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JINCHUAN 金川

JINCHUAN GROUP INTERNATIONAL RESOURCES CO. LTD

金川集團國際資源有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2362)

CONTINUING CONNECTED TRANSACTIONS

On 14 April 2022 (after trading hours), the Company and JCG entered into the 2022 CCT Agreement in relation to the continuing connected transactions for the trading of Mineral and Metal Products between the Group and JCG Group. Subject to the fulfilment of the conditions precedent, the 2022 CCT Agreement shall commence from 1 June 2022 to 31 May 2025 (both days inclusive).

As at the date of this announcement, through its wholly-owned subsidiaries, JCG indirectly owns 7,593,009,857 Shares, representing approximately 60.21% 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 Annual Caps as calculated in accordance with Rule 14.07 of the Listing Rules exceeds 5%, the 2022 CCT Agreement and the transactions contemplated thereunder including the Proposed Annual Caps are therefore 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 2022 CCT Agreement and the transactions contemplated thereunder including the Proposed Annual Caps. JCG and its associates will abstain from voting on the relevant resolution(s) to be passed at the EGM.

The Company has established an independent board committee, comprising all the independent non-executive Directors, to advise the Independent Shareholders in connection with the 2022 CCT Agreement and Proposed Annual Caps. The Company has appointed Altus as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the 2022 CCT Agreement and Proposed Annual Caps.

A circular of the EGM containing, among other things, (i) further details of the 2022 CCT Agreement and Proposed Annual Caps; (ii) the advice and recommendations from the Independent Board Committee in respect of the 2022 CCT Agreement and Proposed Annual Caps; (iii) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders in respect of the 2022 CCT Agreement and Proposed Annual Caps; and (iv) a notice of the EGM will be dispatched to the Shareholders on or before 29 April 2022.

1. 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 date of this announcement, through its wholly-owned subsidiaries, JCG indirectly owns 7,593,009,857 Shares, representing approximately 60.21% 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.

2. BACKGROUND

The Company and JCG entered into the 2019 CCT Agreement for the purpose of governing the trading of Mineral and Metal Products between the Group and JCG Group. The 2019 CCT Agreement will expire on 31 May 2022.

To continue the trading of Mineral and Metal Products between the Group and JCG Group, on 14 April 2022 (after trading hours), the Company and JCG entered into the 2022 CCT Agreement. The 2022 CCT Agreement and the transactions contemplated thereunder including the Proposed Annual Caps are conditional upon the approval of the Independent Shareholders at the EGM.

3. 2022 CCT AGREEMENT

On 14 April 2022 (after trading hours), the Company and JCG entered into the 2022 CCT Agreement in relation to the continuing connected transactions for the trading of Mineral and Metal Products between the Group and JCG Group.

The principal terms of the 2022 CCT Agreement are as follows:

Date

14 April 2022

Parties

- (i) the Company (as seller); and
- (ii) JCG (as buyer)

Term

Subject to the fulfilment of the conditions precedent, the 2022 CCT Agreement shall commence from 1 June 2022 to 31 May 2025 (both days inclusive). 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 2022 CCT Agreement.

Subject Matter

Pursuant to the 2022 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 announcement, 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 2022 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 2022 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 2022 CCT Agreement and the transactions contemplated thereunder including the Proposed 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 2022 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), the relevant product(s) and the trading price(s) (as determined in accordance with the pricing mechanism under the 2022 CCT Agreement), 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 2022 CCT Agreement, subject to certain adjustments mainly involving 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 copper price quoted on the LME; or (ii) the cobalt price quoted on the MB; or (iii) the nickel price 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 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.

4. 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 2019 (US\$)	Year ended 31 December 2020 (US\$)	Year ended 31 December 2021 (US\$)	One month ended 31 January 2022 (US\$)
Historical annual caps under the 2019 CCT Agreement	490 million	490 million	490 million	204 million (for the five months ended 31 May 2022)
Historical trading amounts under the 2019 CCT Agreement	Nil	Nil	22.1 million	10.7 million

There were no transactions recorded between the Group and JCG Group under the 2019 CCT Agreement for the years ended 31 December 2019 and 2020 and the historical trading amount in the year ended 31 December 2021 was US\$22.1 million, representing 4.5% of historical annual cap under 2019 CCT Agreement. The low trading activities between the Group and JCG Group under the 2019 CCT Agreement were mainly due to more competitive pricing terms from other independent third party buyers during the tender process. Although JCG Group had participated in several rounds of tenders of the Group in each of the years ended 31 December 2019, 2020 and 2021, most of the price offered by JCG Group in those tenders were not among the highest. As such, JCG Group had not been successful in those tenders and the corresponding purchase and sales contracts were awarded to the independent third party buyers. As mentioned in the paragraph headed 9. INTERNAL CONTROLS below, 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 and will only select the successful buyer by the way of tender.

Further, the Group has temporarily ceased exporting copper concentrates produced by the Group's DRC subsidiary between August 2019 to July 2021 as a new local refinery was launched in 2019 and bought additional refining capacity in the DRC. Upon the expiry of the local refining contract in July 2021, the Group has concluded new export offtake agreements and JCG was one of the successful bidders of the new copper concentrate contract. The contract became effective from September 2021 and the delivery quantity has gradually ramped up in the remaining months of 2021. The trading amount in the one month ended 31 January 2022 was US\$10.7 million, representing 26.2% of the pro-rata historical annual cap under 2019 CCT Agreement for the five months ending 31 May 2022. The Group expects the transaction among the Group and JCG Group will gradually recover when JCG Group successfully bid future tenders and therefore has proposed the lowered annual caps for the three years ending 31 May 2025 than the historical annual caps as stated in the above table.

5. PROPOSED ANNUAL CAPS AND THE DETERMINATION BASIS

The following table sets out the Proposed Annual Caps:

	Seven months ending 31 December 2022 (US\$)	Year ending 31 December 2023 (US\$)	Year ending 31 December 2024 (US\$)	Five months ending 31 May 2025 (US\$)
Proposed Annual Caps	260 million	450 million	450 million	187 million

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

- 1) The acute fluctuation of the price and demand for copper and cobalt. The average benchmark LME copper and MB cobalt prices in 2021 were US\$9,315 per tonne and US\$23.9 per pound respectively, representing a 51% and 55% increase as compared to the average benchmark copper and cobalt prices in 2020 of US\$6,169 per tonne and US\$15.4 per pound respectively. LME copper price increased by approximately 25% from the end of 2020 and reached US\$9,692 per tonne by the end of 2021. The average monthly copper and cobalt price between January 2020 and December 2021 of US\$7,742 per tonne and US\$19.7 per pound are adopted for estimating the Proposed Annual Caps.
- 2) The possible sale of around 50% of copper cathode and/or around 100% of cobalt hydroxide produced by Ruashi Mine in the DRC and the possible sale of around 50% of copper concentrate produced by Kinsenda Mine in the DRC, subject to tendering and bidding exercise outcome.
- 3) The inclusion of a 25% buffer representing approximately 3 months of the sales value of the Mineral and Metal Products for the Proposed Annual Caps. Given the volatility of the prices of Mineral and Metal Products, the transaction amount under the Continuing Connected Transactions could increase significantly even when there is no significant increase in the volume of Mineral and Metal Products sold and purchased under the Continuing Connected Transactions. As such, 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 Transactions, 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 realising sales value, it would also need 20-25 days for its management team to access actual sales value after delivery of products and realising of sales revenue.

Shareholders should note that the Proposed Annual Caps represent an estimate based on information currently available and that the actual utilisation and sufficiency of the Proposed 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 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 2022 CCT Agreement in the coming years.

6. REASONS FOR THE BENEFIT OF THE 2022 CCT AGREEMENT

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

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

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.

The Directors consider that it is beneficial for the Company and its Shareholders as a whole to continue selling copper, cobalt and nickel to JCG Group on the following grounds:

- (a) JCG Group has been one of the top copper, cobalt and nickel processing companies in the PRC for years. Historically, JCG Group has been the key processing player with whom global copper, cobalt and nickel miners would like to do business. 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 copper, cobalt and nickel processing production in the PRC. It has processing capacity to take a significant portion of production of the Group's operation.
- (c) The copper, cobalt and nickel 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 Mineral and Metal Products between the Group and JCG Group is mutually beneficial to both parties.

Sales to 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, Company E and Company F.

The table below sets out the sales transaction amounts of Mineral and Metal Products to these major customers (who are Independent Third Parties) for the three years ended 31 December 2021:

	2019 Sales Amount (US\$'000)	2020 Sales Amount (US\$'000)	2021 Sales Amount (US\$'000)
Company A	140,881	166,349	219,484
Company B	158,446	103,965	136,013
Company C	N/A	N/A	132,861
Company D	92,963	108,326	114,054
Company E	52,814	66,693	82,607
Company F	N/A	32,000	70,285

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 the DRC, Singapore, Hong Kong and the PRC for the past three years ended 31 December 2021.

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 years ended 31 December 2019, 2020 and 2021 represents 100%, 100% and 97.5% of the total actual sales amount respectively.

No Heavy Reliance

Approximately 2.5% of the Group's Mineral and Metal Products were sold to the JCG Group in the year ended 31 December 2021, 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 one of the potential 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 changing 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, nickel and other commodities 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 the DRC, Hong Kong, 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 matte, 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 maintain a healthy balance in 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.
- 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 certain 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 2022 CCT Agreement, the Group can vary the sales volume should there be any adverse change of terms of sale or logistics arrangement for sale to JCG Group and/or Independent Third Parties. 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) while the Company experienced a drop in revenue in trading of externally sourced mineral and metal products (including provisional pricing adjustment) from approximately US\$781,490,000 for the year ended 31 December 2019 to approximately US\$166,893,000 for the year ended 31 December 2020. Such reduction in revenue was mainly due to the voluntary liquidation of Shanghai Jinchuan Junhe, one of the principal trading arms jointly set up by the Group and Junhe Group to operate a trading business line for products including copper cathode, nickel cathode, etc. to Independent Third Parties, in 2020. While the voluntary liquidation of Shanghai Jinchuan Junhe has reduced the revenue recorded by the Company, such liquidation would not greatly affect the profit recorded by the Company, since the products traded under Shanghai Jinchuan Junhe are traded at prices marked up by only a small margin. In addition, the setting up of another trading business line in Hong Kong has grown its trading volume in 2021 and has led to the increase in trading revenue in 2021;

- b) 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;
- c) 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
- d) the temporary 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 8. PRICING MECHANISM OF THE CONTINUING CONNECTED TRANSACTIONS of this announcement, 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 2022 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 2022 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.

7. REASONABLENESS AND FAIRNESS OF THE 2022 CCT AGREEMENT AND THE PROPOSED ANNUAL CAPS

The terms of the 2022 CCT Agreement have been agreed upon arm's length negotiation between the Company and JCG and the pricing mechanism contemplated under the 2022 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 2022 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 2022 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 2022 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 2022 CCT Agreement (including the Proposed Annual Caps) are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

8. 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 cathode and 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 cathode and 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.

9. INTERNAL CONTROLS

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 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 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 2022 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 2022 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 2022 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).

The Group has also taken necessary and additional measures in the reporting and documentation system of the Company and its subsidiaries to ensure that the Proposed Annual Caps would not be exceeded, including:

- (a) updating the trend of trading prices of the Mineral and Metal Products regularly by taking into account the development of the Group and market conditions;
- (b) conducting more frequent reviews on the aggregate transaction amounts of the Continuing Connected Transactions and checking with the trading department on the forecast over the transaction amounts of the Continuing Connected Transactions to avoid the approved annual cap regarding the Continuing Connected Transactions from being exceeded;
- (c) expediting the data collection process within the Group including the connected relationship between members within JCG Group and the Group so as to assure all necessary requirements of the Listing Rules are complied with; and

- (d) enhancing the supervision of the Continuing Connected Transactions of the Group by providing trading data, on a monthly basis, for review by the management and members of the Risk Management Committee and the Audit Committee of the Company.

In addition, the Company will also make timely announcement(s) and seek Independent Shareholders' approval, initiated by the Board, in the event that any adjustment to an annual cap becomes foreseeable, based on the review and reasonable assessment of the monthly reports submitted.

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 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 date of this announcement, through its wholly-owned subsidiaries, JCG indirectly owns 7,593,009,857 Shares, representing approximately 60.21% 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 Annual Caps as calculated in accordance with Rule 14.07 of the Listing Rules exceeds 5%, the 2022 CCT Agreement and the transactions contemplated thereunder including the Proposed Annual Caps are therefore 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 2022 CCT Agreement and the transactions contemplated thereunder including the Proposed 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 2022 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 Annual Caps are fair and reasonable; and (3) the 2022 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 2022 CCT Agreement and Proposed Annual Caps for which they would be required to abstain from voting on the relevant board resolution approving the 2022 CCT Agreement and the Proposed Annual Caps pursuant to the Articles of Association of the Company. However, for good corporate governance, Ms. Cai Juan, Mr. Liu Jian, Mr. Cheng Yonghong and Mr. Gao Tianpeng voluntarily abstained from voting on the relevant board resolution in connection with the 2022 CCT Agreement and Proposed Annual Caps, as they also serve as directors and/or senior management of JCG and/or JCHK.

The Company has established an independent board committee, comprising all the independent non-executive Directors, to advise the Independent Shareholders in connection with the 2022 CCT Agreement and Proposed Annual Caps. The Company has appointed Altus as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the 2022 CCT Agreement and Proposed Annual Caps.

A circular of the EGM containing, among other things, (i) further details of the 2022 CCT Agreement and Proposed Annual Caps; (ii) the advice and recommendations from the Independent Board Committee in respect of the 2022 CCT Agreement and Proposed Annual Caps; (iii) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders in respect of the 2022 CCT Agreement and Proposed Annual Caps; and (iv) a notice of the EGM will be dispatched to the Shareholders on or before 29 April 2022.

13. DEFINITIONS

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

“2019 CCT Agreement”	the agreement dated 5 June 2019 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 retrospectively from 1 June 2019 and expiring on 31 May 2022
“2022 CCT Agreement”	the agreement dated 14 April 2022 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 from 1 June 2022 and expiring on 31 May 2025
“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 2022 CCT Agreement and the Proposed Annual Caps
“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 2022 CCT Agreement
“COVID-19”	Novel coronavirus pneumonia epidemic
“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 United Conference Centre, 10/F United Centre, 95 Queensway, Hong Kong at 4:00 p.m. on Wednesday, 25 May 2022 for, among other matters, approving the 2022 CCT Agreement and the transactions contemplated thereunder including the Proposed Annual Caps
“Group”	collectively, the Company and its subsidiaries and associates controlled by the Company from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent 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 2022 CCT Agreement and the transactions contemplated thereunder including the Proposed 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 and associates controlled by it from time to time, for the purpose of this announcement, 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, a company established in the PRC

“Kinsenda Mine”	an underground copper mine owned by the Group and situated in Katanga Province in the DRC
“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 recognised publisher of reference prices for long-term cobalt trading contracts which are timely published on its designated website (www.metalbulletin.com) on a daily 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
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Proposed Annual Caps”	the proposed annual caps of the Continuing Connected Transactions for the seven-month period ending 31 December 2022, two financial years ending 31 December 2023 and 2024 and the five-month period ending 31 May 2025, details of which are set out in the paragraph headed 5. PROPOSED ANNUAL CAPS AND THE DETERMINATION BASIS
“Ruashi Mine”	an opencast oxide copper and cobalt mine owned by the Group and situated in the DRC on the outskirts of Lubumbashi, the capital of Katanga Province

“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. Shanghai Jinchuan Junhe was voluntarily liquidated in June 2021
“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
“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 announcement are included for information only, and are not official English translations of such Chinese names or words.

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

Hong Kong, 14 April 2022

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