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JINCHUAN 金川

JINCHUAN GROUP INTERNATIONAL RESOURCES CO. LTD

金川集團國際資源有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2362)

ANNOUNCEMENT

**CONTINUING CONNECTED TRANSACTIONS
AND REVISION OF ANNUAL CAPS**

The Company anticipates that the maintenance work, the bagging and loading work and the mining services, which are currently being provided by Jin Gang to Kinsenda Mine, will be expanded to the Group's other mining operations in the DRC and Zambia. To better regulate and monitor similar transactions between the Group and Jin Gang from time to time, on 20 November 2019, the Company and Jin Gang entered into the Jin Gang Framework Agreement. The term of the Jin Gang Framework Agreement shall be for a term of three years commencing retrospectively on 1 January 2019 and ending on 31 December 2021 (both days inclusive). In addition, (1) in view of the extended coverage of works under the Jin Gang Framework Agreement, the Company will further revise the aggregate of the annual cap amounts for the maintenance work, the bagging and loading work and the mining services contemplated under the Jin Gang Framework Agreement (i.e. the aggregate amount that included as well the annual caps under the Mining Contract and the Maintenance Contract (as amended by the Amendment Agreement)); and (2) the Company will set the annual cap with respect to the leasing of Kinsenda's equipment by Jin Gang under the Mining Contract for the three years ending 31 December 2021.

As one or more of the applicable percentage ratios in respect of each of the aggregate annual cap amounts for the maintenance work, the bagging and loading work and the mining services contemplated under the Jin Gang Framework Agreement (i.e. the aggregate amount that included as well the annual caps under the Mining Contract and the Maintenance Contract (as amended by the Amendment Agreement)) and the annual caps for the leasing of Kinsenda's equipment by Jin Gang under the Mining Contract exceeds 0.1% but less than 5% as calculated in accordance with Rule 14.07 of the Listing Rules, the Jin Gang Framework Agreement and the revised annual caps contemplated thereunder, and the leasing of Kinsenda's equipment by Jin Gang under the Mining Contract and the proposed annual caps contemplated thereunder are subject to the reporting and announcement requirements but are exempt from Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

I. INTRODUCTION

Reference is made to (1) the announcements published by the Company dated 17 July 2018 and 31 December 2018 in relation to, among other things, the provision of maintenance work and the bagging and loading work contemplated under the Maintenance Contract and the Amendment Agreement by Jin Gang to Kinsenda Mine; and (2) the said announcement published by the Company dated 17 July 2018 in relation to, among other things, the provision of underground mining services by Jin Gang to Kinsenda Mine.

The Company anticipates that the maintenance work, the bagging and loading work and the mining services, which are currently being provided by Jin Gang to Kinsenda Mine, will be expanded to the Group's other mining operations in the DRC and Zambia. To better regulate and monitor similar transactions between the Group and Jin Gang from time to time, on 20 November 2019, the Company and Jin Gang entered into the Jin Gang Framework Agreement. In addition, (1) in view of the extended coverage of the works under the Jin Gang Framework Agreement, the Company will further revise the aggregate of the annual cap amounts for the maintenance work, the bagging and loading work and the mining services contemplated under the Jin Gang Framework Agreement (i.e. the aggregate amount that included as well the annual caps under the Mining Contract and the Maintenance Contract (as amended by the Amendment Agreement)); and (2) the Company will set the annual cap with respect to the leasing of Kinsenda's equipment by Jin Gang under the Mining Contract for the three years ending 31 December 2021.

II. RELATIONSHIP BETWEEN THE PARTIES

The Company is an investment holding company. The principal business of the Group is the mining operations, primarily copper and cobalt production and the trading of mineral and metal products. The Company has a significant portfolio of mineral assets and has successfully positioned itself as an international upstream non-ferrous metals company.

JCG is the ultimate holding company of the Company and as at the date of this announcement, 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.

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 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.

Jin Gang, a company incorporated in the DRC and is principally engaged in engineering, construction, mining construction, equipment maintenance as well as trading. Jin Gang is an indirect non wholly-owned subsidiary of JCG and therefore an associate of the Company under the Listing Rules. The transactions contemplated under the Jin Gang Framework Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

III. JIN GANG FRAMEWORK AGREEMENT

(a) Principal terms of the Jin Gang Framework Agreement

Date

20 November 2019

Parties

- (i) the Company; and
- (ii) Jin Gang

Term

For a term of three years commencing retrospectively on 1 January 2019 and ending on 31 December 2021 (both days inclusive).

Subject matter

Pursuant to the Jin Gang Framework Agreement, Jin Gang as contractor shall provide maintenance work, the bagging and loading work and the mining services (which shall include, but not limited to the development of the decline, access cross cuts, gathering drives, footwall drives, ventilation cross cuts, ventilation drive, ventilation raises, service raises, pump chamber, stope mining and remedial work activities underground) to the Group during the term.

Contract price

The contract price for the maintenance, bagging and loading work for each implementation contract made under the Jin Gang Framework Agreement shall be determined based on arm's length terms at the time when such contract is entered into between relevant member(s) of the Group and Jin Gang in according with the pricing mechanism mentioned below. The contract price for the mining work for each implementation contract made under the Jin Gang Framework Agreement shall be determined based on the estimated quantity of capital development, operational development and production of the mining work in accordance with the pricing mechanism mentioned below. According to the Mining Contract and the Maintenance Contract (as amended by the Amendment Agreement), payment of the contract price shall be settled in cash in arrears on a monthly basis. Payment of the contract price will be settled in cash in arrears on a monthly basis or in accordance with the payment terms agreed by the relevant parties in the implementation contracts to be entered into pursuant to the Jin Gang Framework Agreement.

Termination

Either party can terminate the Jin Gang Framework Agreement by giving to the other six months' prior notice to such effect.

(b) Revision of Annual Caps

The table below sets out the original annual caps under each of the Mining Contract and the Maintenance Contract (as amended by the Amendment Agreement) and the revised annual caps under the Jin Gang Framework Agreement (i.e. the aggregate amount that included as well the annual caps under the Mining Contract and the Maintenance Contract (as amended by the Amendment Agreement)):

	Period from 17 July 2018 to 31 December 2018 (US\$)	Year ending 31 December 2019 (US\$)	Year ending 31 December 2020 (US\$)	Period from 1 January 2021 to 16 July 2021 (US\$)
Original annual caps for the mining work under the Mining Contract	7,270,538	14,541,076	14,541,076	7,270,538
Original annual caps for the maintenance, bagging and loading work under the Maintenance Contract (as amended by the Amendment Agreement)	490,000	1,210,000	1,210,000	720,000

	Year ending 31 December 2019 (US\$)	Year ending 31 December 2020 (US\$)	Year ending 31 December 2021 (US\$)
Revised annual caps under the Jin Gang Framework Agreement (i.e. the aggregate amount that included as well the annual caps under the Mining Contract and the Maintenance Contract (as amended by the Amendment Agreement))	17,500,000	17,500,000	17,500,000

For the period from 17 July 2018 to 31 December 2018 and the period from 1 January 2019 to 30 September 2019, the transaction amounts for the mining work paid under the Mining Contract were US\$6,625,000 and US\$8,947,030, respectively.

For the period from 17 July 2018 to 31 December 2018 and the period from 1 January 2019 to 30 September 2019, the transaction amounts for the maintenance, bagging and loading work paid under the Maintenance Contract (as amended by the Amendment Agreement) were US\$490,000 and US\$831,135, respectively.

The revised annual caps under the Jin Gang Framework Agreement have been determined with reference to (i) the historical transaction amounts of the maintenance work, the bagging and loading work and the underground mining services provided by Jin Gang to Kinsenda Mine; (ii) the Group's existing and future operational needs for similar services; (iii) the anticipated increase for maintenance and mining work by the Group's mining operations in the DRC and Zambia; and (iv) a reasonable buffer for any upward adjustments in the contract price pursuant to the terms of the relevant individual contracts. Given the nature of the contracts, the Directors are of the view that the proposed revised annual caps set out above are fair and reasonable.

IV. LEASING OF KINSENDA'S EQUIPMENT

Background

Pursuant to the Mining Contract entered into between Kinsenda and Jin Gang on 17 July 2018, if Jin Gang shall request Kinsenda to make available to Jin Gang certain equipment belonging to Kinsenda for the performance of its work under the Mining Contract and if Kinsenda shall agree to such a request the equipment or facilities may be charged to Jin Gang at agreed rental rates. The rental cost shall be deducted from the monthly mining expenses payment to Jin Gang by Kinsenda.

Leasing fee

According to the Mining Contract, Jin Gang shall pay to Kinsenda for leasing its equipment at the quantity and price (excluding VAT), details of which are set out below:

No.	Equipment	Type	Quantity	Rental/ unit set (US\$ per month)	Total Rental (US\$ per month)
1.	Underground Mine Truck	Atlas MT5020	2	20,350.00	40,700.00
2.	Rig	Atlas Boomer S1D	2	10,858.00	21,716.00
3.	Rig	Atlas Simba S7D	1	12,723.00	12,723.00
4.	Underground LHD	Atlas ST1530	3	18,684.00	56,052.00
5.	Underground Service Vehicle	Liberator Scissorslift	1	5,127.00	5,127.00
6.	Rock Scaler	Bell Mobile 220	1	2,984.00	2,984.00
	Total				139,302.00

In special circumstances, Jin Gang shall be permitted to lease additional equipment on short term lease periods from Kinsenda at pre-determined rate(s) (on hourly basis) according to the Mining Contract.

Basis of determining the leasing fee

The leasing fee for Kinsenda's equipment under the Mining Contract was fixed in the bidding document leading to the Mining Contract, and such leasing fee was determined with reference to market rental price(s) for similar or comparable equipment charged by other independent third party.

For the period from 17 July 2018 to 31 December 2018 and the period from 1 January 2019 to 31 October 2019, the transaction amounts (unaudited) for leasing of Kinsenda's equipment by Jin Gang paid under the Mining Contract were US\$478,956 and US\$1,277,216, respectively. Up to the date of this announcement, as the relevant percentage ratio in respect of the leasing of Kinsenda's equipment by Jin Gang is less than 0.1%, the leasing transaction under the Mining Contract fall to be de minimis transactions under Rule 14A.76 of the Listing Rules and are therefore exempt from reporting, annual review, announcement and the Independent Shareholders' approval requirements.

Due to the lease period will last longer than originally expected, the Board is of the view that the leasing fee will likely exceed the de minimis threshold. In order to better regulate the leasing of Kinsenda's construction equipment by Jin Gang under the Mining Contract going forward, the Company proposes to set annual caps for each of three years ending 31 December 2021:

Annual Caps

The table below sets out the annual caps for the leasing of Kinsenda's equipment by Jin Gang under the Mining Contract for each of the three years ending 31 December 2021:

Year ending 31 December 2019 (US\$)	Year ending 31 December 2020 (US\$)	Year ending 31 December 2021 (US\$)
2,000,000	2,000,000	2,000,000

In arriving at the proposed annual caps, the Directors have taken account of the rental payment made by Jin Gang in recent months, and assuming there is no interruption in the leasing period and the inclusion of a buffer for additional equipment required on an ad hoc and/or short term basis.

V. REASONS FOR AND BENEFITS OF ENTERING INTO THE TRANSACTIONS WITH JIN GANG

The Company anticipates that the demand for maintenance work at Ruashi Mine will become more frequent in the upcoming years as the equipment and machines have been in operation for a period of time and involve more complex metallurgy process.

Currently, equipment maintenance contracts of the Group (apart from Kinsenda Mine) are mainly maintained through the procurement of independent contractors' services on a time and materials basis. After continuous evaluation of Jin Gang's performance under the Maintenance Contract and the Amendment Agreement, the Group considers it is in the best interest of the Group to further expand the co-operation between the Group and Jin Gang in Africa, and in particular, to Ruashi Mine, another major operation of the Group in the DRC.

The Company also anticipates that the cost for mining services at both Kinsenda Mine and Ruashi Mine to increase as the operations go deeper in the future.

As Jin Gang is an existing and experienced service provider and has good understanding to the Group's production, the Directors believe that Jin Gang is able to provide the Group with the maintenance work, the bagging and loading work and the mining services in a timely and reliable manner, thereby minimising the management and operational costs of the Group, and maintaining the good standard of the maintenance work.

The Jin Gang Framework Agreement serves to provide a centralized control and management system in relation to the maintenance work, the bagging and loading work and the mining services between the Group and Jin Gang from time to time.

Kinsenda purchased equipment for its mining shaft construction and daily mining operations. Kinsenda has spared capacity and is able to lease out the equipment to Jin Gang on payment of the leasing fee for Jin Gang's performance of mining work. The parties considered that it is mutually beneficial to all parties under the arrangement.

The Directors (including the independent non-executive Directors) consider that (i) the transactions contemplated under the Jin Gang Framework Agreement and the leasing of Kinsenda's equipment by Jin Gang under the Mining Contract are to be carried out in the ordinary and usual course of business of the Group; (ii) the terms of the Jin Gang Framework Agreement and the leasing of Kinsenda's equipment by Jin Gang under the Mining Contract are on normal commercial terms, on terms that are fair and reasonable, and in the interests of the Company and the Shareholders as a whole; and (iii) the revised annual caps under the Jin Gang Framework Agreement and the annual caps for the leasing of Kinsenda's equipment by Jin Gang under the Mining Contract are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

VI. PRICING MECHANISM AND INTERNAL CONTROL

For the maintenance work and/or bagging and loading work contemplated under the Jin Gang Framework Agreement, the basic contract price will be determined by considering the quality and fee level of similar services provided by different service providers in the same industry in the DRC and/or, as the case may be, Zambia. For the mining services contemplated under the Jin Gang Framework Agreement, the Group will primarily adopt public bidding in accordance with the Group's internal guideline for bidding.

The arrangement between the Group and Jin Gang under the Jin Gang Framework Agreement is non-exclusive and there should be no bias or preference for the Group to deal with Jin Gang.

In addition, the Group has in place internal control measures for choosing between Jin Gang and other independent third party for providing similar or comparable services. In particular, before entering into specific contract under the Jin Gang Framework Agreement with Jin Gang, at least three quotations from different parties (including Jin Gang) will be obtained by the Group for any contracts with sum above US\$10,000. The screening process, rationale and result on the potential service providers will be documented and submitted to the senior management of the Group for review and final approval before entering into specific contract with the successful service provider.

As part of the Company's internal control measures, the implementation of the Jin Gang Framework Agreement and the relevant pricing terms in accordance with the general transaction principles therein, including the relevant charges and expenses will be monitored and reviewed by the Board and the senior management of the Group on a regular basis.

The pricing terms will be reviewed by the senior management of the Group prior to the execution of any specific contract under the Jin Gang Framework Agreement with Jin Gang to ensure that the relevant general transaction principles are being complied with on arm's length basis and the terms are no less favourable than those offered by independent third parties. The Company will evaluate the continuing connected transactions on a yearly basis.

VII. IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios in respect of each of the aggregate annual cap amounts for the maintenance work, the bagging and loading work and the mining services contemplated under the Jin Gang Framework Agreement (i.e. the aggregate amount that included as well the annual caps under the Mining Contract and the Maintenance Contract (as amended by the Amendment Agreement)) and the annual caps for the leasing of Kinsenda's equipment by Jin Gang under the Mining Contract exceeds 0.1% but less than 5% as calculated in accordance with Rule 14.07 of the Listing Rules, the Jin Gang Framework Agreement and the revised annual caps contemplated thereunder, and the leasing of Kinsenda's equipment by Jin Gang under the Mining Contract and the proposed annual caps contemplated thereunder are subject to the reporting and announcement requirements but are exempt from Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

VIII. BOARD CONFIRMATION

None of the Directors have any material interest in the Jin Gang Framework Agreement (including the Maintenance Contract (as amended by the Amendment Agreement) and the Mining Contract) for which they would be required to abstain from voting on the relevant board resolution(s) approving such agreement 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(s) in connection with the Jin Gang Framework Agreement, the revision of the aggregate annual cap amounts for the maintenance work, the bagging and loading work and the mining services contemplated under the Jin Gang Framework Agreement (i.e. the aggregate amount that included as well the annual caps under the Mining Contract and the Maintenance Contract (as amended by the Amendment Agreement)) and the annual caps for the leasing of Kinsenda's equipment by Jin Gang under the Mining Contract, as they also serve as directors and/or senior management of JCG.

IX. DEFINITIONS

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

“Amendment Agreement”	the amendment agreement entered into between Kinsenda and Jin Gang on 31 December 2018 relating to the amendments to the Maintenance Contract
“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)
“Director(s)”	the director(s) of the Company
“DRC”	the Democratic Republic of Congo
“Group”	collectively, the Company and its subsidiaries controlled by the Company from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“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 and associates controlled by it from time to time and, for the purpose of this announcement, excluding the Group
“Jin Gang”	Jin Gang (D.R Congo) SA, an indirect non wholly-owned subsidiary of JCG
“Jin Gang Framework Agreement”	the contract entered into between the Company and Jin Gang on 20 November 2019 in relation to the provision of maintenance work, the bagging and loading work and the mining services, provided or to be provided by Jin Gang to the Group from time to time
“Kinsenda”	Kinsenda Copper Company SA, a company incorporated in the DRC and an indirect non wholly-owned subsidiary of the Company
“Kinsenda Mine”	an underground copper mine owned by Kinsenda and situated in Katanga Province in the DRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Maintenance Contract”	the contract entered into between Kinsenda and Jin Gang on 17 July 2018 relating to the provision of maintenance work in the process and backfill plants in the Kinsenda Mine by Jin Gang to Kinsenda

“Mining Contract”	the contract entered into between Kinsenda and Jin Gang on 17 July 2018 relating to the provision of underground mining services in Kinsenda Mine by Jin Gang to Kinsenda and, if required, leasing of Kinsenda’s equipment by Jin Gang
“PRC”	the People’s Republic of China, for the purposes of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“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
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“US\$”	United States dollars, the lawful currency of the United States of America
“Zambia”	the Republic of Zambia
“%”	per cent

* For identification purpose only

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

Hong Kong, 20 November 2019

As at the date of this announcement, 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.