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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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**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 or transferred** 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 transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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; AND NOTICE OF EXTRAORDINARY GENERAL MEETING**

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

**ALTUS CAPITAL LIMITED**

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A letter from the Board is set out on pages 6 to 28 of this circular. A letter from the Independent Board Committee is set out on pages 29 to 30 of this circular. A letter from Altus containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 31 to 51 of this circular.

A notice convening the EGM to be held at United Conference Centre, 10/F, United Centre, 95 Queensway, Hong Kong at 4:00 p.m. on Wednesday, 25 May 2022 is set out on pages 59 to 60 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 4:00 p.m. on Monday, 23 May 2022) 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.

#### **PRECAUTIONARY MEASURES FOR THE EXTRAORDINARY GENERAL MEETING**

Please see pages 27 to 28 of this circular for measures to be taken to try to prevent and control the spread of COVID-19 disease at the EGM, which includes:

- **compulsory temperature check**
- **submission of health declaration form**
- **wearing of surgical face mask is mandatory (please bring your own)**
- **no distribution of gift vouchers and refreshments**

**To the extent permitted under law, we reserve the right to deny entry into the EGM venue or require any person to leave the EGM venue if person(s) attending the EGM does not comply with the above precautionary measures. The Company reminds Shareholders that they may appoint the Chairperson of the EGM as their proxy to vote on the relevant resolution as an alternative to attending the EGM in person.**

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## DEFINITIONS

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

“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
“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 2022 CCT Agreement
“COVID-19”	Novel coronavirus pneumonia epidemic

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## DEFINITIONS

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“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 circular, excluding the Group

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## DEFINITIONS

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“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
“Latest Practicable Date”	22 April 2022
“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 ( <a href="https://www.lme.com/">https://www.lme.com/</a> ) 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 ( <a href="http://www.metalbulletin.com">www.metalbulletin.com</a> ) 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 circular, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

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## DEFINITIONS

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“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”
“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
“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
“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)
“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)
“Zambia”	the Republic of Zambia
“US\$”	United States dollars, the lawful currency of the United States of America

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## DEFINITIONS

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“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.*

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**LETTER FROM THE BOARD**

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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)**

*Executive Directors:*

Mr. Cheng Yonghong (*Chairman of the Board*)

Mr. Gao Tianpeng (*Chief Executive Officer*)

*Non-executive Directors:*

Mr. Liu Jian

Mr. Wang Qiangzhong

*Independent Non-executive Directors:*

Mr. Yen Yuen Ho, Tony

Mr. Poon Chiu Kwok

Mr. Yu Chi Kit

*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

29 April 2022

*To the Shareholders*

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS;  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**A. INTRODUCTION**

Reference is made to (1) the announcement and the circular in relation to, among others, the continuing connected transactions under the 2019 CCT Agreement published by the Company on 5 June 2019 and 21 June 2019, respectively; and (2) the announcement regarding the 2022 CCT Agreement and the Proposed Annual Caps published by the Company on 14 April 2022.



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## LETTER FROM THE BOARD

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The purpose of this circular is to provide the Shareholders with information on, among other things, considering and approving the 2022 CCT Agreement and the transactions contemplated thereunder, including the Proposed Annual Caps contained in the notice of EGM, so that the Shareholders may make an informed decision on voting in respect of the resolution to be tabled at the EGM.

### **B. CONTINUING CONNECTED TRANSACTIONS**

#### **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 Latest Practicable Date, 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.

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## LETTER FROM THE BOARD

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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 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 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.

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## LETTER FROM THE BOARD

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### ***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.

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## LETTER FROM THE BOARD

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### ***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.

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## LETTER FROM THE BOARD

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### 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 prices 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.

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## LETTER FROM THE BOARD

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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 bids 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.

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## LETTER FROM THE BOARD

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- 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 month 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.

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## LETTER FROM THE BOARD

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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.



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## LETTER FROM THE BOARD

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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:

	<b>2019</b>	<b>2020</b>	<b>2021</b>
	<b>Sales</b>	<b>Sales</b>	<b>Sales</b>
	<b>Amount</b>	<b>Amount</b>	<b>Amount</b>
	<i>(US\$'000)</i>	<i>(US\$'000)</i>	<i>(US\$'000)</i>
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.

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## LETTER FROM THE BOARD

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### ***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.

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## LETTER FROM THE BOARD

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- 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 maintain a healthy balance in 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.

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## LETTER FROM THE BOARD

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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 the 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.

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## LETTER FROM THE BOARD

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- 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 were 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.

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## LETTER FROM THE BOARD

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With that said, as demonstrated in the section headed “8. 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 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.

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## LETTER FROM THE BOARD

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None of the Directors have any material interest in the 2022 CCT Agreement and the Proposed Annual Caps contemplated thereunder 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 contemplated thereunder pursuant to the Articles of Association of the Company. However, for good corporate governance, Ms. Cai Juan (a former Director at the date of approving the 2022 CCT Agreement), Mr. Liu Jian, Mr. Cheng Yonghong and Mr. Gao Tianpeng, have voluntarily abstained from voting on the relevant board resolution in connection with the 2022 CCT Agreement and the Proposed Annual Caps contemplated thereunder, as they also serve as directors and/or senior management at JCG and/or its subsidiaries.

### **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.

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## LETTER FROM THE BOARD

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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.



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## LETTER FROM THE BOARD

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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

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## LETTER FROM THE BOARD

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- (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 Latest Practicable Date, 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 to be passed at the EGM.

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## LETTER FROM THE BOARD

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### 12. CONFIRMATION OF THE BOARD

The Directors (including Ms. Cai Juan, a former Director at the date of approving the 2022 CCT Agreement, and all 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 (the former Director at the date of approving the 2022 CCT Agreement), 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.

### C. EXTRAORDINARY GENERAL MEETING

The Company will convene the EGM on Wednesday, 25 May 2022, to seek approval from Shareholders, among other things, the 2022 CCT Agreement and Proposed Annual Caps. JCG and its associates (holding an aggregate of 7,593,009,857 Shares in the Company, representing approximately 60.21% 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 2022 CCT Agreement and Proposed Annual Caps at the EGM. The proposed resolution regarding the 2022 CCT Agreement and the Proposed Annual Caps contemplated thereunder will be passed by way of ordinary resolution.

Set out on pages 59 to 60 is a notice to convene the EGM to be held at United Conference Centre, 10/F, United Centre, 95 Queensway, Admiralty, Hong Kong at 4:00 p.m. on Wednesday, 25 May 2022 at which ordinary resolution will be proposed to the Shareholders to consider, and if thought fit, approve the 2022 CCT Agreement and the Proposed Annual Caps contemplated thereunder.

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 4:00 p.m. on Monday, 23 May 2022) 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.

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## LETTER FROM THE BOARD

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### **D. 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.

### **E. CLOSURE OF REGISTER OF MEMBERS**

The Register of Members will be closed from Thursday, 19 May 2022 to Wednesday, 25 May 2022 (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 Wednesday, 18 May 2022. Shareholders whose names are recorded on the Register of Members on Wednesday, 25 May 2022 are entitled to attend and vote at the EGM.

### **F. RECOMMENDATIONS**

Your attention is drawn to the letter from the Independent Board Committee set out on pages 29 to 30 of this circular which contains its recommendation to the Independent Shareholders in relation to the 2022 CCT Agreement and the Proposed Annual Caps. Your attention is also drawn to the letter from Altus set out on pages 31 to 51 of this circular which contains its recommendations to the Independent Board Committee and the Independent Shareholders in relation to the 2022 CCT Agreement and the Proposed 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 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. Accordingly, it recommends that the Independent Shareholders vote in favour of the resolution to approve the 2022 CCT Agreement and the Proposed Annual Caps.

The Directors consider that the resolution 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 resolution to be proposed at the EGM.

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## LETTER FROM THE BOARD

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### G. PRECAUTIONARY MEASURES FOR THE EXTRAORDINARY GENERAL MEETING

**In view of the recent development of COVID-19, the Company strongly advises Shareholders, particularly Shareholders who are subject to compulsory quarantine in relation to COVID-19, to vote at the EGM by the use of the Proxy Form, i.e., to indicate your voting preference in the Proxy Form and appoint the Chairperson of the EGM as your proxy to vote on your behalf at the EGM venue.**

Furthermore, the Company will implement the following measures in an effort to reduce the risk of infection for the participants at the EGM:

- Compulsory body temperature check will be conducted on all participants at the entrance of the EGM venue. Any person with a body temperature of over 37.4 degrees Celsius will not be given access to the venue;
- All participants are required to submit a health declaration form before entering the EGM venue. Any person who does not comply with this requirement will not be given access to the venue;
- All participants at the EGM are required to wear surgical face masks at all times during their attendance of the EGM; and
- No refreshment will be served and no gift voucher will be distributed at the EGM to avoid close contact amongst participants.

To the extent permitted under law, we reserve the right to deny entry into the EGM venue or require any person(s) to leave the EGM venue if person(s) attending the EGM does not comply with the above precautionary measures.

If Shareholders have chosen not to attend the EGM in person and have any questions about the relevant resolution, they are welcome to contact the Company via the following:

E-mail: [comsec@jinchuan-intl.com](mailto:comsec@jinchuan-intl.com)

Tel: +852 3919 7268

Fax: +852 3919 7208

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## LETTER FROM THE BOARD

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If Shareholders have any questions relating to the EGM, please contact our Company's Branch Share Registrar, its name, address and contact details are as follows:

Boardroom Share Registrars (HK) Limited  
2103B, 21/F,  
148 Electric Road,  
North Point, Hong Kong

E-mail: [srinfo.hk@boardroomlimited.com](mailto:srinfo.hk@boardroomlimited.com)

Tel: +852 2153 1688

Fax: +852 3020 5088

We sincerely apologise for any inconvenience caused due to the measures taken to protect participants against the COVID-19.

### **H. ADDITIONAL INFORMATION**

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

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

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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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)**

29 April 2022

*To the Independent Shareholders*

Dear Sir or Madam,

### **CONTINUING CONNECTED TRANSACTIONS**

We refer to the circular dated 29 April 2022 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 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; (ii) whether the Proposed Annual Caps are fair and reasonable; and (iii) whether 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, 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 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; (ii) whether the Proposed Annual Caps are fair and reasonable; and (iii) whether 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, and to advise the Independent Shareholders on how to vote at the EGM.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Having taken into account the principal factors and reasons considered by, and the recommendations of Altus contained in its letter set out on pages 31 to 51 of the Circular, we are of the view that the terms of the 2022 CCT Agreement and the Proposed Annual Caps are fair and reasonable, and the 2022 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 the 2022 CCT Agreement and the Proposed Annual Caps contemplated thereunder.

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

**Yen Yuen Ho, Tony, Poon Chiu Kwok  
and Yu Chi Kit**  
*Independent Non-executive Directors*



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## LETTER FROM ALTUS

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*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 2022 CCT Agreement and the Proposed 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

29 April 2022

*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,

### 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 2022 CCT Agreement and the Proposed Annual Caps. Details of which are set out in the “Letter from the Board” contained in the circular dated 29 April 2022 (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.

On 14 April 2022 (after trading hours), the Company and JCG entered into the 2022 CCT Agreement, pursuant to which 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 letter, excluding the Group) to purchase from the Group, the Mineral and Metal Products that the Group may source from third parties or produced by the mines of the Group during the term of the 2022 CCT Agreement.

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## LETTER FROM ALTUS

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### LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, 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 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 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 to be passed at the EGM.

None of the Directors have any material interest in the 2022 CCT Agreement and the Proposed Annual Caps contemplated thereunder 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 contemplated thereunder pursuant to the Articles of Association of the Company. However, for good corporate governance, Ms. Cai Juan (a former Director at the date of approving the 2022 CCT Agreement), Mr. Liu Jian, Mr. Cheng Yonghong and Mr. Gao Tianpeng have voluntarily abstained from voting on the relevant board resolution in connection with the 2022 CCT Agreement and the Proposed Annual Caps, 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. Yen Yuen Ho, Tony, Mr. Poon Chiu Kwok and Mr. Yu Chi Kit, being all the independent non-executive Directors, has been established to advise the Independent Shareholders on (i) whether the terms of the 2022 CCT Agreement are on normal commercial terms and are fair and reasonable; (ii) whether the 2022 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 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.

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## LETTER FROM ALTUS

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### 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 2022 CCT Agreement are on normal commercial terms and are fair and reasonable; (ii) whether the 2022 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 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 have not acted as the 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 2022 CCT Agreement and the Proposed Annual Caps 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 reviewed, amongst others, (i) the 2022 CCT Agreement; (ii) the 2019 CCT Agreement; (iii) the annual results announcement of the Company for the year ended 31 December 2021 (the “**2021 Annual Results Announcement**”); (iv) the annual report of the Company for the year ended 31 December 2020 (the “**2020 Annual Report**”); and (v) other information as set out in the Circular.

We have also relied on the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us by the Company, the Directors and the management of the Group (the “**Management**”). We have assumed that all the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us were true, accurate and complete at the time they were made and will continue to be so up to the date of EGM. The Directors collectively and individually accept full responsibility, including particulars given in compliance with the Listing Rules for the purpose of giving information with regards to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other facts the omission of which would make any statement in the Circular misleading.

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.

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## LETTER FROM ALTUS

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We consider that we have been provided with, and have reviewed, sufficient information to reach an informed view and provide a reasonable basis for our opinion. We have not, however, conducted an independent investigation into the business, financial conditions and affairs or future prospects of the Group. The Company will notify the Shareholders of any material change after the Latest Practicable Date and after the despatch of the Circular.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

#### **1. Background**

##### ***1.1 Principal businesses of the Group and JCG Group***

The Company is an investment holding company. The Group is principally engaged in 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.

##### ***1.2 Operating results of the Group***

Set out below is a summary of the operating results of the Group for the years ended 31 December 2019, 2020 and 2021 as extracted from the 2020 Annual Report and 2021 Annual Results Announcement.

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## LETTER FROM ALTUS

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	<b>For the year ended 31 December</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
	(audited)	(audited)	(audited)
Revenue			
– Sale of copper	637,288	382,825	392,290
– Sale of cobalt	<u>159,790</u>	<u>131,958</u>	<u>79,502</u>
	797,078	514,783	471,792
Provisional pricing adjustment	<u>34,821</u>	<u>16,719</u>	<u>(6,384)</u>
Revenue – reported measure	831,899	531,502	465,408
Gross profit	251,665	86,557	50,072
Profit for the year	162,007	41,921	11,136

*Note:* According to the 2020 Annual Report, during the year ended 31 December 2020, the Group discontinued the trading of Mineral and Metal Products operations in the PRC. The operating results as extracted above represent the Group's continuing operations. For further details, please refer to the 2020 Annual Report.

Set out below is a table illustrating the volume sold and the average realised price of copper and cobalt from the Group's mining operations (excluding the Group's trading operations) for the years ended 31 December 2019, 2020 and 2021 as extracted from the 2020 Annual Report and 2021 Annual Results Announcement.

	<b>For the year ended 31 December</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
	Volume of copper sold (tonnes)	57,001	67,843
Volume of cobalt sold (tonnes)	2,617	5,468	4,831
Average price realised per tonne of copper (US\$)	9,018	5,721	5,130
Average price realised per tonne of cobalt (US\$)	40.738	20,031	16,116

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## LETTER FROM ALTUS

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*Year ended 31 December 2020 compared to year ended 31 December 2019*

The Group principally derives its revenue from the sale of metals, primarily being copper and cobalt. As a result, financial performance of the Group was heavily impacted by the fluctuation in commodity prices. The Group recorded revenue of approximately US\$531.5 million in 2020, representing an increase of approximately 14.2% from approximately US\$465.4 million during the previous year. Such increase was mainly attributable to the increased revenue from sale of cobalt, while partially offset by a slight decrease in revenue derived from sale of copper. The cobalt revenue increased significantly by approximately 66.0% from approximately US\$79.5 million in 2019 to approximately US\$132.0 million in 2020, due to the increased volume of cobalt sold, as well as the higher average cobalt price realised in 2020 as compared to 2019. The copper revenue decreased slightly by approximately 2.4% to approximately US\$382.8 million in 2020 from approximately US\$392.3 million in 2019, mainly due to the decrease in volume of copper sold and partially offset by the increase in average copper price realised in 2020 as compared to 2019.

As a result of the increased revenue as discussed above, the Group's gross profit increased significantly by approximately 72.9% from approximately US\$50.1 million in 2019 to approximately US\$86.6 million in 2020; while the profit for the year also increased significantly by approximately 276.4% from approximately US\$11.1 million in 2019 to approximately US\$41.9 million in 2020.

*Year ended 31 December 2021 compared to year ended 31 December 2020*

The Group continued to deliver improvement in financial results in 2021, which were primarily driven by the higher commodity prices. The Group's revenue amounted to approximately US\$831.9 million in 2021, representing an increase of approximately 56.5% from approximately US\$531.5 million in 2020. Such increase was attributable to the increased revenue from sales of cobalt and copper. The cobalt revenue increased by approximately 21.1% from approximately US\$132.0 million in 2020 to approximately US\$159.8 million in 2021, mainly due to the higher average cobalt price realised in 2021 as compared to 2020. The copper revenue increased significantly by approximately 66.5% to approximately US\$637.3 million in 2021 from approximately US\$382.8 million in 2020, mainly due to the increase in average copper price realised in 2021 as compared to 2020.

As a result of the increased revenue as discussed above, the Group's gross profit increased significantly by approximately 190.8% from approximately US\$86.6 million in 2020 to approximately US\$251.7 million in 2021; while the profit for the year also increased significantly by approximately 286.5% from approximately US\$41.9 million in 2020 to approximately US\$162.0 million in 2021.

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## LETTER FROM ALTUS

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### ***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 2022 CCT Agreement and the Continuing Connected Transactions contemplated thereunder adhere to the business strategy of the Company, which also represents a continuation of the long-term relationship between the Group and JCG Group and will be conducted in the ordinary and usual course of business of the Group.

### ***1.4 Prospects of the Group***

According to the 2021 Annual Results Announcement, the global mining industry underwent severe challenges which were caused mainly by the disruptions arising from COVID-19. The commodities price has been highly volatile since the beginning of 2020 and expect to continue in the near future. For LME copper price, it reached a bottom of as low as US\$4,617.5 per tonne in March 2020 and have since rebounded to a historical high of US\$10,720 per tonne in May 2021. Meanwhile, Russia produced around 3.5% of global copper production in 2021 according to US Geological Survey (USGS) and any potential disruption to Russia's copper production may also lead to copper price volatility. The Management believes copper fundamental factors remain strong, in particular, as a critical commodity in construction and infrastructure, copper will benefit from economic recovery and the copper price is expected to stay strong when the COVID-19 pandemic is contained. For cobalt price, it transacted within the range of US\$13.75 per pound to US\$17.0 per pound in 2020. In 2021, cobalt price has gradually rebounded and reached US\$33.5 per pound by the end of December 2021. The increase in cobalt price continued in 2022 and has reached US\$38.7 per pound by mid March 2022.

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## LETTER FROM ALTUS

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The Management expects that both copper and cobalt markets will continue to be difficult to operate in the near future mainly due to challenges arising from COVID-19. The Group will continue to monitor all factors causing market fluctuation and will ensure the Group is able to respond to market changes in a prepared and timely manner. As advised by the Management, the Group's focus in the near future will be the construction of the Musonoi copper-cobalt mine in Kolwezi, the DRC, which construction commenced in December 2019 and was in good progress in 2021.

Apart from its existing operations in Africa, the Group will actively look into the market and seek for investment opportunities which can provide the Group with growth and synergies. In addition, the Group also strives to continuously reduce its production costs and to increase production and sales to achieve better profitability.

### **2. Reasons for and benefits of the 2022 CCT Agreement**

As stated in the paragraph headed "1.1. Principal businesses of the Group 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 2022 CCT Agreement represents a continuation of the existing arrangement in respect of the trading of Mineral and Metal Products between the Group and JCG Group. As the most recent agreement, being the 2019 CCT Agreement, will expire on 31 May 2022, the Company entered into the 2022 CCT Agreement with JCG on 14 April 2022. Subject to approval by the Independent Shareholders at the EGM, the 2022 CCT Agreement would take effect from 1 June 2022 and be valid until 31 May 2025.

The Group has been selling the Mineral and Metal Products to JCG Group for over a decade with consecutive renewals, during which JCG Group has brought a stable revenue stream to the Group's revenue and demonstrated its credit-worthiness by settling the invoices of the Group in a timely manner. Taking into account the long-term harmonious business relationship with JCG Group and benefits brought to the Group, as well as the price payable by JCG Group are fair and reasonable and on normal commercial terms or better as further elaborated below, the Directors consider that it is beneficial to the Company and its Shareholders as a whole to continue the sale of Mineral and Metal Products to JCG Group under the 2022 CCT Agreement, if the tendering outcome is in favour of JCG Group.

Setting the Proposed Annual Caps under the 2022 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.



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## LETTER FROM ALTUS

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Having considered the above, we believe the 2022 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 its Shareholders as a whole.

### **3. Principal terms of the 2022 CCT Agreement**

#### ***3.1 The 2022 CCT Agreement***

The products to be sold under the 2022 CCT Agreement are Mineral and Metal Products, which are the same as those prescribed in the 2019 CCT Agreement. For details of the 2022 CCT Agreement, please refer to the “Letter from the Board” of the Circular. To assess the fairness and reasonableness of the 2022 CCT Agreement, we have considered the followings.

##### *3.1.1 Term*

The 2022 CCT Agreement shall represent a continuation of the 2019 CCT Agreement and commence from 1 June 2022 to 31 May 2025.

##### *3.1.2 Subject matter*

Pursuant to the 2022 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 produced 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.

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## LETTER FROM ALTUS

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### *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 2022 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 price of copper quoted on the LME; or (ii) the price of cobalt quoted on the MB; or (iii) the 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 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 recognised 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 obtained and reviewed a full list of 15 contracts entered into by the Group in respect of the sale of copper products during the term of the 2019 CCT Agreement. Amongst which, (i) two contracts were related to transactions conducted between the Group and JCG Group; and (ii) 13 contracts were related to transactions conducted between the Group and Independent Third Parties. It is noted that all of the contracts reviewed by us are mineral offtake agreements which, by its nature, can be few for each year. As such, we believe that it is an exhaustive list of contracts in relation to the trading of copper products entered into during the term of the 2019 CCT Agreement. We noted that:

- (i) it is a common practice for metal traders to adopt pricing mechanism that make reference to the prices of the relevant metal as announced by the LME after making certain adjustments according to the metal content and quality; 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.

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## LETTER FROM ALTUS

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In respect of cobalt

We have obtained and reviewed a full list of 15 contracts entered into by the Group in respect of the sale of cobalt products during the term of the 2019 CCT Agreement. All of which, being 15 contracts in total, were related to transactions conducted between the Group and Independent Third Parties. According to the Management, the Group did not enter into any contract with JCG Group in respect of the trading of cobalt products during the term of the 2019 CCT Agreement. It is noted that all of the contracts reviewed by us are mineral offtake agreements which, by its nature, can be few for each year. As such, we believe that it is an exhaustive list of contracts in relation to the trading of cobalt products entered into during the term of the 2019 CCT Agreement. We noted that:

- (i) it is a common practice for metal traders to adopt pricing mechanism that make reference to the prices of the relevant metal as announced by the MB after making certain adjustments according to the metal content and quality; and
- (ii) the terms and pricing mechanisms of the reviewed contracts entered into between the Group and Independent Third Parties were in line with the terms and pricing mechanisms under the 2022 CCT Agreement.

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 General transaction principles***

As described in the “Letter from the Board” of the Circular, the 2022 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;

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## LETTER FROM ALTUS

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- (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.

Having reviewed and compared the contracts entered into between the Group and JCG Group or Independent Third Parties during the term of the 2019 CCT Agreement as discussed in the paragraph headed “3.1.3 Pricing mechanism – basis of determining the selling prices of the Mineral and Metal Products” above, which according to the Management is an exhaustive list of relevant contracts entered into during the term of the 2019 CCT Agreement, we noted that all of them are conducted in accordance with the above general principles.

### **3.3 Section summary**

Taking into account the above and 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, we are of the view that the terms of the 2022 CCT Agreement are fair and reasonable.

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## LETTER FROM ALTUS

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### 4. Proposed Annual Caps

#### 4.1 Historical annual caps and trading amounts

The following table sets out (i) the historical annual caps approved for the 2019 CCT Agreement; and (ii) the historical trading amounts of Mineral and Metal Products between the Group and JCG Group for the periods indicated below respectively.

	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 ending 31 May 2022)
Historical trading amounts under the 2019 CCT Agreement	Nil	Nil	22.1 million	10.7 million
Utilisation rate	N/A	N/A	4.5%	26.2% <sup>(Note)</sup>

*Note:* The utilisation rate for the one month ended 31 January 2022 is calculated based on (i) historical trading amount for the one month ended 31 January 2022; and divided by (ii) the historical annual cap for the one month ended 31 January 2022 calculated on a pro-rata basis.

As shown in the above table, the utilisation rates of historical annual caps were approximately 4.5% and 26.2% for the year ended 31 December 2021 and the one month ended 31 January 2022 respectively. 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. As advised by the Management, the low utilisation rates of historical annual caps under the 2019 CCT Agreement were mainly due to more competitive pricing terms from other independent third party buyers during the tender process. As such, the corresponding purchase and sales contracts had been awarded to the independent third party buyers. In this regard, as elaborated in the paragraph headed “9. Internal controls” in the “Letter from the Board” of the Circular, we noted that 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. We have obtained and reviewed the tender documents submitted by JCG Group during the term of the 2019 CCT Agreement (the “**Historical JCG Tenders**”). We noted that JCG Group had certain level of demand in the Group’s Mineral and Metal Products during the term of the 2019 CCT Agreement. For illustrative purpose only, in the event that those Historical JCG Tenders had been awarded to JCG Group, the utilisation rates of historical annual caps under the 2019 CCT Agreement would have been approximately 43.7%, 44.5% and 57.4% for the three years ended 31 December 2021 respectively.

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## LETTER FROM ALTUS

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Further, as advised by the Management, the low historical utilisation rates were being further augmented by the fact that the Group decided to sell/treat copper concentrate only in the DRC in 2019 and 2020 after considering the prevailing availability of refinery capacity in the DRC, which was more cost beneficial to the Group. As such, JCG Group did not enter into any export contracts in relation to copper concentrate during the said period. The Group resumed exporting copper concentrate in late 2021 as the refinery capacity was no longer available since then.

As a result, the utilisation rate increased to approximately 26.2% for the one month ended 31 January 2022 due to the resumption of export of copper concentrate. The Management expects the transaction among the Group and JCG Group will gradually recover when JCG Group successfully bids 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.

### **4.2 Proposed Annual Caps**

The following table sets out the Proposed Annual Caps.

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

In determining the above Proposed Annual Caps, we understand from the Management that the Company has taken into consideration (i) the acute fluctuation of the price and demand for copper and cobalt; (ii) 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; 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 Annual Caps.

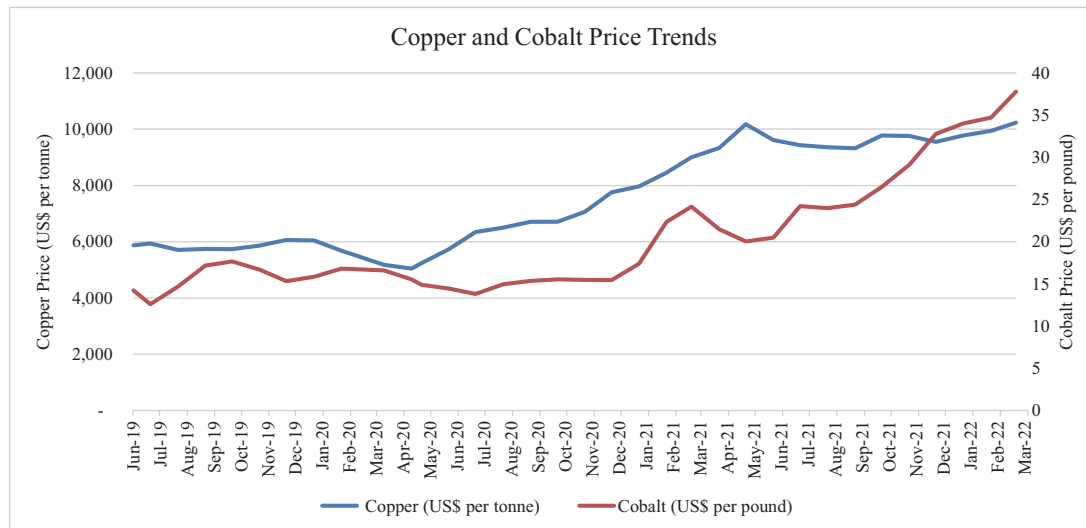
To consider whether the Proposed Annual Caps for the 2022 CCT Agreement are fair and reasonable, we have taken into account the following factors. In particular, as the Group mainly derives its revenue from the sale of copper and cobalt as shown in the paragraph headed “1.2 Operating results of the Group” above, we have principally considered copper and cobalt and their historical prices as well as production output in analysing the components constituting the Proposed Annual Caps for the 2022 CCT Agreement.

## LETTER FROM ALTUS

### 4.2.1 The Proposed Annual Cap for the seven months ending 31 December 2022

#### 4.2.1.1 The historical copper and cobalt prices

Set out below is the chart showing the monthly average copper and cobalt prices between June 2019 (the beginning period of the 2019 CCT Agreement) to March 2022 for the purpose of illustrating copper and cobalt historical price trends.



Source: LME and MB

As shown in the above chart, copper and cobalt prices remained relatively stable from June 2019 to December 2019, where more prominent upward trends can be observed since 2020. In 2021, the average benchmark LME copper and MB cobalt prices were approximately US\$9,315 per tonne and US\$23.9 per pound respectively, representing approximately 51% and 55% increase as compared to the average benchmark copper and cobalt prices in 2020 of approximately US\$6,169 per tonne and US\$15.4 per pound respectively. We understand in deriving the Proposed Annual Cap for the seven months ending 31 December 2022, the Management has adopted the average monthly price of copper and cobalt between January 2020 and December 2021 of US\$7,742 per tonne and US\$19.7 per pound respectively.

We consider by making reference to the latest two years' average copper and cobalt market price, being the period when the recent upward trends were being observed, in deriving the Proposed Annual Cap for the seven months ending 31 December 2022, as fair and reasonable.

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## LETTER FROM ALTUS

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### 4.2.1.2 The historical and estimated output from Ruashi Mine and Kinsenda Mine

Set out below is the table of copper and cobalt output from Ruashi Mine and Kinsenda Mine over the past three years ended 31 December 2021.

	<b>For the year ended 31 December</b>			<b>For the seven months ending 31 December</b>
	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
	<i>tonnes</i>	<i>tonnes</i>	<i>tonnes</i>	<i>tonnes</i>
	(Actual)	(Actual)	(Actual)	(Estimate)
<b>Ruashi Mine</b>				
Copper output	33,824	33,897	33,063	19,287
Cobalt output	5,070	4,158	3,379	1,971
<b>Kinsenda Mine</b>				
Copper output	31,059	30,557	28,197	16,448

In respect of Ruashi Mine, we noted that the production output of copper had remained stable between 2019 and 2020, which the output level had decreased slightly by approximately 2.5% to approximately 33,063 tonnes in 2021 from approximately 33,897 tonnes in 2020. For cobalt output, we noted it is on a decreasing trend from approximately 5,070 tonnes in 2019 to approximately 3,379 tonnes in 2021, mainly due to lower cobalt feed grade and the unavailability of third party ore during the period. In respect of Kinsenda Mine, the production output of copper had remained steady in 2019 and 2020, which the output level had decreased slightly by approximately 7.7% to approximately 28,197 tonnes in 2021 as compared to approximately 30,557 tonnes in 2020. We understand from the Management that the output level in 2022 are expected to remain stable as compared to 2021 with reference to the latest mining plans of both Ruashi Mine and Kinsenda Mine. We consider the Management using the actual output during the latest financial year and to calculate on a pro rata basis to derive the output level for the seven months ending 31 December 2022 as fair and reasonable.



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## LETTER FROM ALTUS

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### 4.2.1.3 Possible sale of around 50% of estimated output level of copper

In arriving at the Proposed Annual Cap for the seven months ending 31 December 2022, we understand the Management has taken into account a possible sale of around 50% of the estimated output level of copper and around 100% of the estimated output level of cobalt. As advised by the Management, it is the Group's practice to award approximate 50% of the copper output level to a single customer as part of the Group's efforts in avoiding customer concentration risk. In this regard, we have obtained and reviewed a full list of tender invitation documents issued by the Group during the term of the 2019 CCT Agreement. We observed from these tender invitations that, in practice, the Group would not sell more than 50% output level of copper of the relevant mine to a single customer. Considering the possible sale of around 50% of estimated output level of copper is in line with the Group's practice, we believe it is fair and reasonable for the Group to take into account such factor in deriving at the Proposed Annual Cap.

### 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 three 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 month 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.

We have discussed the operation flow chart with the Management, and understand that it requires four to six 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 six to ten 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 recognised 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 Transaction.

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## LETTER FROM ALTUS

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As such, we are of the view that the inclusion of a 25% buffer to the Proposed Annual Cap for the seven months ending 31 December 2022 is fair and reasonable.

### 4.2.1.5 Section summary

Taking into account the above, we are of the view that the Proposed Annual Cap for the seven months ending 31 December 2022, which is derived by multiplying the forecasted cobalt and copper prices with 50% of estimated copper output level and 100% of estimated cobalt output level and the additional 25% buffer as fair and reasonable.

### *4.2.2 The Proposed Annual Caps for the years ending 31 December 2023 and 2024 and the five months ending 31 May 2025*

The Proposed Annual Caps for the years ending 31 December 2023 and 2024 and the five months ending 31 May 2025 are determined on an annualised and pro-rata basis respectively based on the Proposed Annual Cap for the seven months ending 31 December 2022. Given that (i) the Proposed Annual Cap for the seven months ending 31 December 2022 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 28,000 to 30,000 tonnes per annum; (iii) the annual output of copper and cobalt from the Ruashi Mine is expected to remain relatively stable at around 30,000 to 33,000 tonnes and 2,700 to 4,000 tonnes per annum respectively; and (iv) the increasing price and demand for copper and cobalt are likely to sustain for a period of time, we believe by determining the Proposed Annual Caps for the years ending 31 December 2023 and 2024 and the five months ending 31 May 2025 on an annualised and pro-rata basis respectively based on Proposed Annual Cap for the seven months ending 31 December 2022 as fair and reasonable.

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## LETTER FROM ALTUS

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### *4.2.3 No heavy reliance*

The Proposed Annual Caps serve as the maximum limit of potential transaction amounts to be conducted between the Group and JCG Group, where the arrangement under the 2022 CCT Agreement is non-exclusive and the Group will only sell the Mineral and Metal Products to JCG Group if the tendering outcome is in favour of JCG Group. We noted that during the term of the 2019 CCT Agreement, the Group and JCG Group only entered into two purchase and sales contracts where majority of the revenue of the Group in fact was derived from Independent Third Parties. This demonstrates the Group's ability to transact with Independent Third Parties and sell them substantially all of its Mineral and Metal Products. The 2022 CCT Agreement merely provides the Group with an additional option in sourcing potential customers and negotiate for the best terms during tendering process when selling its Mineral and Metal Products. We have also considered the fact that, the Proposed Annual Caps of US\$450 million on an annual basis, accounted for less than 55% of the historical revenue of the Group in 2021; while the Group also has internal control measures in place to monitor the Continuing Connected Transactions by the Management and members of the risk management committee and audit committee of the Company on a monthly basis to ensure no material reliance on JCG Group would happen. In addition, we also noted and considered the discussions as elaborated in the paragraph headed "No Heavy Reliance" in the "Letter from the Board" of the Circular. Based on the above, we concur with the Management's view that the 2022 CCT Agreement would not give rise to material reliance of the Company on JCG Group.

## **5. Internal control measures**

The abovementioned basis of determining the selling prices of the Mineral and Metal Products under the 2022 CCT Agreement and the Proposed 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 2022 CCT Agreement, and that the pricing policies will be strictly complied with.

According to the Management, 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 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.

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## LETTER FROM ALTUS

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The pricing terms will also 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 an 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, detailing the guidance and policies for conducting the transactions contemplated under the 2022 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 2022 CCT Agreement and the Proposed Annual Caps going forward.

Given the above, we consider that there exist appropriate procedures and arrangements to ensure that the transactions contemplated under the 2022 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, we are of the view that (i) the terms of the 2022 CCT Agreement are on normal commercial terms and are fair and reasonable; (ii) the 2022 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; and (iii) the Proposed Annual Caps are fair and reasonable.

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## LETTER FROM ALTUS

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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 2022 CCT Agreement and the transactions contemplated thereunder (including the Proposed 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 Capital Limited licensed to carry on Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (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 over 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.*

## 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\$
<i>Authorised</i>	
<u>20,000,000,000</u> Shares	<u>200,000,000.00</u>
<i>Issued, to be issued and fully paid</i>	
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 ( <i>Note 1</i> )	6,900,000.00
<u>13,299,873,051</u>	<u>132,998,730.51</u>

*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

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	7,593,009,857(L)	690,000,000(L) 690,000,000(S)	65.69% 5.47%
Jinchuan Group (Hongkong) Resources Holdings Limited	(2), (4) & (5)	Interest of controlled corporation	7,593,009,857(L)	690,000,000(L) 690,000,000(S)	65.69% 5.47%
Jinchuan (BVI) Limited	(2), (4) & (5)	Interest of controlled corporation/Beneficial owner	7,593,009,857(L)	690,000,000(L) 690,000,000(S)	65.69% 5.47%
Jinchuan (BVI) 1 Limited	(2)	Beneficial owner	1,888,449,377(L)	–	14.98%
Jinchuan (BVI) 2 Limited	(2)	Beneficial owner	583,518,372(L)	–	4.63%
Jinchuan (BVI) 3 Limited	(2)	Beneficial owner	534,922,108(L)	–	4.24%
Gansu Province Economy Cooperation Co., Ltd.*		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%

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)
Bank of America Corporation	(6)	Interest of controlled corporation	751,938,481 (L)	–	5.96%
			751,918,000 (S)		5.96%
NB Holdings Corporation	(7) to (10)	Interest of controlled corporation	751,938,481 (L)	–	5.96%
			751,918,000 (S)		5.96%
BofAML Jersey Holdings Limited	(7)	Interest of controlled corporation	747,958,481 (L)	–	5.93%
			748,673,000 (S)		5.94%
BofAML EMEA Holdings 2 Limited	(7)	Interest of controlled corporation	747,958,481 (L)	–	5.93%
			748,673,000 (S)		5.94%
ML UK Capital Holdings Limited	(7)	Interest of controlled corporation	747,958,481 (L)	–	5.93%
			748,673,000 (S)		5.94%
Merrill Lynch International	(7)	Beneficial owner	747,958,481 (L)	–	5.93%
			748,673,000 (S)		5.94%
BofA Securities, Inc.	(8)	Beneficial owner	3,245,000 (L)	–	0.03%
			3,245,000 (S)		0.03%
BAC North America Holding Company	(9)	Interest of controlled corporation	333,000 (L)	–	0.003%
Bank of America, National Association	(9)	Beneficial owner	333,000 (L)	–	0.003%
BofA Securities Europe SA	(10)	Beneficial owner	402,000 (L)	–	0.003%

## Notes:

- The letter “L” denotes the long position in such Shares and the letter “S” denotes the short position in such Shares.
- 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, 583,518,372 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.
- 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. NB Holdings Corporation is 100% owned by Bank of America Corporation.
7. Merrill Lynch International is 100% owned by ML UK Capital Holdings Limited. ML UK Capital Holdings Limited is 80.1% owned by BofAML EMEA Holdings 2 Limited. BofAML EMEA Holdings 2 Limited is 100% owned by BofAML Jersey Holdings Limited. BofAML Jersey Holdings Limited is 100% owned by NB Holdings Corporation.
8. BofA Securities, Inc. is 100% owned by NB Holdings Corporation.
9. Bank of America, National Association is 100% owned by BAC North America Holding Company. BAC North America Holding Company is 100% owned by NB Holdings Corporation.
10. BofA Securities Europe SA is 99.9% owned by NB Holdings Corporation.
11. 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. Liu Jian	General Manager of Finance Department
Mr. Cheng Yonghong	Africa Regional Director

Name of Director	Posts held in JCHK
Mr. Gao Tianpeng	Director

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

\* For identification purposes 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 its 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 2021 (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 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 2021 (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. Liu Jian and Mr. Cheng Yonghong held position as senior management in JCG 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 held directorship and position as senior management in JCHK, which indirectly holds 60.21% 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 2021 (the date to which the latest published audited financial statements 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 company secretary of the Company is Mr. Wong Hok Bun Mario.

**11. DOCUMENTS ON DISPLAY**

Copies of the following documents are available on the Stock Exchange's website and the Company's own website for a period of 14 days from the date of this circular:

- (a) the 2022 CCT Agreement;
- (b) the letter from the Independent Board Committee, the text of which is set out in this circular;
- (c) the written consent referred to in the section headed "5. QUALIFICATION AND CONSENT OF EXPERT" in this appendix; and
- (d) the letter from Altus, the text of which is set out in this circular.

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## NOTICE OF EGM

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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)**

**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 United Conference Centre, 10/F, United Centre, 95 Queensway, Hong Kong at 4:00 p.m. on Wednesday, 25 May 2022 for the purpose of considering, and if thought fit, passing the following resolution as ordinary resolution of the Company:

### **ORDINARY RESOLUTION**

(1) **“THAT:**

the agreement dated 14 April 2022 (the “**2022 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 29 April 2022) 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 2025, and the continuing connected transactions contemplated under the 2022 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 2022 CCT Agreement and the Proposed Annual Caps (as defined in the circular of the Company dated 29 April 2022) for the continuing connected transactions contemplated under the 2022 CCT Agreement (for each of the following financial years: (1) the period commencing on 1 June 2022 and ending on 31 December 2022; (2) the financial year ending 31 December 2023; (3) the financial year ending 31 December 2024; and (4) the period commencing on 1 January 2025 and ending on 31 May 2025, being approximately US\$260 million, US\$450 million, US\$450 million and US\$187 million, respectively) be and are hereby approved.”

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

\* *For identification purpose only*

Hong Kong, 29 April 2022

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## NOTICE OF EGM

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*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 Thursday, 19 May 2022 to Wednesday, 25 May 2022 (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 Wednesday, 18 May 2022.

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 4:00 p.m. on Monday, 23 May 2022) 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 notice, the Board comprises two executive Directors, namely Mr. Gao Tianpeng and Mr. Cheng Yonghong; two non-executive Directors, namely 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.*