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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)

DISCLOSEABLE AND CONNECTED TRANSACTION REGARDING CANCELLATION OF GHL'S INVESTMENT RETURN

Reference is made to the Company's announcement published on 24 March 2020 regarding the voluntary liquidation of Shanghai Jinchuan Junhe.

The Board had considered, among other factors, (i) to minimise the uncertainties of the liquidation process; (ii) to maintain a good relation with Junhe Holdings and Junhe Group (a major participant of commodities market in mainland China), and (iii) to expedite the liquidation process so as to recoup the amount of the Group's capital contributed to Shanghai Jinchuan Junhe, GHL, as approved by the Board, agreed to accept to distribute the investment return in the ratio corresponding to the parties' respective shareholding in Shanghai Jinchuan Junhe (that is, 60% and 40%) and to waive the payment of the outstanding GHL's Investment Return otherwise payable by Junhe Holdings or Mr. He.

The Cancellation of GHL's Investment Return constitutes the granting of financial assistance to connected person of the Company, subject to compliance with the requirements under the Listing Rules.

The Cancellation of GHL's Investment Return constitutes a connected transaction under Chapter 14A of the Listing Rules. The amount involved in the Cancellation of GHL's Investment Return exceeds 1% but does not exceed 5% of the applicable percentage ratios (other than the profits ratio) as calculated pursuant to Rule 14.07 of the Listing Rules. Given the amount involved in the Cancellation of GHL's Investment Return exceeds 5% but does not exceed 25% of the profits ratio as calculated pursuant to Rule 14.07 of the Listing Rules, the Cancellation of GHL's Investment Return also constitutes a discloseable transaction under Chapter 14 of the Listing Rules. Therefore, the Company is only required to comply with the reporting and announcement requirements under Rules 14A.71 and 14A.35 of the Listing Rules but is exempt from independent shareholders' approval requirement.

BACKGROUND AND RELATIONSHIP BETWEEN THE PARTIES

Reference is made to the Company's announcement published on 24 March 2020 regarding the voluntary liquidation of Shanghai Jinchuan Junhe.

Shanghai Jinchuan Junhe was established in Shanghai, the PRC on 15 December 2017 with limited liability, with a registered capital of RMB500,000,000 (approximately US\$71,429,000) and a paid up capital of RMB257,552,000 (approximately US\$36,793,000). Pursuant to the JV Agreement, 60% of the registered capital of RMB154,548,000 (approximately US\$22,078,000) was paid by GHL and the remaining 40% of the registered capital of RMB103,004,000 (approximately US\$14,715,000) was paid by Junhe Holdings. Shanghai Jinchuan Junhe was accounted for as a non wholly-owned subsidiary of the Company.

As at the date of this announcement, GHL is an indirect wholly-owned subsidiary of the Company, while Junhe Holdings is a wholly-owned subsidiary of Junhe Group, which is an integrated conglomerate established in Shanghai and engages in various segments of business as supported by Shanghai's robust investment environment and capital flow, including (i) the global trading of non-ferrous metals, precious metals and mineral products; and (ii) industry investment (such as heavy machinery).

Junhe Holdings is a substantial shareholder of Shanghai Jinchuan Junhe and therefore a connected person of the Company at subsidiary level under the Listing Rules, the transaction between the Group (including GHL) and Junhe Group including its subsidiaries and associates constitute connected/continuing connected transactions of the Company, and are subject to the relevant disclosure and (if required) independent shareholders' approval requirements as stipulated in the Listing Rules.

GHL'S INVESTMENT RETURN

As disclosed in the Company's announcement published on 7 September 2018, with respect to the actual investment amount (including but not limited to capital contribution) by GHL in Shanghai Jinchuan Junhe, Junhe Holdings has guaranteed to provide a return of at least 8% per annum on such investment amount ("**GHL's Investment Return**") to GHL. Junhe Holdings and GHL have both agreed that the distributable profit for each financial year of Shanghai Jinchuan Junhe shall be paid firstly to GHL to settle the GHL's Investment Return. Payment of the GHL's Investment Return shall be by way of cash and be paid within 90 days after the end of such financial year of Shanghai Jinchuan Junhe.

To fortify the payment of GHL's Investment Return to GHL, on 7 September 2018, GHL, Junhe Holdings, Junhe Group, Mr. He and Shanghai Jinchuan Junhe entered into the Undertaking and Guarantee Agreement for purposes of securing the due performance of the guarantee obligation of Junhe Holdings to pay the GHL's Investment Return under the JV Agreement.

If Junhe Holdings fails to perform its obligations to pay the GHL's Investment Return when it becomes due under the JV Agreement, then Junhe Group and Mr. He as the guarantors shall pay the GHL's Investment Return to GHL.

CANCELLATION OF GHL'S INVESTMENT RETURN

The Company has received the GHL's Investment Return for the financial year ended 31 December 2018 in the sum of RMB4,505,000 (equivalent to approximately US\$644,000), in of which RMB2,703,000 (equivalent to approximately US\$386,000) was distributed as dividend from Shanghai Jinchuan Junhe and RMB1,802,000 (equivalent to approximately US\$258,000) was received as cash from Junhe Holdings.

GHL has engaged in various rounds of discussions with Junhe Holdings, Junhe Group and Mr. He regarding the GHL's Investment Return for the financial year ended 31 December 2019 and for the period from 1 January 2020 up to the filing of the petition of the voluntary liquidation of Shanghai Jinchuan Junhe. In the course of discussions, Junhe Holdings considered that the GHL's Investment Return had been determined by the shareholders of Shanghai Jinchuan Junhe based on the assumption of ongoing co-operation, and the GHL's Investment Return had failed to reflect the market conditions while the market risks of commodities sector had increased due to trade war and COVID-19. As Shanghai Jinchuan Junhe has been put into liquidation, it would be more reasonable to distribute the investment return in the ratio corresponding to the parties' respective shareholdings in Shanghai Jinchuan Junhe (that is, 60% and 40%). Based on the audited accounts of Shanghai Jinchuan Junhe for the year ended 31 December 2019 and the management accounts of Shanghai Jinchuan Junhe for the period from 1 January 2020 to the date of filing of the petition of the voluntary liquidation of Shanghai Jinchuan Junhe, the outstanding GHL's Investment Return to which GHL is otherwise entitled (which being the difference between the amount of the GHL's Investment Return and the amount distributed to GHL calculated based on the parties' respective shareholdings in Shanghai Jinchuan Junhe, that is, 60% and 40%), amounted to approximately RMB5,717,000 (equivalent to approximately US\$817,000).

The Board had considered, among other factors, (i) to minimise the uncertainties of the liquidation process; (ii) to maintain a good relation with Junhe Holdings and Junhe Group (a major participant of commodities market in mainland China), and (iii) to expedite the liquidation process so as to recoup the amount of the Group's capital contributed to Shanghai Jinchuan Junhe, GHL, as approved by the Board, agreed to accept to distribute the investment return in the ratio corresponding to the parties' respective shareholding in Shanghai Jinchuan Junhe (that is, 60% and 40%) and to waive the payment of the outstanding GHL's Investment Return otherwise payable by Junhe Holdings or Mr. He ("**Cancellation of GHL's Investment Return**").

BOARD'S APPROVAL

The Directors (including the independent non-executive Directors) considered that the Cancellation of GHL's Investment Return was in the ordinary and usual course of business of the Group, on normal commercial terms or better, and in the interests of the Company and its shareholders as a whole, and that its terms are fair and reasonable.

The transaction relating to the Cancellation of GHL's Investment Return was approved and confirmed by the Board on 30 June 2020. None of the Directors has any material interest for which they would be required to abstain from voting on the relevant board resolution approving the transaction.

IMPLICATIONS UNDER THE LISTING RULES

The Cancellation of GHL's Investment Return constitutes the granting of financial assistance to connected person of the Company, subject to compliance with the requirements under the Listing Rules.

The Cancellation of GHL's Investment Return also constitutes a connected transaction under Chapter 14A of the Listing Rules. The amount involved in the Cancellation of GHL's Investment Return exceeds 1% but does not exceed 5% of the applicable percentage ratios (other than the profits ratio) as calculated pursuant to Rule 14.07 of the Listing Rules. Given the amount involved in the Cancellation of GHL's Investment Return exceeds 5% but does not exceed 25% of the profits ratio as calculated pursuant to Rule 14.07 of the Listing Rules, the Cancellation of GHL's Investment Return also constitutes a discloseable transaction under Chapter 14 of the Listing Rules. Therefore, the Company is only required to comply with the reporting and announcement requirements under Rules 14A.71 and 14A.35 of the Listing Rules but is exempt from independent shareholders' approval requirement.

DEFINITIONS

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

"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, 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
“Director(s)”	the director(s) of the Company
“GHL”	Golden Harbour International Trading Limited, a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company
“GHL’s Investment Return”	a return of at least 8% per annum on GHL’s actual investment amount (including but not limited to capital contributed) in Shanghai Jinchuan Junhe, which is more particularly set out in section headed “GHL’s Investment Return” in this announcement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Junhe Group”	Shanghai Junhe Group Co., Ltd, a company established in the PRC and the holding company of Junhe Holdings
“Junhe Holdings”	Junhe Holdings Limited, a company established in the PRC and a subsidiary of Junhe Group
“JV Agreement”	the joint venture agreement dated 12 December 2017 entered into between GHL and Junhe Holdings in relation to the formation of Shanghai Jinchuan Junhe, as supplemented by a further joint venture agreement dated 7 September 2018 entered into between the same parties
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. He”	Mr. He Qi, the de facto controller of Junhe Group
“PRC”	The People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC

“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 limited liability company established under the laws of the PRC and in accordance with the terms of the JV Agreement. Shanghai Jinchuan Junhe is a non wholly-owned subsidiary of the Company
“Shareholder(s)”	holder(s) of the Share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Undertaking and Guarantee Agreement”	the undertaking and guarantee agreement dated 7 September 2018 entered into between GHL, Junhe Holdings, Junhe Group, Mr. He and Shanghai Jinchuan Junhe regarding the GHL’s Investment Return
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent

For the purpose of this announcement, unless otherwise indicated, amounts denominated in RMB have been converted, for the purpose of illustration only, into United States dollars at the exchange rate of RMB7 = US\$1. The exchange rate does not constitute a representation that any amount has been, could have been or may be exchanged at such a rate or at any other rates.

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

Hong Kong, 30 June 2020

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

* For identification purpose only