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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)

**OPERATIONAL UPDATE
FOR THE SIX MONTHS ENDED 30 JUNE 2019;
PROFIT WARNING; AND
FURTHER UPDATE ON THE LEGAL DISPUTE WITH THE NON-CONTROLLING
SHAREHOLDER OF A SUBSIDIARY OF THE GROUP**

This announcement is made by the Company pursuant to Rule 13.09 of the Listing Rules and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The Board would like to inform the shareholders of the Company and potential investors that, based on the preliminary review of the unaudited consolidated management accounts of the Group and the current information available to the Board, the Group is expected to record a substantial decrease in profit attributable to the shareholders of the Company by approximately 90%-100% in 2019 1H as compared to approximately US\$61,022,000 recorded in 2018 1H. The overall financial results of the Group for the six months period ended 30 June 2019 will only be ascertained when all the relevant results and accounting treatments are finalized. The Company will make further announcement as and when required if there is further information in relation to the finalization of financial results of which are material is available.

This announcement is made by Jinchuan Group International Resources Co. Ltd (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The board of directors (the “**Board**”) of the Company announces the unaudited operational update for the six months ended 30 June 2019 (“**2019 1H**”).

OPERATIONAL UPDATE FOR THE SIX MONTHS ENDED 30 JUNE 2019

Operational Data

The Group's operational data of mining operations and the revenue generated from trading of mineral and metal products summarized and shown below in Table 1 are derived from the management account and internal records currently available to the Group. Such operation data are intended to give investors an overview of the Group's operations in a timely manner which may differ from the actual data to be disclosed in the announcement regarding the interim results of the Group for the six months ended 30 June 2019, which is expected to be published before the end of August 2019.

Table 1

	For the six months ended 30 June 2019	For the six months ended 30 June 2018
Mining operations		
Production:		
Copper (<i>tonne</i>)	36,897	30,522
Cobalt (<i>tonne</i>)	2,611	2,579
Product sold:		
Copper (<i>tonne</i>)	38,091	33,064
Cobalt (<i>tonne</i>)	844	2,566
Revenue (including provisional pricing adjustment):		
Copper (<i>US\$'000</i>)	203,386	224,157
Cobalt (<i>US\$'000</i>)	8,718	190,508
Trading of mineral and metal products		
Revenue – trading of externally sourced mineral and metal products (<i>US\$'000</i>)	493,258	410,525

In 2019 1H, the Group's mining operations produced 36,897 tonnes of copper (six months ended 30 June 2018 ("**2018 1H**"): 30,522 tonnes) and 2,611 tonnes of cobalt (2018 1H: 2,579 tonnes).

In 2019 1H, the Group's mining operations sold 38,091 tonnes of copper (2018 1H: 33,064 tonnes), representing an increase of approximately 15% year-on-year compared to 2018 1H, and 844 tonnes of cobalt (2018 1H: 2,566 tonnes), representing a decrease of approximately 67% year-on-year compared to 2018 1H.

Out of the sales of the copper and cobalt, the Group's mining operations generated revenue of approximately US\$203.4 million and US\$8.7 million, respectively (2018 1H: US\$224.1 million and US\$190.5 million, respectively) in 2019 1H, representing approximately 9% and 95% year-on-year decrease as compared to 2018 1H.

Moreover, the revenue generated from trading of externally sourced mineral and metal products amounted to approximately US\$493.3 million, representing an increase of approximately 20% as compared to US\$410.5 million in 2018 1H.

PROFIT WARNING

The Board would like to inform the shareholders of the Company and potential investors that, based on the preliminary review of the unaudited consolidated management accounts of the Group and the current information available to the Board, the Group is expected to record a substantial decrease in profit attributable to shareholders of the Company by approximately 90%-100% in 2019 1H as compared to approximately US\$61,022,000 recorded in 2018 1H. The decrease is attributable to the softer trading conditions and the factors below:

1. Materially lower prices for copper and cobalt in 2019 1H as compared to 2018 1H with market copper and cobalt prices falling by approximately 11% and 59% respectively, leading to a significant drop in revenue. Also, as a result of lower commodity price, there is an adjustment to the provisional sales price previously recognized;
2. In view of the low cobalt price, the Group has strategically slowed its sale of cobalt to connected party and has increased its storage of cobalt inventory, leading to the significant decrease in cobalt quantity sold by approximately 67% in 2019 1H as compared to 2018 1H. Approximately 3,200 tonnes of cobalt hydroxide inventory was recorded as at 30 June 2019 with a net realization value of approximately US\$52 million under the current market terms. The Group believes commodity prices will gradually rebound in the second half of the year and that the Group has the ability to sell its inventories in the global commodity market quickly to realise its inventory value. The Group will continue to monitor the commodity market price fluctuation closely in order to react timely to market changes, and will continue to expand its customer base in search of best market term available. The Group has started the negotiation with cobalt customer(s) in setting relevant contract terms; and
3. As mentioned in the Company's 2018 annual report, the significant increases in royalty rates in The Democratic Republic of Congo on copper and cobalt from 2% to 3.5% since June 2018 and on cobalt from 3.5% to 10% near the end of 2018, leading to a drop in net profit ratio. Such impacts were partially offset by the decrease in commodity volume sold.

The information contained in this announcement is based only on the preliminary assessment by the Board upon its review of the unaudited consolidated management accounts of the Group and the current information available to the Board which have not been audited nor reviewed by the Company's independent auditor.

The overall financial results of the Group for the six months ended 30 June 2019 will only be ascertained when all the relevant results and accounting treatments are finalized. Since the Group's financial performance will also be affected by other factors, the Company will make further announcement as and when required if there is further information in relation to the finalization of financial results of which are material is available. Shareholders of the Company and potential investors are also advised to refer to the details of the Company's interim results announcement for the six months ended 30 June 2019 which will be announced before the end of August 2019.

FURTHER UPDATE ON THE LEGAL DISPUTE WITH THE NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY OF THE GROUP

Reference is made to the announcement (the “**Announcement**”) published by the Company on 8 May 2019 regarding the legal dispute for payment of overdue royalties for years from 2009 to 2017, together with interest, mineral content fee and alleged compensation for loss of the dividend with the Non-controlling Shareholder of a Subsidiary of the Group. Unless otherwise defined herein, capitalized terms used in this announcement shall have the same meanings as those defined in the Announcement.

So far, the Group has not been informed of any further substantive progress of the legal dispute being undertaken by the Non-controlling Shareholder of a Subsidiary. The Company will continue to review the legal dispute and its potential impact on the financial performance of the Group on a regular basis, and will publish further announcement(s) on the update of the legal dispute as and when required.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company, and should note that undue reliance on or use of the above information may cause investment risks.

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

Hong Kong, 1 August 2019

As at the date of this announcement, the Board comprises two executive directors, namely Mr. Gao Tianpeng and Mr. Qiao Fugui; four non-executive directors, namely Mr. Zhang Youda, Mr. Yang Jinshan, Mr. Wang Qiangzhong and Mr. Zeng Weibing; and three independent non-executive directors, namely Mr. Wu Chi Keung, Mr. Yen Yuen Ho, Tony and Mr. Poon Chiu Kwok.