non-executive Directors

The following is the text of a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the 2019 CCT Agreement and the Proposed Revised Annual Caps, which has been prepared for the purpose of incorporation in this circular.

ALTUS

Altus Capital Limited
21 Wing Wo Street
Central
Hong Kong

21 June 2019

To the Independent Board Committee and the Independent Shareholders
Jinchuan Group International Resources Co. Ltd
Unit 3101, 31/F
United Centre
95 Queensway, Admiralty
Hong Kong

Dear Sir/Madam,

PROPOSED REVISED ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the 2019 CCT Agreement and the Proposed Revised Annual Caps. Details of which are set out in the "Letter from the Board" contained in the circular dated 21 June 2019 (the "**Circular**"), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless otherwise defined herein or required by the context.

The 2016 CCT Agreement

Pursuant to the 2016 CCT Agreement, (i) the Company has agreed to sell to JCG, and JCG has agreed to purchase from the Company, the Mineral and Metal Products that the Group sourced from third parties or produced by the mines of the Group; and (ii) the Company has agreed to cause the Group to sell to JCG Group, and JCG has agreed to cause JCG Group (for the purpose of this Circular, excluding the Group) to purchase from the Group, the Mineral and Metal Products. The 2016 CCT Agreement was approved by the then Independent Shareholders at the extraordinary general meeting of the Company on 1 August 2016. Details were set out in a circular of the Company dated 15 July 2016 ("**2016 Circular**").

Upon renewal of the 2017-2019 annual caps of the continuing connected transactions under the 2016 CCT Agreement, the Group consolidated the annual caps for both the trading of mineral and metal products and the sale and purchase of cobalt hydroxide produced by Ruashi into one category, i.e. Mineral and Metal Products. As mentioned in the announcement of the Company dated 29 November 2016, the 2017-2019 annual caps in relation to the continuing connected transactions were estimated to be approximately US$300 million, US$500 million and US$700 million for the years ending 31 December 2017, 2018 and 2019, respectively. However, taking into account of the historical transaction amount of the continuing connected transactions between the Group and JCG Group and the under-utilisation of the annual caps in relation to the supply of cobalt hydroxide produced by Ruashi to Lanzhou Jinchuan under the 2015 Cobalt Agreement, the Company, as mentioned in the announcement of the Company dated 11 January 2017, considered it would be more conservative to reduce the 2017-2019 annual caps to US$165 million, US$190 million and US$200 million, respectively. The 2017-2019 annual caps were approved by the then Independent Shareholders at the extraordinary general meeting of the Company held on 27 January 2017. Details were set out in a circular of the Company dated 12 January 2017 ("**2017 Circular**").

Announcement of the Company dated 9 February 2018 and ratification

During a review of the trading data for the month of December 2017 in January 2018, the Group discovered that the 2017 transaction amount of the continuing connected transactions exceeded the 2017 annual cap. The 2017 annual cap was exceeded mainly due to an unexpected surge in the price and demand for cobalt particularly in the fourth quarter of 2017 and the oversight of the sales figures of copper blister to JCG Group for 2017. The 2017 transaction amount was approved and ratified by the then Independent Shareholders at the extraordinary general meeting of the Company held on 16 April 2018. Details were set out in a circular of the Company dated 27 March 2018 ("**2018 March Circular").**

2018 CCT Supplemental Agreement (including for the avoidance of doubt the 2018 Cobalt Agreement) and the 2018 revised annual caps

With the surge in the price and demand for cobalt, which coupled with the significant improvement to the productivity and sales volume of cobalt products, the Company and JCG Group expected that the annual transaction amounts of the continuing connected transactions for 2018 and 2019 between the Group and JCG Group under the 2016 CCT Agreement would exceed the approved annual caps based on their respective business projections. Given that the 2016 CCT Agreement has a term of three years and that the Company then expected that the market environment in which the Company is operating in would continue to improve, on 6 April 2018 the Company and JCG Group entered into the 2018 CCT Supplemental Agreement to revise the term as well as the annual caps of the continuing connected transactions under the 2016 CCT Agreement; and GHL and Lanzhou Jinchuan entered into the 2018 Cobalt Agreement to revise the terms of the continuing connected transactions contemplated thereunder. Under the 2018 CCT Supplemental Agreement (including for the avoidance of doubt the 2018 Cobalt Agreement), the Company revised the annual caps in relation to the continuing connected transactions to approximately US$755 million, US$793 million and US$833 million for 2018, 2019 and 2020, respectively. The 2018 Supplemental Agreement (including for the avoidance of doubt the 2018 Cobalt Agreement) and the 2018 revised annual caps were approved by the then Independent Shareholders at the extraordinary general meeting held on 25 May 2018. Details were set out in a circular of the Company dated 9 May 2018 ("**2018 May Circular**").

2019 CCT Agreement

On 5 June 2019 (after trading hours), the Company and JCG entered into the 2019 CCT Agreement which, if approved by the Independent Shareholders at the EGM, will replace the (i) 2016 CCT Agreement (as supplemented by the 2018 CCT Supplemental Agreement) in relation to the continuing connected transactions for the trading of Mineral and Metal Products between the Group and JCG Group; and (ii) the 2018 Cobalt Agreement in relation to the sale and purchase of cobalt hydroxide produced by Ruashi.

Given that the price of cobalt benchmark MB price dropped considerably from approximately US$77,162 per tonne as at 31 December 2017 to approximately US$58,422 per tonne as at 31 December 2018 and further reduced to US$36,046 per tonne as at 30 April 2019 (the latest practicable date prior to the date of the 2019 CCT Agreement), due to the lowering demand caused by new supply available in the market, change in DRC Mining Code and the high inventory kept by electric battery manufacturers in the PRC, the Company considered it would be more appropriate to revise the annual caps in relation to the Continuing Connected Transactions.

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, through its wholly-owned subsidiaries, JCG indirectly owns 7,567,325,857 Shares, representing approximately 60.01% of the issued share capital of the Company. Accordingly, JCG is a connected person of the Company under Chapter 14A of the Listing Rules and the Continuing Connected Transactions constitute continuing connected transactions of the Company.

Since one or more of the applicable percentage ratios of the Proposed Revised Annual Caps as calculated in accordance with Rule 14.07 of the Listing Rules exceeds 5%, the 2019 CCT Agreement and the transactions contemplated thereunder including the Proposed Revised Annual Caps are subject to reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The Board will seek the approval of the Independent Shareholders, among other things, to approve the 2019 CCT Agreement and the transactions contemplated thereunder including the Proposed Revised Annual Caps. JCG and its associates will abstain from voting on the relevant resolution(s) to be passed at the EGM.

None of the Directors have any material interest in the 2019 CCT Agreement and the Proposed Revised Annual Caps contemplated thereunder for which they would be required to abstain from voting on the relevant board resolution approving the 2019 CCT Agreement and the Proposed Revised Annual Caps contemplated thereunder pursuant to the Articles of Association of the Company. However, for good corporate governance, Mr. Zhang Youda, Mr. Gao Tianpeng, Mr. Qiao Fugui and Mr. Yang Jinshan have voluntarily abstained from voting on the relevant board resolution in connection with the 2019 CCT Agreement and the Proposed Revised Annual Caps contemplated thereunder, as they also serve as directors and/or senior management at JCG and/or its subsidiaries.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee consisting of Mr. Wu Chi Keung, Mr. Yen Yuen Ho, Tony and Mr. Poon Chiu Kwok, being all the independent non-executive Directors, has been established to advise the Independent Shareholders on (i) whether the terms of the 2019 CCT Agreement are on normal commercial terms that are fair and reasonable; (ii) whether the 2019 CCT Agreement and the transactions contemplated thereunder will be conducted in the ordinary and usual course of business of the Company and its subsidiaries and are in the interests of the Company and the Shareholders as a whole; (iii) whether the Proposed Revised Annual Caps are fair and reasonable; and (iv) how the Independent Shareholders should vote in respect of the resolution relating thereto to be proposed at the EGM, taking into account the recommendation of the Independent Financial Adviser.

THE INDEPENDENT FINANCIAL ADVISER

As the Independent Financial Adviser to the Independent Board Committee, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders as to (i) whether the terms of the 2019 CCT Agreement are on normal commercial terms that are fair and reasonable; (ii) whether the 2019 CCT Agreement and the transactions contemplated thereunder will be conducted in the ordinary and usual course of business of the Company and its subsidiaries and are in the interests of the Company and the Shareholders as a whole; (iii) whether the Proposed Revised Annual Caps are fair and reasonable; and (iv) how the Independent Shareholders should vote in respect of the resolution relating thereto to be proposed at the EGM.

We had acted as the independent financial adviser to the Company with regards to the 2018 CCT Supplemental Agreement, the ratification, the continuing connected transactions under the 2016 Cobalt Supplemental Agreement and the continuing connected transactions under the 2016 CCT Agreement, details of which are set out in the letters from Altus contained in the 2018 May Circular, 2018 March Circular, 2017 Circular and 2016 Circular respectively. Save for the aforesaid engagements, we have not acted as the independent financial adviser in relation to any transactions of the Company in the last two years prior to the date of the Circular. Pursuant to Rule 13.84 of the Listing Rules, and given that remuneration for our engagement to opine on the 2019 CCT Agreement and the Proposed Revised Annual Caps contemplated thereunder is at market level and not conditional upon successful passing of the resolution at the EGM, and that our engagement is on normal commercial terms, we are independent of the Company.

BASIS OF OUR ADVICE

In formulating our opinion, we have relied on the statements, information, opinions and representations contained or referred to in the financial information of the Group set out in the annual report for the year ended 31 December 2018 ("**2018 Annual Report**"), 2016 Circular, 2017 Circular, 2018 March Circular, the 2018 May Circular and the Circular respectively provided to us by the Company, the Executive Directors and the management of the Company (the "**Management**"). We have assumed that all statements, information, opinions and representations contained or referred to in 2016 Circular, 2017 Circular, 2018 March Circular, 2018 May Circular and the Circular respectively provided to us by the Management were true, accurate and complete at the time they were made and continued to be so as at the date of the Circular.

We have no reason to believe that any statements, information, opinions or representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the statements, information, opinions or representations provided to us untrue, inaccurate or misleading.

We have assumed that all the statements, information, opinions and representations for matters relating to the Company or JCG contained or referred to in 2016 Circular, 2017 Circular, 2018 March Circular, 2018 May Circular and the Circular respectively provided to us by the Company, the Executive Directors and the Management have been reasonably made after due and careful enquiry. We have relied on such statements, information, opinions and representations and have not conducted any independent investigation into the business, financial conditions and affairs or the future prospects of the Company or JCG.

PRINCIPAL FACTORS AND REASONS CONSIDERED

1. Background information of the Company and its subsidiaries and their relationship with JCG Group

1.1 Principal activities of the Company and JCG Group

The Company is an investment holding company. The Group is principally engaged in (i) the mining of metals, primarily copper and cobalt, in the DRC and in Zambia; and (ii) the trading of mineral and metal products in the PRC and Hong Kong.

JCG is the ultimate holding company of the Company. JCG was founded in 1958 and is a state-owned enterprise with its majority interest held by the People's Government of Gansu Province. JCG Group is one of the world's largest mining enterprises and 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 JCG Group includes the production of nickel, copper, cobalt, platinum group metals, non-ferrous metal plates, chemical products and chemicals of non-ferrous metals.

1.2 Operating results of the Group

Set out below is a summary of the operating results of the Group for each of the year ended 31 December 2017 and 2018 as extracted from the 2018 Annual Report.

	For the year ended 31 December	
	2017	**2018**
	US$'000	*US$'000*
	(audited)	(audited)
Revenue		
– Copper sales	360,952	748,360
– Cobalt sales	186,226	235,742
– Zinc sales	2,010	–
– Aluminium ingot sales	–	276,815
– Glycol sales	–	132,702
– Nickel sales	–	10,824
– Others	–	573
	549,188	1,405,016
Provisional pricing adjustment	–	(5,046)
Revenue – reported measure	549,188	1,399,970
Cost of sales	(433,025)	(1,201,149)
Gross profit	116,163	198,821
Reversal of impairment loss, net	17,080	53,495
Profit for the year attributable to owners of the Company	41,624	66,931

Source: 2018 Annual Report

Revenue for the year ended 31 December 2018 was approximately US$1,400.0 million, representing an increase of approximately 154.9% from approximately US$549.2 million for the year ended 31 December 2017. The increase in revenue was mainly attributable to the commencement of commercial production in the Kinsenda Mine and the expansion of trading business in Shanghai. The copper mining revenue increased by approximately 43.0% from 2017 to 2018 due to the increase in sales volume by 51%. The cobalt revenue also increased by approximately 26.6% from 2017 to 2018 due to the higher average cobalt price as compared to 2017, offset by a drop in cobalt sales volume by 28%.

Cost of sales for the year ended 31 December 2018 increased by approximately 177.4% to approximately US$1,201.1 million for the year ended 31 December 2018 from approximately US$433.0 million in the previous year. The increase was mainly attributable to the commencement of commercial production of the Kinsenda Mine and the commencement of operation of Shanghai Jinchuan Junhe respectively.

Gross profit of the Group increased by approximately 71.1% from approximately US$116.2 million for the year ended 31 December 2017 to approximately US$198.8 million for the year ended 31 December 2018, which was mainly due to the increase in cobalt prices in the first half of 2018 and the increase in copper production volume.

During the year ended 31 December 2018, the Group recorded a non-cash reversal of impairment loss of approximately US$78.0 million on the mineral rights and properties, plant and equipment of Kinsenda (2017: reversal of impairment loss of approximately US$17.1 million on mineral rights of Ruashi) and an additional impairment loss on Chibuluma of US$24.5 million (2017: nil). The reversal of impairment loss was made in relation to the extension of mine life of the Kinsenda Mine in the DRC and the additional impairment made to Chibuluma was due to the deterioration of feed grade and has four years mine life remaining. Chibuluma may not recover the whole of its carrying value.

As a result of the above, the Group recorded profit for the year attributable to owners of the Company of approximately US$66.9 million for the year ended 31 December 2018 as compared to approximately US$41.6 million recorded for the year ended 31 December 2017.

1.3 Relationship between the Group and JCG Group

According to the Management, the Company serves as the flagship and listed international base metals platform of JCG 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 JCG Group to pursue mining investment opportunities.

Taking into account the principal activities of the Group and JCG Group and the relationship between them mentioned above, we consider that the 2019 CCT Agreement and the Continuing Connected Transactions contemplated thereunder adhere to the business strategy of the Company, represent a continuation of the long-term relationship between the Company and JCG Group and will be conducted in the ordinary and usual course of business of the Company.

1.4 Prospects of the Group

Cobalt price had reached a 10-year high in mid-2018 before experiencing a sharp decline from July 2018 due to the rising supplies produced by artisanal miners in the DRC, coupled with a surplus in the supply of cobalt chemicals for the production of rechargeable batteries for electric vehicles in the PRC. The Management anticipated the demand for cobalt to remain strong and the price of cobalt will recover as manufacturers and traders drained their inventory. Copper demand from the PRC is also expected to remain strong and copper price is expected to remain stable in 2019.

With the Kinsenda Mine operating at its full capacity, the Company places its focus in the near future on the construction of the Musonoi copper-cobalt mine in Kolwezi, the DRC and the development of the Ruashi's sulphide deposit. Early stage construction work was started at Musonoi Project in late 2018. Exploration work will continue in Ruashi sulphide zone below oxide, Musonoi Project deeper area and Kinsenda Mine infill drilling.

It is the ultimate goal of the Company to become a world-class mineral corporation. Apart from the existing operations in Africa and the recent set-up trading arm in Shanghai, the Company will actively look into the market and seek for investment opportunities which can provide the Group with growth and synergies.

2. Reasons for and benefits of the 2019 CCT Agreement

As stated in the paragraph headed "1.1. Principal activities of the Company and JCG Group" above, the principal business of the Group is in the mining operations, primarily copper and cobalt production and the trading of Mineral and Metal Products. Hence, it is the Group's ordinary and usual course of business to mine and trade the Mineral and Metal Products.

The 2019 CCT Agreement represents a continuation and consolidation of the existing arrangements in respect of the trading of Mineral and Metal Products under one coherent framework agreement (including preserving the existing arrangement in respect of the trading of cobalt hydroxide between GHL and Lanzhou Jinchuan pursuant to the 2018 Cobalt Agreement, as well as the intragroup purchase and sale of Mineral and Metal Products between the Group and JCG Group under the 2016 CCT Agreement (as supplemented by the 2018 CCT Supplemental Agreement)). As the general framework of the pricing mechanism, the quality of the Mineral and Metal Products, and the credit and payment terms are set out in the abovementioned agreements, the Management will (upon obtaining the Independent Shareholders' approval at the EGM) have (i) the flexibility to execute the Continuing Connected Transactions along the general transaction principles and within the abovementioned framework; and (ii) the tools to manage whether the Continuing Connected Transaction is, from time to time, conducted in the ordinary and usual course of business of the Company and its subsidiaries and is in the interests of the Company and the Shareholders as a whole.

Given that JCG 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 and is a state-owned enterprise, JCG Group is inevitably one of the few major customers of the Group in the market which have significant demand of Mineral and Metal Products from time to time, have a stable financial position to support their significant demand and have the expertise on the mining and trading businesses which may share with the Group as and when required.

Insofar as the Company is aware, there has been no restriction for the Group to sell cobalt in the PRC. JCG Group has been the strategic business partner of Ruashi back in 2008 and the only off-taker of cobalt metals from Ruashi Mine since its commercial operation in 2009 till 2018. Hence, taking into account the volume in-take of cobalt by JCG Group, the cobalt prices payable by JCG Group are fair and reasonable and on normal commercial terms or better, as well as the long term strategic business relationship as described in paragraph headed "1.3 Relationship between the Group and JCG Group" above, the Directors considers and we concur that it is beneficial to the Company and its Shareholders as a whole to continue the sale of cobalt to JCG Group under the 2019 CCT Agreement, if the tendering outcome is in favour of JCG Group.

Setting the Proposed Revised Annual Caps under the 2019 CCT Agreement also provides the tool for the Management and the independent non-executive Directors to monitor the amount of Continuing Connected Transactions to be carried out between the Group and JCG Group from time to time, which is a crucial element for proper corporate governance.

Having considered the above and the factors set out in the section headed "1.3 Relationship between the Group and JCG Group", we believe that the 2019 CCT Agreement will continue to be conducted in the ordinary and usual course of business of the Company and its subsidiaries and are in the interests of the Company and the Shareholders as a whole.

3. Principal terms of the 2019 CCT Agreement

3.1 The 2019 CCT Agreement

Below are the key terms of the 2019 CCT Agreement that we have considered. Details of the 2019 CCT Agreement are set out in the "Letter from the Board" of the Circular.

3.1.1 Term

The 2019 CCT Agreement shall replace the 2016 CCT Agreement (as supplemented by the 2018 CCT Supplemental Agreement) and the 2018 Cobalt Agreement and shall commence retrospectively from 1 June 2019 to 31 May 2022.

3.1.2 Subject matter

Pursuant to the 2019 CCT Agreement:

(i) the Company has agreed to cause the Group to sell to JCG Group, and JCG has agreed to cause JCG Group to purchase from the Group, the Mineral and Metal Products that the Group may source from third parties or produce by the mines of the Group; and

(ii) the quantity of each type of Mineral and Metal Products to be sold to JCG Group is not fixed but is to be determined and agreed between the relevant parties from time to time.

3.1.3 Pricing mechanism – basis of determining the selling prices of the Mineral and Metal Products

The consideration of the Mineral and Metal Products sold will be determined with reference to the prevailing market price of the Mineral and Metal Products at the time of each specific agreement to be entered pursuant to the 2019 CCT Agreement, subject to certain adjustments mainly involve the basis coefficient pricing, the moisture content, the percentage of metal content and the impurity element content in the metals. Market prices of copper, cobalt, nickel and other relevant metals refer to (i) the monthly moving average price or the monthly average settlement price of copper quoted on the LME; or (ii) the monthly moving average price of cobalt quoted on the MB; or (iii) the monthly moving average price or the monthly average settlement price of nickel quoted on the LME; or (iv) when the market price of other Mineral and Metal Products could not be adequately reflected through (i), (ii) and (iii) at the place of sale or the receiving market, the price shall be reasonably determined by both parties after making reference to the monthly average selling price of Mineral and Metal Products at the place of sale or the receiving market. Such price will be determined by making reference to the selling price charged by other renowned mining companies at the place of sale or receiving market, and a recognized stock index that is comparable to the LME or the MB, such as SMM Information & Technology Co., Ltd, Shanghai Futures Exchange or Chicago Mercantile Exchange. This mechanism is intended to ensure that the selling prices for the Mineral and Metal Products provided by the Group to JCG Group will be determined on normal commercial terms.

In respect of copper

We have reviewed and compared (i) three contracts and trading transactions entered into between the Group and JCG Group for transactions carried out during the three years ended 31 December 2018; and (ii) ten contracts and trading transactions entered into between the Group and Independent Third Parties for transactions carried out during the three years ended 31 December 2018 in respect of trading of copper products. It is noted that all of the contracts reviewed by us are mineral framework agreements which, by its nature, can be few for each year. In addition, it is noted that those customers are major mineral trading companies. Taking into account the above, we believe that it is an exhaustive list of contracts in relation to trading of copper products entered into during the three years ended 31 December 2018. We noted that:

(i) it is a market practice for metal traders to adopt pricing mechanism that make reference to the prices of the relevant metal as announced by the LME and/or the MB after making certain adjustments according to the metal content and quality. Further discussion on the market practice is set out in the paragraph headed "3.2 Market practice in relation to the pricing mechanism" below; and

(ii) the terms and pricing mechanisms of the reviewed contracts entered into between the Group and JCG Group were in line with the terms and pricing mechanisms of the transactions between the Group and Independent Third Parties.

In respect of cobalt

We have reviewed and compared (i) three contracts entered into between the Group and JCG Group; and (ii) four sample contracts entered into between the Group and another customer (which is an Independent Third Party), in respect of trading of cobalt contained in cobalt hydroxide between the year ended 31 December 2015 to the 4 months ended 30 April 2019. It is noted that all of the sample contracts reviewed by us are mineral framework agreements which, by its nature, can be few for each year. In addition, it is noted that the Independent Third Party customer is a major mineral trading company. Taking into account the above, we believe that it is an exhaustive list of contracts entered into between the year ended 31 December 2015 to the 4 months ended 30 April 2019, we noted that:

(i) it is a market practice for metal traders to adopt pricing mechanism that use, in line with market practice with respect to the relevant metal, a certain percentage of the prices quoted by the LME and/or the MB after making certain adjustments according to the metal content and quality. Further discussion on the market practice is set out in the section headed "3.2 Market practice in relation to the pricing mechanism" below; and

(ii) the terms and pricing mechanisms of the reviewed contracts between the Group and JCG Group were in line with the terms and pricing mechanisms of the transactions between the Group and Independent Third Party.

Taking into account the above, we are of the view that the basis to determine the selling prices of the Mineral and Metal Products is fair and reasonable.

3.2 Market practice in relation to the pricing mechanism

In order to consider whether the pricing mechanism adopted by the Company under the 2019 CCT Agreement is in line with market practices, we have identified transactions conducted by and/or pricing policies adopted by other companies ("**Comparable Companies**") which are (i) listed on the Stock Exchange; and (ii) principally engaged in mining operations between 2016 and 2018. We, based on our best endeavor and as far as we are aware, have identified an exhaustive and complete list of five Comparable Companies and reviewed 12 transactions, as set out below:

(i) China Daye Non-Ferrous Metals Mining Limited ("**China Daye**", stock code: 661), as set out in the circular of China Daye dated 24 November 2016, pricing of copper concentrate will be determined with reference to (as applicable): (i) the market price of gold as quoted on the Chicago Mercantile Exchange (adjusted with reference to the premium or discount quoted by Reuters) or by the London Bullion Market Association ("**LBMA**"); (ii) the market price of silver as quoted on the Chicago Mercantile Exchange (adjusted with reference to the premium or discount quoted by Reuters) or by the LBMA; and (iii) the market price of copper as quoted on the LME (adjusted with reference to the premium or discount quoted by Reuters as applicable);

(ii) China Nonferrous Mining Corporation Limited ("**China Nonferrous**", stock code: 1258), as set out in the circular of China Nonferrous dated 15 May 2017 and 13 June 2018, as well as the announcement of China Nonferrous dated 23 April 2018, pricing of copper products will be determined with reference to (i) the monthly moving average price or monthly average settlement price of copper quoted on the LME; or (ii) the monthly moving average price or the monthly average settlement price of copper quoted on the Shanghai Futures Exchange; or (iii) when the market price of copper products could not be adequately reflected through (i) and (ii) at the place of sale or the receiving market, the price reasonably determined by both parties after making reference to the monthly average selling price of copper at the place of sale or the receiving market. Such price will be determined by making reference to a recognized copper stock index that is comparable to the LME or the Shanghai Futures Exchange, such as Tianjin Precious Metals Exchange or COMEX (i.e. Chicago Mercantile Exchange);

(iii) Jiangxi Copper Company Limited ("**Jiangxi Copper**", stock code: 358), as set out in the circular of Jiangxi Copper dated 8 December 2017, Jiangxi Copper entered into an agreement in respect of the supply of copper related products, lead materials, zinc materials and other materials, the pricing of which shall be determined by referring to the monthly average closing price quoted on relevant metal markets adjusted for content and costs;

(iv) Xinjiang Xinxin Mining Industry Co., Ltd. ("**Xinjiang Xinxin**", stock code: 3833), as set out in the circular dated 20 November 2018, pricing of which shall be referenced to the prevailing market prices as quoted on the Shanghai Yangtze River Non-ferrous Metals Spot Market;

(v) as set out in an announcement of MMG Limited ("**MMG**", stock code: 1208) dated 1 March 2016, MMG entered into the Copper Concentrate Sales Framework Agreement in relation to the sale of copper concentrates produced by MMG group excluding copper concentrates produced at the Las Bambas Project, the pricing of which shall be determined on an arms' length basis and comparable to the prevailing market rates or at rates similar to those offered by the group to any other independent third parties. Such prices shall be calculated based on the relevant metal prices, including copper, gold and silver as quoted on the LME or other relevant London markets averaged over an agreed quotation period; and less agreed treatment and refining charges which are consistent with those prevailing in the PRC metal market for comparable imported copper concentrates at the time of the relevant sale agreement;

(vi) as set out in an announcement of MMG dated 20 September 2017, MMG entered into the Rosebery Concentrate Sales Agreement in relation to the sale of copper concentrates produced at the Rosebery Mine, the pricing of which shall be determined on an arms' length basis and comparable to with or superior to the pricing offered to those offered by the group to any other independent third parties. Such prices shall be calculated based on the relevant metal prices, including copper, gold and silver as quoted on the LME (for copper) and the LBMA (for gold and silver) averaged over an agreed quotation period; and less agreed treatment and refining charges;

(vii) as set out in an announcement of MMG dated 18 October 2017, MMG entered into the Dugald River Zinc Concentrate Sale Agreement in relation to the sale of zinc concentrates produced at the Dugald River Mine, the pricing of which shall be determined on an arms' length basis and comparable to the market for concentrates qualities such Dugald River zinc concentrates. Such prices shall be calculated based on the zinc contained in the product as the Special High Grade Settlement Price for zinc quoted on the LME, and silver contained in the product at LBMA Silver Price sport quotation, each averaged over an agreed quotation period; and less agreed treatment and refining charges which is consistent with those charges prevailing for comparable zinc concentrate sold by major global zinc concentrate producers in the PRC at the time of the delivery;

(viii) as set out in an announcement of MMG dated 10 November 2017, MMG entered into the Copper Cathode Sales Agreement in relation to the sale of copper cathode produced at the Sepon Mine, the pricing of which shall be determined on an arms' length basis and being the LME Copper Cash Settlement Quotation as published in the London Metal Bulletin averaged over the relevant Quotation Period plus an agreed premium;

(ix) as set out in another announcement of MMG dated 8 December 2017, MMG entered into another Dugald River Zinc Concentrate Sale Agreement in relation to the sale of zinc concentrates produced at the Dugald River Mine, the pricing of which shall be determined on an arms' length basis and comparable to the market for concentrates qualities such Dugald River zinc concentrates. Such prices shall be calculated based on the zinc contained in the product as the Special High Grade Settlement Price for zinc quoted on the LME, and silver contained in the product at LBMA Silver Price sport quotation, each averaged over an agreed quotation period; and less agreed treatment charge which is consistent with those charges prevailing for comparable zinc concentrate contracts;

(x) as set out in another announcement of MMG dated 20 August 2018, MMG entered into another Dugald River Zinc Concentrate Sale Agreement in relation to the sale of zinc concentrates produced at the Dugald River Mine, the pricing of which shall be determined on an arms' length basis and comparable to the market for concentrates qualities such Dugald River zinc concentrates. Such prices shall be calculated based on the zinc contained in the product as the Special High Grade Settlement Price for zinc quoted on the LME, and silver contained in the product at LBMA Silver Price sport quotation, each averaged over an agreed quotation period; and less agreed treatment charge which is consistent with those charges prevailing for comparable zinc concentrate contracts;

(xi) as set out in another announcement of MMG dated 5 December 2018, MMG entered into another Dugald River Zinc Concentrate Sale Agreement in relation to the sale of zinc concentrates produced at the Dugald River Mine, the pricing of which shall be determined on an arms' length basis and comparable to the market for concentrates qualities such Dugald River zinc concentrates. Such prices shall be calculated based on the zinc contained in the product as the Special High Grade Settlement Price for zinc quoted on the LME, and silver contained in the product at LBMA Silver Price sport quotation, each averaged over an agreed quotation period; and less agreed treatment charge which is consistent with those charges prevailing for comparable zinc concentrate contracts; and

(xii) as set out in another announcement of MMG dated 20 December 2018, MMG entered into another Dugald River Zinc Concentrate Sale Agreement in relation to the sale of zinc concentrates produced at the Dugald River Mine, the pricing of which shall be determined on an arms' length basis and comparable to the market for concentrates qualities such Dugald River zinc concentrates. Such prices shall be calculated based on the zinc contained in the product as the Special High Grade Settlement Price for zinc quoted on the LME, and silver contained in the product at LBMA Silver Price sport quotation, each averaged over an agreed quotation period; and less agreed treatment charge which is consistent with those charges prevailing for comparable zinc concentrate sold by major global zinc concentrate producers in the PRC at the time of the delivery.

After review of the Comparable Companies, we noted that all comparable transactions that adopted a similar pricing mechanism as that of the Company, which makes reference to the prices of the relevant metal as announced by the LME, the LBMA and/or other relevant metal market after making certain adjustments including but not limited to treatment charges and refining charges.

Although these comparable transactions did not use basis coefficient and only one make reference to MB in their pricing mechanism, as in the case of the Company in determining the price of Mineral and Metal Products, their pricing mechanism were determined with reference to a market quoted price (such as LME) and adjusted by its contents, grade/quality, and/or location of supplies which is similar to the Group as mentioned in the sections headed "3.1.3 Pricing mechanism – basis of determining the selling prices of the Mineral and Metal Products" above. It is also noted that none of the Comparable Companies entered into transaction in relation to cobalt and its related products.

Taking into account the above, we therefore conclude that the pricing mechanism adopted by the Company under the 2019 CCT Agreement is in line with market practices.

3.3 General transaction principles

As described in the "Letter from the Board" of the Circular, the 2019 CCT Agreement should be conducted in accordance with the following general principles:

(i) the Mineral and Metal Products provided by the Group should be of good quality and at fair and reasonable prices;

(ii) the Group and JCG Group shall be entitled to enter into separate contracts for trading/sale and purchase of the Mineral and Metal Products contemplated under the 2019 CCT Agreement from time to time. Such contracts should comply with the relevant regulatory requirements in Hong Kong (including but not limited to the Listing Rules) and other applicable laws and regulations in the respective jurisdiction, and should set out, among other things, the parties of the transaction(s), the terms and conditions of the transaction(s) (including, if applicable, the annual minimum purchase quantity), the relevant product(s) and the trading price(s), the delivery time and the payment terms. The terms of such trading contracts should be on normal commercial terms and should be no less favourable than those available to Independent Third Parties; and

(iii) the terms offered by the Group should be competitive in terms of the quality and trading price of the Mineral and Metal Products. Priority should only be given to the Group by JCG Group if the quality and trading price of the Mineral and Metal Products provided by the Group to JCG Group are no less favourable than those available from Independent Third Parties.

Having reviewed and compared (i) three contracts and trading transactions entered into between the Group and JCG Group during the three years ended 31 December 2018; and (ii) ten contracts and trading transactions entered into between the Group and Independent Third Parties during the three years ended 31 December 2018 in respect of trading of Mineral and Metal Products (apart from cobalt and its related products), which according to the Management is an exhaustive list of relevant sample contracts and trading transactions entered into during the three years ended 31 December 2018, we note that all of them are conducted in accordance with the above general principles.

Having reviewed and compared (i) three contracts entered into between the Group and JCG Group; and (ii) four sample contracts entered into between the Group and another customer (which is an Independent Third Party), in respect of trading of cobalt contained in cobalt hydroxide between the year ended 31 December 2015 to the 4 months ended 30 April 2019, which according to the Management is an exhaustive list of relevant sample contracts entered into during the same period, we note that all of them are conducted in accordance with the above general principles.

3.4 Section summary

Taking into account the above and the arrangement between the Group and JCG Group under the 2019 CCT Agreement is non-exclusive and there should be no bias or preference for the Group to deal with JCG Group, we are of the view that the terms of the 2019 CCT Agreement are fair and reasonable.

4. Proposed Revised Annual Caps

4.1 Historical figures and existing annual caps

The following table sets out the historical annual caps for transactions and the historical trading amounts of Mineral and Metal Products between the Group and JCG Group, respectively, for the periods indicated below:

	Year ended 31 December 2016 *(US$)*	**Year ended 31 December 2017** *(US$)*	**Year ended 31 December 2018** *(US$)*	**Year ending 31 December 2019** *(US$)*	**Year ending 31 December 2020** *(US$)*
Historical annual caps:					
– under 2013 CCT Agreement or as the case may be 2016 CCT Agreement (as supplemented by 2018 CCT Supplemental Agreement) and the 2018 Cobalt Agreement	1,500 million	209.6 million	755 million	793 million	833 million
– under 2015 Cobalt Agreement (as supplemented by 2016 Cobalt Supplemental Agreement)	106 million				
Historical trading amounts					
– under 2013 CCT Agreement or as the case may be 2016 CCT Agreement (as supplemented by 2018 CCT Supplemental Agreement) and 2018 Cobalt Agreement	26.9 million	209.6 million	238.7 million	N/A *(note)*	
– under 2015 Cobalt Agreement (as supplemented by 2016 Cobalt Supplemental Agreement)	58 million				

Note: According to the information available to the Company, as at the 31 May 2019, the total trading amount recorded by the Group for the period from 1 January 2019 to 31 May 2019 under the 2016 CCT Agreement (as supplemented by 2018 CCT Supplemental Agreement) was nil.

4.2 Proposed Revised Annual Caps

As set out in the "Letter from the Board" of the Circular, the Proposed Revised Annual Caps are determined by reference to: (i) the acute fluctuation of the price and demand for cobalt; (ii) the possible sale of copper concentrate produced by Kinsenda Mine in the DRC, subject to tendering and bidding exercise outcome; and (iii) the inclusion of 25% of the buffer representing approximately 3 months of the sales value of the Mineral and Metal Products for the Proposed Revised Annual Caps.

The following table sets out the Proposed Revised Annual Caps

	Year ending 31 December			5 months ending 31 May
	2019	2020	2021	2022
	US$	*US$*	*US$*	*US$*
Proposed Revised Annual Caps	490 million	490 million	490 million	204 million

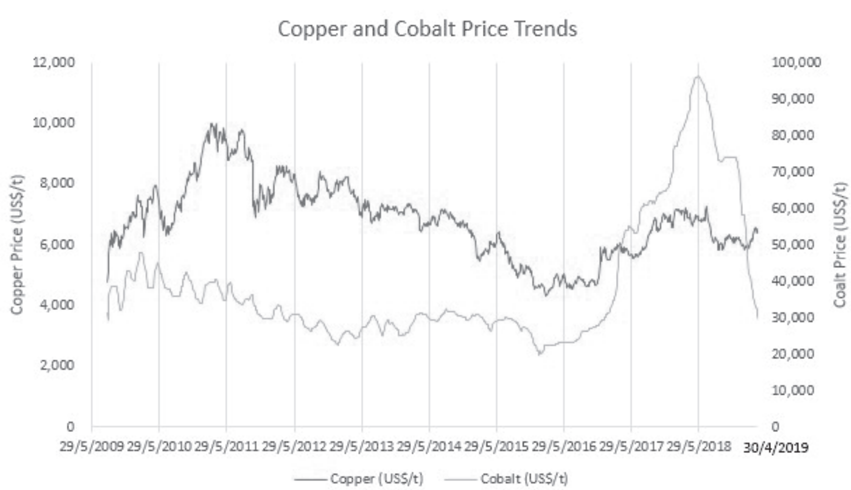
To consider whether the Proposed Revised Annual Caps for the 2019 CCT Agreement are fair and reasonable, we have to take into account the following factors:

4.2.1 The proposed revised annual cap for the year ending 31 December 2019

4.2.1.1 The historical copper and cobalt prices

During the past three years ended 31 December 2018, the Continuing Connected Transactions were principally involved copper, cobalt and related metal products. As shown in the paragraph headed "1.2 Operating results of the Group" above, revenue generated from the trading of other metals, such as nickel was not material. Accordingly, in analysing the components constituting the Proposed Revised Annual Caps for the 2019 CCT Agreement, we have principally considered copper and cobalt and their historical prices as well as production output.

Set out below is the chart showing the copper and cobalt prices between 29 May 2009 (about 10 years prior to the date of the 2019 CCT Agreement, which is the earliest information the Company has collected) to 30 April 2019 for the purpose of illustrating copper and cobalt historical price trends.



Source: Company. It has made reference to LME historical price.
https://www.lme.com/metals/non-ferrous/#tab3

During the period under review, the highest quotations for copper and cobalt prices were approximately US$9,980 per tonne and US$96,342 per tonne recorded on 4 March 2011 and 25 April 2018 respectively and the lowest quotations for copper and cobalt prices were approximately US$4,321 per tonne and US$19,842 per tonne recorded on 15 January 2016 and 9 December 2015 respectively.

In respect of Copper

The LME Copper Price has remained relatively stable for the first half of 2018 before dropping from US$7,263 per tonne as at 8 June 2018 to US$6,018 tonne as at 28 December 2018, representing a decrease of approximately 17.1%. The LME copper price has subsequently recovered from US$5,839 per tonne as at 2 January 2019 to US$6,442 per tonne as at 30 April 2019, representing an increase of approximately 9.4%.

In respect of Cobalt

Due to the new supply in the market, change in DRC Mining Code and the high inventory kept by electric battery manufacturers in the PRC, the demand for cobalt shrink towards the end of 2018. Cobalt benchmark MB price dropped considerably from US$96,342 per tonne as at 25 April 2018 to US$73,855 per tonne as at 19 September 2018, representing a decrease of approximately 23.3%. Then the price remained stable at US$73,855 per tonne from 19 September 2018 to 16 November 2018. Thereafter, the price dropped again from US$73,855 per tonne as at 16 November 2018 to US$36,046 per tonne as at 30 April 2019, representing a decrease of approximately 51.2%. In short, the Cobalt benchmark MB price decreased by 62.6% from April 2018 to April 2019.

Taking into account the above, the Management in deriving the annual cap for the year ending 31 December 2019 has made reference to the average prices of copper and cobalt between 1 January 2018 and 30 April 2019, being US$6,466 per tonne and US$70,736 per tonne respectively. We have discussed with the Management and noted their basis for deriving the annual cap to US$490 million were as follows:

(i) the historical trend shows that the price fluctuation of copper and cobalt can be very acute and in a short time frame as described above;

(ii) the possible sale of copper concentrate produced by the Kinsenda Mine in the DRC, subject to tendering and bidding exercise outcome; and

(iii) the inclusion of 25% of the buffer representing approximately 3 months of the sales value of the Mineral and Metal Products as the Company would need approximately 3 months to finalise the process of obtaining the Independent Shareholders' approval to revise the annual caps for the Continuing Connected Transactions and normally it would need one to one and a half month to arrange transportation before making actual delivery of products and realising sales value, also it needs 20-25 days for management team to access actual sales value after delivery of products and realizing of sales revenue.

Taking into account the above, we consider by making reference to the latest cobalt and copper prices as at 30 April 2019 and the average prices of copper and cobalt between 1 January 2018 and 30 April 2019 and then together with the expected output volume of copper concentrate and cobalt hydroxide (as described in the paragraph headed "4.2.1.2 The historical and estimated output of cobalt hydroxide from Ruashi Mining" and "4.2.1.3 The historical and estimated output of copper concentrate from Kinsenda Mine below) to derive the Proposed Revised Annual Cap as fair and reasonable.

4.2.1.2 The historical and estimated output of cobalt hydroxide from Ruashi Mine

Set out below is the table of the output of cobalt from Ruashi Mine over the past 2 years ended 31 December 2018 and the four months ended 30 April 2019:

	For the year ended 31 December		For the four months ended 30 April	For the year ending 31 December
	2017	**2018**	**2019**	**2019**
	tonnes	*tonnes*	*tonnes*	*tonnes*
	Actual	Actual	Actual	Estimate
Cobalt output	4,638	4,752	1,820	5,061

We note that the production output has remained stable between 2017 and 2018, and obtained from the Management Ruashi Mine's output data from January 2019 to April 2019, as well as the expected output with reference to the latest mining plan. We understand from the Management that the increase in cobalt output from 4,752 tonnes for the year ended 31 December 2018 to 5,061 tonnes expected output for the year ending 31 December 2019 is mainly due to different feed grade. We consider the Management using the actual output for the four months ended 30 April 2019, taking into account a buffer for wasted ore, and then annualise it to derive the annual output for the year ending 31 December 2019 as fair and reasonable.

4.2.1.3 The historical and estimated output of copper concentrate from Kinsenda Mine

Set out below is the table of the output of copper from Kinsenda Mine over the past 2 years ended 31 December 2018 and the four months ended 30 April 2019:

	For the year ended 31 December		For the four months ended 30 April	For the year ending 31 December
	2017	**2018**	**2019**	**2019**
	tonnes	*tonnes*	*tonnes*	*tonnes*
	Actual	Actual	Actual	Estimate
Copper output	–	27,492	10,258	27,329

In deriving the Proposed Revised Annual Caps, the Management has only taken into account the expected output from Kinsenda Mine as (i) the Group intends to focus on production of copper concentrate; (ii) Ruashi Mine produced copper in the form of copper cathode and; (iii) Chibuluma Mine sold its copper concentrate to a smelter nearby as it is considered to be cost effective and the price is more competitive.

We understand from the Management that the Kinsenda Mine was under trial production in 2017 and has only commenced commercial production in 2018. We have obtained from the Management Kinsenda Mine's output from January 2019 to April 2019, as well as the expected output with reference to the latest mining plan. According to the latest mining plan, the expected average monthly output for the year ending 31 December 2019 is 2,277 tonnes. We consider the Management using the expected average monthly output, taking into account a buffer for wasted ore, and then annualise it to derive the expected annual output for the year ending 31 December 2019 as fair and reasonable.

4.2.1.4 Buffer

According to the Management, the reasons for inclusion of the 25% buffer are as follows:

(1) the Company would need approximately 3 months to finalise the process of obtaining the Independent Shareholders' approval to revise the annual caps for the Continuing Connected Transaction, and

(2) normally it would need one to one and a half month to arrange transportation before making actual delivery of products and realising sales value, also it needs approximately 20-25 days for management team to access actual sales value after delivery of products and realising of sales revenue.

Having discussed with the Management, we noted the Company had taken approximately 3 months to complete the process of the ratification in March 2018. Furthermore, we have discussed the operation flow chart with the Management, and understand that it requires 4 to 6 weeks to arrange transportation before making actual delivery of products and realising sales value, and another 20-25 days for the management team to access actual sales value after delivery of products and realising of sales revenue. In summary, there is about 6 to 10 weeks of time gap before the Management could have access to reliable information on the actual sales value after delivery of products and the amount to be recognize as sales revenue. In view of the above, we are of the view that it is reasonable for the Management to include a buffer to cater for the time required to gather the necessary information and, in the event necessary, to seek the Independent Shareholders' approval to revise the annual caps for the Continuing Connected Transactions.

Taking into account the above, we are of the view that the inclusion of a 25% buffer to the Proposed Revised Annual Cap for the year ending 31 December 2019 is fair and reasonable.

4.2.1.5 Section summary

Taking into account the basis to determine the historical average copper and cobalt prices, the expected production volumes and the pricing mechanism as mentioned above are fair and reasonable, we are of the view that the Proposed Revised Annual Cap for the year ending 31 December 2019 which is derived by multiplying the historical average cobalt and copper prices (subject to adjustments) with the expected production volumes and the additional 25% buffer as fair and reasonable.

4.2.2 The proposed annual caps for the year ending 31 December 2020 and 2021 and the 5 months ending 31 May 2022

The proposed annual caps for the year ending 31 December 2020 and 2021 remain the same as the Proposed Revised Annual Cap for the year ending 31 December 2019. The proposed annual cap for the 5 months ending 31 May 2022 is determined on a pro rata basis by reference to the Proposed Revised Annual Cap for the year ending 31 December 2019. Given that (i) the Proposed Revised Annual Cap for the year ending 31 December 2019 has been determined on a fair and reasonable basis; (ii) the annual output of copper from the Kinsenda Mine is expected to remain relatively stable at around 25,000 to 28,000 tonnes per annum, (iii) the annual output of cobalt from the Ruashi Mine is expected to remain relatively stable at around 4,500 tonnes to 5,100 tonnes per annum; and (iv) the low price and demand for cobalt is likely to sustain for a period of time, we believe by maintaining the proposed annual caps for the years ending 31 December 2020 and 2021 at the same level as the Proposed Revised Annual Cap for the year ending 31 December 2019 as fair and reasonable.

5. Internal control measures

The abovementioned basis of determining the trading/selling prices of the Mineral and Metal Products under the 2019 CCT Agreement and the Proposed Revised Annual Caps is intended to ensure that the selling prices for the Mineral and Metal Products to be provided by the Group to JCG Group will be determined on normal commercial terms.

It is noted that the Company has established internal control measures to standardise and stipulate the pricing policies and mechanism, the assignment of responsibility and decision making authority to ensure the Continuing Connected Transactions will be conducted in accordance with the terms of the 2019 CCT Agreement, and that the pricing policies will be strictly complied with.

According to the Management, the implementation of the 2019 CCT Agreement and the relevant pricing terms in accordance with the general transaction principles therein, including the relevant adjustments to metal product prices, the relevant costs and expenses as well as the actual quantity and the amount of the Mineral and Metal Products, 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 also be reviewed by the senior management prior to the execution of any transaction document(s) under the 2019 CCT Agreement to ensure the relevant general transaction principles are being complied with on arm's length basis and the trading terms are no less favourable than those with independent third parties. Furthermore, according to the Management, the Company will evaluate the Continuing Connected Transactions on a yearly basis.

We have reviewed the internal control manual adopted by the Management of the Company, detailing the guidance and policies for conducting the transactions contemplated under the 2019 CCT Agreement going forward. With reference to the above, we noted that the internal control procedures of the Group are in place and the Management believes, and we concur that the internal control measures of the Group are sufficient for the purpose of monitoring the transactions contemplated under the 2019 CCT Agreement and the Proposed Revised Annual Caps going forward.

Given the above, we consider that there exist appropriate procedures and arrangements to ensure that the transactions contemplated under the 2019 CCT Agreement will continue to be conducted on terms that are fair and reasonable and are in the interests of the Company and the Shareholders as a whole; and on normal commercial terms and in the ordinary and usual course of business of the Group.

RECOMMENDATION

In view of the above principal factors and reasons for entering into the transactions contemplated under the 2019 CCT Agreement, we are of the view that (i) the entering into of the 2019 CCT Agreement and the Proposed Revised Annual Caps is in the ordinary and usual course of business of the Company, and in the interests of the Company and the Shareholders as a whole; (ii) the terms of the 2019 CCT Agreement are on normal commercial terms, and are fair and reasonable as far as the Independent Shareholders are concerned; and (iii) the Proposed Revised Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned.

Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favor of the resolution to be proposed at the EGM to approve the 2019 CCT Agreement and the transactions contemplated thereunder (including the Proposed Revised Annual Caps).

Yours faithfully,
For and on behalf of
Altus Capital Limited
Jeanny Leung
Executive Director

*Ms. Jeanny Leung ("**Ms. Leung**") is a Responsible Officer of Altus licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and permitted to undertake work as a sponsor. She is also a Responsible Officer of Altus Investments Limited licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO. Ms. Leung has about 30 years of experience in corporate finance advisory and commercial field in Greater China, in particular, she has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance transactions.*

MR. WANG

Mr. Wang Qiangzhong, aged 54, with qualification of senior engineer, graduated from Jiangxi Metallurgy Academia (now known as Jiangxi University of Science and Technology) in July 1986, major in mining engineering. He obtained a diploma in financial management for listed companies from Shanghai University of Finance and Economics in June 2001 and his master degree of business administration from Lanzhou University in June 2011. From 2005 to 2014, he served at various positions in Gansu Lantuo Group Limited* (甘肅蘭駝集團有限責任公司), including general manager and chairman of the board of directors. During his tenure in Gansu Lantuo Group Limited*, he was also appointed as a researcher of the board of supervisors of the Gansu provincial State-owned Assets Supervision and Administration Commission. Since July 2015, he has acted as the chairman of the board of directors of Gansu Province Xinye Asset Management Co. Ltd.* (甘肅省新業資產經營有限責任公司). He currently serves as the director of Baiyin Nonferrous Group Co., Ltd., the shares of which are listed on the Shanghai Stock Exchange (Stock Code: 601212). He has extensive experience in financial management and operation management.

Mr. Wang has entered into a letter of appointment with the Company for a period of 3 years from 20 June 2019 to 19 June 2022 (both days inclusive). He is subject to retirement by rotation and re-election at the general meeting of the Company in accordance with the articles of association of the Company and no director's fee will be paid to him in respect of his service as the non-executive Director.

Save as disclosed above and as at the Latest Practicable Date, Mr. Wang does not (i) hold any interests in the shares of the Company within the meaning of Part XV of the SFO; (ii) have any relationship with any other directors, senior management, substantial shareholder or controlling shareholder of the Company; (iii) hold any other position with the Company or its subsidiaries; and (iv) hold any other directorships in public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years, and there is no other information to be disclosed pursuant to the requirements of Rule 13.51(2) of the Listing Rules regarding the re-election of Mr. Wang as the non-executive Director.

* *for identification purpose only*

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this circular misleading.

2. SHARE CAPITAL

Number of Shares		**Nominal value**
		HK$
Authorised		
20,000,000,000	Shares	200,000,000.00
Issued, to be issued and fully paid		
12,609,873,051	Shares in issue as at the Latest Practicable Date	126,098,730.51
690,000,000	Shares to be issued as conversion shares upon full conversion of the perpetual subordinated convertible securities *(Note 1)*	6,900,000.00
13,299,873,051		132,998,730.51

Note 1: The perpetual subordinated convertible securities ("**PSCS**") were issued by the Company to Jinchuan (BVI) Limited, the nominee of Jintai Mining Investment Limited, pursuant to the sale and purchase agreement dated 27 August 2013 entered into by, among others, the aforesaid parties for the acquisition of the entire issued share capital of Jin Rui Mining Investment Limited. A total of 7,776,120,000 new Shares was issued by the Company upon conversion of the PSCS in the amount of US$996,938,461 on 6 June 2018 (please refer to the announcement published by the Company on 6 June 2018 for details). Upon full conversion of the remaining PSCS in the amount of US$8,846,539 and based on the initial conversion price of HK$1.00, the Company shall allot and issue 690,000,000 new Shares credited as fully paid, subject to terms of the PSCS, details of which are set out in the circular of the Company dated 30 August 2013.

3. DISCLOSURE OF INTERESTS

(a) Directors' interests and short positions in the securities of the Company and its associated corporations

Name of Director	Capacity/ nature of interest	Number of Shares interested *(Note 1)*	Percentage of the total number of Shares in issue (%) *(Note 2)*
Yang Jinshan	Beneficial owner	700,000 (L)	0.01%

Notes:

(1) The letter "L" denotes the long position in such Shares.

(2) The calculation is based on the total number of issued shares of the Company (i.e. 12,609,873,051 Shares) as at the Latest Practicable Date.

Same as disclosed, as at the Latest Practicable Date, none of the Directors and the chief executives of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which are required: (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he is taken or deemed to have under such provisions of the SFO); (b) pursuant to Section 352 of the SFO, to be entered into the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules.

(b) Persons who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial shareholders

So far as is known to the Directors and the chief executive of the Company, as at the Latest Practicable Date, the following persons had interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company (being 5% or more of the Company's issued share capital) under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of substantial shareholders maintained under section 336 of the SFO. These interests are in addition to those disclosed above in respect of the Directors and the chief executive of the Company.

Name of shareholder	Notes	Capacity/ nature of interest	Number of Shares interested *(Note 1)*	Number of Shares which may be converted from PSCS *(Note 1)*	Percentage of the total number of Shares in issue (%) *(Note 3)*
Jinchuan Group Co., Ltd*	(2), (4) & (5)	Interest of controlled corporation	7,567,325,857(L)	690,000,000(L) 690,000,000(S)	65.48% 5.47%
Jinchuan Group (Hongkong) Resources Holdings Limited	(2), (4) & (5)	Interest of controlled corporation	7,567,325,857(L)	690,000,000(L) 690,000,000(S)	65.48% 5.47%
Jinchuan (BVI) Limited	(2), (4) & (5)	Interest of controlled corporation/ Beneficial owner	7,567,325,857(L)	690,000,000(L) 690,000,000(S)	65.48% 5.47%
Jinchuan (BVI) 1 Limited	(2)	Beneficial owner	1,888,449,377(L)	–	14.98%
Jinchuan (BVI) 2 Limited	(2)	Beneficial owner	557,834,372(L)	–	4.42%
Jinchuan (BVI) 3 Limited	(2)	Beneficial owner	534,922,108(L)	–	4.24%
Gansu Province Economy Cooperation Corporation*		Beneficial owner	1,090,000,000(L)	–	8.64%
Gansu Province Xinye Asset Management Co. Ltd.*		Beneficial owner	1,110,000,000(L)	–	8.80%

Notes:

1. The letter "L" denotes the long position in such Shares and the letter "S" denotes the short position in such Shares.

2. Jinchuan Group Co., Ltd* directly owned 100% of the issued share capital of Jinchuan Group (Hongkong) Resources Holdings Limited which in turn owned 100% of the issued share capital of Jinchuan (BVI) Limited which owned 100% of the issued share capital of each of Jinchuan (BVI) 1 Limited, Jinchuan (BVI) 2 Limited and Jinchuan (BVI) 3 Limited. Therefore, Jinchuan Group Co., Ltd*, Jinchuan Group (Hongkong) Resources Holdings Limited and Jinchuan (BVI) Limited were deemed to be interested in the 1,888,449,377 shares, 557,834,372 shares and 534,922,108 shares of the Company held by Jinchuan (BVI) 1 Limited, Jinchuan (BVI) 2 Limited and Jinchuan (BVI) 3 Limited respectively under the SFO.

3. The calculation is based on the total number of issued shares of the Company (i.e. 12,609,873,051 Shares) as at the Latest Practicable Date.

4. Jinchuan (BVI) Limited directly held 4,586,120,000 Shares and PSCS in the amount of US$88,461,539 (equivalent to approximately HK$690,000,000) which may be converted into 690,000,000 shares of the Company at an initial conversion price of HK$1.00 per share. Based on the relations set out in note 2 above, Jinchuan Group Co., Ltd* and Jinchuan Group (Hongkong) Resources Holdings Limited were deemed to be interested in the 4,586,120,000 shares of the Company and 690,000,000 underlying shares which may be converted from PSCS of the Company held by Jinchuan (BVI) Limited under the SFO.

5. According to the information available to the Company, Jinchuan (BVI) Limited had entered into agreements to transfer the remaining principal amount of US$88,461,539 of the PSCS convertible into 690,000,000 conversion shares at an initial conversion price of HK$1.00 per conversion share.

6. Save as disclosed below, as at the Latest Practicable Date, none of the Directors is a director or employee of a company which had interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 Part XV of the SFO.

Name of Director	**Posts held in JCG**
Mr. Qiao Fugui	Assistant of President
Mr. Zhang Youda	Vice President
Mr. Yang Jinshan	General manager of Financial Department

Name of Director	**Posts held in JCHK**
Mr. Gao Tianpeng	Director
Mr. Qiao Fugui	Director
Mr. Zhang Youda	Director
Mr. Yang Jinshan	Director

Name of Director	**Posts held in Gansu Province Xinye Asset Management Co. Ltd.**
Mr. Wang Qiangzhong	Chairman

* *for identification purpose only*

Save as disclosed above, as at the Latest Practicable Date, the Directors and the chief executive of the Company were not aware of any person who had any interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has any existing service contract or proposed service contract with any member of the Company and its subsidiaries which will not expire or be determinable by the Company or its subsidiaries (as the case may be) within one year without payment of compensation (other than statutory compensation).

5. QUALIFICATION AND CONSENT OF EXPERT

(a) Qualification of expert

The following are the qualifications of the expert who has given opinions or advice which are contained in this circular:

Name	Qualification
Altus Capital Limited	a corporation licensed to carry on Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO

(b) Consent of expert

As at the Latest Practicable Date, Altus has given and has not withdrawn consent to the issue of this circular with the inclusion therein of its letter and references to is name in the form and context in which it appears.

(c) Interests of expert

As at the Latest Practicable Date, Altus was not directly or indirectly interested in any securities of any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group nor did it have any direct or indirect interest in any assets which had been, since 31 December 2018 (being the date to which the latest published audited financial statements of the Group were made up), acquired or disposed of by, or leased to, any member of the Group.

6. LITIGATION

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.

Subsequently, 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 advisers 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. 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.

Save as disclosed above, as at the Latest Practicable Date, no member of the Group were engaged in any litigation, arbitration or claim of material importance and there is no litigation, arbitration or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

7. MATERIAL ADVERSE CHANGE

Save as disclosed, the Directors are not aware of any material adverse change in the financial position or trading position of the Company and its subsidiaries since 31 December 2018 (being the date to which the latest published audited financial statements of the Group were made up) and up to the Latest Practicable Date.

8. COMPETING INTERESTS

As at the Latest Practicable Date, the following Directors were considered to have interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Company and its subsidiaries pursuant to the Listing Rules.

Mr. Qiao Fugui, Mr. Zhang Youda and Mr. Yang Jinshan held directorship and/or position as senior management in Jinchuan which principally engages in businesses of production of nickel, copper, cobalt, platinum group metals, nonferrous metal plates, chemical products and chemicals of nonferrous metals.

Mr. Gao Tianpeng, Mr. Qiao Fugui, Mr. Zhang Youda and Mr. Yang Jinshan held directorship and/or position as senior management in JCHK, which indirectly holds 60.01% issued share capital of the Company, and is principally engaged in investment holding and trading of mineral and metal products.

9. INTEREST IN ASSETS ACQUIRED

As at the Latest Practicable Date, the Directors did not have any interest, direct or indirect, in any assets which have been, since 31 December 2018 (the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, there is no contract or arrangement in which a Director is materially interested and which is significant in relation to the business of the Group.

10. MISCELLANEOUS

(i) The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

(ii) The head office and principal place of business in Hong Kong of the Company is located at Unit 3101, 31/F, United Centre, 95 Queensway, Hong Kong.

(iii) The branch share registrar of the Company in Hong Kong is Boardroom Share Registrars (HK) Limited at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong.

(iv) The joint company secretaries of the Company are Mr. Wong Hok Bun Mario and Ms. Sun Wei.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for inspection during normal business hours on Business Days at the office of the Company at Unit 3101, 31/F, United Centre, 95 Queensway, Hong Kong from the date of this circular up to and including 10 July 2019, and at the EGM:

(a) the 2019 CCT Agreement;

(b) the letter from the Independent Board Committee, the text of which is set out in this circular;

(c) the letter from Altus, the text of which is set out in this circular;

(d) the written consent of Altus referred to in the paragraph headed "Qualification and Consent of Expert" in this Appendix; and

(e) a copy of this circular.

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)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**EGM**") of the shareholders of Jinchuan Group International Resources Co. Ltd (the "**Company**") will be held at Unit 3101, 31/F United Centre, 95 Queensway, Hong Kong at 3:00 p.m. on Wednesday, 10 July 2019 for the purpose of considering, and if thought fit, passing the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

(1) "**THAT**:

the agreement dated 5 June 2019 (the "**2019 CCT Agreement**") entered into between the Company (as vendor) and 金川集團股份有限公司 (Jinchuan Group Co., Ltd.*) ("**JCG**") (as purchaser), a company incorporated in the People's Republic of China and the controlling shareholder of the Company, regarding the trading of the Mineral and Metal Products (as defined in the circular of the Company dated 21 June 2019) between the Company and its subsidiaries and associates controlled by the Company from time to time (collectively the "**Group**") and JCG and its subsidiaries and associates controlled by JCG (for the purpose of this resolution, excluding the Group) from time to time until 31 May 2022, and the continuing connected transactions contemplated under the 2019 CCT Agreement be and are hereby approved, and any one director of the Company be and is hereby authorised to take such actions and execute such documents as he may consider necessary or desirable to carry out and complete the transactions contemplated under the 2019 CCT Agreement and the Proposed Revised Annual Caps (as defined in the circular of the Company dated 21 June 2019) for the continuing connected transactions contemplated under the 2019

CCT Agreement (including for the for each of the following financial years: (1) the financial year ending 31 December 2019; (2) the financial year ending 31 December 2020; (3) the financial year ending 31 December 2021; and (4) the period commencing on 1 January 2022 and ending on 31 May 2022, being approximately US$490 million, US$490 million, US$490 million and US$204 million, respectively) be and are hereby approved."

(2) "**THAT**:

the re-election of Mr. Wang Qiangzhong as a non-executive Director and the authorisation to the board of directors of the Company to fix his remuneration be and are hereby considered and approved."

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

* *for identification purpose only*

Hong Kong, 21 June 2019

Notes:

1. A member entitled to attend and vote at the EGM is entitled to appoint more than one proxy to attend and, on poll, vote on his behalf. A proxy need not be a member of the Company.

   Closure of Register of Members for the EGM

   The register of members of the Company will be closed from Monday, 8 July 2019 to Wednesday, 10 July 2019 (both days inclusive) for the purpose of determining the entitlement of the shareholders of the Company to attend and vote at the EGM. No transfer of shares may be registered during the said period. In order to qualify to attend and vote at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Branch Share Registrar, Boardroom Share Registrars (HK) Limited, at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong no later than 4:30 p.m. on Friday, 5 July 2019.

2. A form of proxy for use at the EGM is enclosed. Whether or not you intend to attend the EGM in person, you are urged to complete and return the form of proxy in accordance with the instructions printed thereon as soon as possible. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned EGM thereof if you so wish. In the event that you attend the EGM after having returned the completed form of proxy, your form of proxy will be deemed to have been revoked.

3. To be valid, the form of proxy, together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power of attorney, must be deposited at Boardroom Share Registrars (HK) Limited at 2103B, 21/F., 148 Electric Road, North Point, Hong Kong, not less than 48 hours before the time appointed for holding the EGM (i.e. before 3:00 p.m. on Monday, 8 July 2019) or any adjournment thereof.

4. In the case of joint registered holders of any shares of the Company, any one of such joint registered holders may vote at the EGM, either in person or by proxy, in respect of such shares as if he/she/it were solely entitled thereto; but if more than one of such joint registered holders are present at the EGM, either in person or by proxy, the vote of that one of them so present, either in person or by proxy, whose name stands first on the register of members in respect of such shares shall be accepted to the exclusion of the votes of the other joint registered holder(s).

5. Time and dates in this notice are Hong Kong time and dates.

As at the date of this circular, the Board comprises two executive Directors, namely Mr. Gao Tianpeng and Mr. Qiao Fugui; four non-executive Directors, namely Mr. Zhang Youda, Mr. Yang Jinshan, Mr. Wang Qiangzhong 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.