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## **CHINA GOLD INTERNATIONAL RESOURCES CORP. LTD.**

**中國黃金國際資源有限公司**

*(a company incorporated under the laws of British Columbia, Canada with limited liability)*

(Hong Kong Stock code: 2099)

(Toronto Stock code: CGG)

### **CONTINUING CONNECTED TRANSACTIONS AND MAJOR AND DISCLOSEABLE TRANSACTIONS**

#### **BACKGROUND**

On May 24, 2016, the Company entered into the original Loan Framework Agreement with China National Gold, pursuant to which the Company or any of its subsidiaries, agreed to make available to China National Gold or any of its subsidiaries, Loan(s) in an aggregate principal amount of up to US\$200 million. The approval of the original Loan Framework Agreement by the Independent Shareholders was obtained on June 22, 2016. Each Loan outstanding under the Loan Framework Agreement currently expires on July 31, 2017. On May 26, 2017 the Company and China National Gold entered into the Supplemental Loan Framework Agreement to extend the term to July 31, 2020.

On May 7, 2014, Inner Mongolia Pacific entered into the original Contract for Purchase and Sale of Dore with China National Gold for the purpose of regulating the sale and purchase of gold dore to be carried out between them for the three years ending December 31, 2015, 2016 and 2017. On May 26, 2017 the Company and Inner Mongolia Pacific entered into the Supplemental Contract for Purchase and Sale of Dore for an extended term commencing on January 1, 2018 and expiring on December 31, 2020.

On April 26, 2013, the Company entered into the original Product and Service Framework Agreement with China National Gold, pursuant to which China National Gold agreed to provide mining related services and products, to the Company for three years until June 18, 2016 in order to facilitate the Group's operations in the PRC. The Company and China National Gold entered into the first Supplemental Product and Service Framework Agreement on May 29, 2015 to add the sale and purchase of copper concentrates produced at the Jiama Mine. On May 26, 2017, the Company and China National Gold entered into the second Supplemental Product and Service Framework Agreement to extend the term to December 31, 2020 and to extend the scope of the Product and Service Framework Agreement to include leasing services to be provided by a subsidiary of China National Gold.

Inner Mongolia Pacific, Huatailong and China Gold Finance entered into a Financial Services Agreement on May 29, 2015 pursuant to which China Gold Finance agreed to satisfy the financial services needs of Inner Mongolia Pacific and Huatailong within the People's Republic of China by providing the certain functions performed by financial institutions offering flexibility and favourable terms for a term of three years. On May 26, 2017, the Company and China Gold Finance entered into the New Financial Services Agreement pursuant to which China Gold Finance agreed to satisfy the financial needs of the Company and its subsidiaries (including but not limited to Inner Mongolia Pacific and Huatailong) within the People's Republic of China by providing the

certain functions performed by financial institutions on substantially the same terms as the Financial Services Agreement for a term of three years expiring on December 31, 2020. As with the Financial Services Agreement, the daily maximum deposit balance (including accumulative settlement interest) under the New Financial Services Agreement shall not exceed RMB3 billion. Upon the effectiveness of the New Financial Services Agreement (following the approval of the Independent Shareholders) the parties have agreed to terminate the original Financial Services Agreement.

## **IMPLICATIONS UNDER THE HONG KONG LISTING RULES**

### *Major Transactions*

As one or more applicable percentage ratios (as defined under Rule 14.07 of the Hong Kong Listing Rules) in respect of each of the Supplemental Loan Framework Agreement and the Deposit Services under the New Financial Services Agreement, when calculated on an aggregated basis as mentioned above, exceed 25%, the transactions contemplated under the Supplemental Loan Framework Agreement and the Deposit Services under the New Financial Services Agreement on an aggregated basis constitute a major transaction for the Company and is subject to reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Hong Kong Listing Rules.

Further, as one or more applicable percentage ratios (as defined under Rule 14.07 of the Hong Kong Listing Rules) in respect of the leasing services under the leasing services pursuant to the Supplemental Product and Services Framework Agreement exceed 5% but are less than 25%, the transactions contemplated under the Supplemental Product and Services Framework Agreement constitute a discloseable transaction for the Company and is only subject to the reporting and announcement requirements under Chapter 14 of the Hong Kong Listing Rules.

Since the remaining transactions contemplated under the New Financial Services Agreement, the Supplemental Contract for the Purchase and Sale of Dore and the Supplemental Product and Services Framework Agreement are of a revenue nature in the ordinary and usual course of business of the Group, they are not subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Hong Kong Listing Rules.

### *Continuing Connected Transactions*

As at the Latest Practicable Date, China National Gold held approximately 39.3% of the 396,413,753 number of issued Shares through China National Gold Hong Kong Limited, its wholly-owned subsidiary, and thus is the ultimate controlling shareholder of the Company. Accordingly, China National Gold is a connected person of the Company as defined under the Hong Kong Listing Rules.

The transactions contemplated under the Continuing Connected Transactions constitute continuing connected transactions for the Company under Chapter 14A of the Hong Kong Listing Rules.

As one or more applicable percentage ratios (as defined under Rule 14.07 of the Hong Kong Listing Rules) in respect of the Supplemental Loan Framework Agreement and the Deposit Service under the New Financial Services Agreement, when calculated on an aggregated basis as mentioned above, exceed 5% and the anticipated transaction amount exceeds HK\$10,000,000, the transactions contemplated under the Supplemental Loan Framework Agreement and the Deposit Service under the New Financial Services Agreement are subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

Further, as one or more applicable percentage ratios (as defined under Rule 14.07 of the Hong Kong Listing Rules) in respect of each of the other Continuing Connected Transactions (other than the Loans Service, the settlement service and other financial services under the New Financial Services Agreement) exceed 5% and the anticipated transaction amount exceeds HK\$10,000,000, the transactions contemplated under each of such Continuing Connected Transactions are subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

According to Rule 14A.90 of the Hong Kong Listing Rules, the Loan Service under the New Financial Services Agreement constitutes financial assistance to the Group, which as the Directors consider is on normal

commercial terms and not secured by the assets of the Group, is fully exempt from the reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules. In addition, given that all the applicable percentage ratios (as defined under Rule 14.07 of the Hong Kong Listing Rules) in respect of each of the settlement service and other financial services under the New Financial Services Agreement does not exceed 0.1%, such settlement service and other financial services are fully exempt from the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules pursuant to Rule 14A.76(1)(a) of the Hong Kong Listing Rules.

The Company will also disclose the relevant details in the next published annual report of the Company in accordance with the relevant requirements as set out in Rule 14A.71 of the Hong Kong Listing Rules.

The Independent Board Committee comprised of all the independent non-executive Directors was established by the Company to consider the terms of the Continuing Connected Transactions and the transactions contemplated thereunder and to advise and make recommendations to the Independent Shareholders as to how to vote at the Meeting on the ordinary resolution(s) regarding the Continuing Connected Transactions and the transactions contemplated thereunder. The Independent Board Committee, having taken into account, among other things, the advice of TC Capital International Limited, as the Independent Financial Adviser to advise the Independent Board Committee and Independent Shareholders in this regard, considers that each of the Continuing Connected Transactions and the transactions contemplated thereunder have been entered into equitably, determined after arm's length negotiation and on normal commercial terms, are fair and reasonable that are in the interests of the Company and its Shareholders as a whole; and that the Group will remain able to operate independently of the controlling shareholders and its close associates. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolutions in respect of each of the Continuing Connected Transactions and the transactions contemplated thereunder at the Meeting.

#### **GENERAL INFORMATION**

The Company will convene the Meeting in Vancouver, Canada on June 28, 2017 Vancouver time (June 29, 2017 Hong Kong time) for the Independent Shareholders to consider and, if thought fit, approve, among other matters, each of the Continuing Connected Transactions and the transactions contemplated thereunder. China National Gold, the controlling shareholder of the Company, and its respective associates (as defined in the Hong Kong Listing Rules) will abstain from voting on the ordinary resolution(s) approving the Continuing Connected Transactions at the Meeting.

The Independent Board Committee comprising of all the independent non-executive Directors has been established by the Company to consider the terms of the Continuing Connected Transactions and the transactions contemplated thereunder and to advise and make recommendations to the Independent Shareholders as to how to vote at the Meeting on the ordinary resolution(s) regarding the Continuing Connected Transactions and transactions contemplated thereunder. Mr. Ian He, Mr. Yunfei Chen, Mr. Gregory Hall and Mr. John King Burns, all being independent non-executive Directors, have been appointed by the Board to serve as members of the Independent Board Committee. None of the members of the Independent Board Committee has any material interest in the Continuing Connected Transactions and the transactions contemplated thereunder. TC Capital International Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and Independent Shareholders in this regard.

#### **DESPATCH OF INFORMATION CIRCULAR**

An information circular containing, among other things, (i) the Continuing Connected Transactions and the transactions contemplated thereunder and the Caps thereunder, (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from TC Capital to the Independent Board Committee and the Independent Shareholders; (iv) a notice of the Meeting, and (v) other information required under the Hong Kong Listing Rules, will be dispatched to the Shareholders in due course.

## CONTINUING CONNECTED TRANSACTIONS AND MAJOR AND DISCLOSEABLE TRANSACTIONS

### Supplemental Loan Framework Agreement

On May 24, 2016, the Company entered into the Loan Framework Agreement with China National Gold, pursuant to which the Company or any of its subsidiaries, agreed to make available to China National Gold or any of its subsidiaries, Loan(s) in an aggregate principal amount of up to US\$200 million. The approval of the Loan Framework Agreement by the Independent Shareholders was obtained on June 22, 2016, Each Loan outstanding under the Loan Framework Agreement currently expires on July 31, 2017. Please refer to the information circular of the Company dated May 24, 2016 for details. On May 26, 2017 the Company and China National Gold entered into an agreement pursuant to which the parties agreed to extend the term of the Loan Framework Agreement to July 31, 2020.

#### **A. Key terms of the Supplemental Loan Framework Agreement**

<b>Date:</b>	May 24, 2016, as amended on May 26, 2017
<b>Parties:</b>	(a) China Gold International Resources Corp. Ltd. and/or any of its subsidiaries, as lender (collectively, the " <b>Lender</b> "); and (b) China National Gold and/or any of its subsidiaries, as borrower (collectively, the " <b>Borrower</b> ").
<b>Aggregate principal amount</b>	Up to a maximum of US\$200 million. The Borrower may request to draw Loan(s) in one or multiple tranches from the date on which the approval of the Supplemental Loan Framework Agreement by the Independent Shareholders is obtained, based on the Company having sufficient available funds to make available the Loan(s). Any repaid principal amounts of the Loan(s) will refresh the facility amount available for drawing within the term of the Supplemental Loan Framework Agreement provided the aggregate principal amount of all Loan(s) outstanding at any time will not exceed US\$200 million.
<b>Maturity Date:</b>	Maturing July 31, 2020.
<b>Interest:</b>	A fixed interest rate per annum equal to the interest rate applicable to the Proposed Bond Issue plus annualized issuance expenses shall accrue on the principal amount of the Loan(s) calculated from the drawdown date of such tranche, and shall remain unchanged during the term of such tranche until the Maturity Date.  The Proposed Bond Issue is expected to be completed after the date of the Meeting. The interest rate under the Proposed Bond Issue has not been set as of the Latest Practicable Date, but the parties to the Supplemental Loan Framework Agreement have agreed to set the interest rate under the Supplemental Loan Framework Agreement as a fixed rate of interest based on the interest rate applicable to the Proposed Bond Issue.  The interest rate was agreed to by the Company and the Borrower with reference to commercial practice and arm's length negotiations taking into account the Company's current and anticipated cost of capital to ensure that the interest income would be sufficient to pay the Company's interest payment obligations under the Proposed Bond Issuance.
<b>Security:</b>	The Loan(s) to be advanced under the Supplemental Loan Framework Agreement will be unsecured.
<b>Repayment:</b>	The Borrower may, in respect of each Loan, at any time prior to the Maturity Date repay such Loan(s) in whole or in part (and/or the interest accrued thereon, from the date of drawdown until the actual date of repayment), without any penalty at any time after such Loan(s) have been advanced, upon 3 days' notice to the Company.

**Conditions:** The Supplemental Loan Framework Agreement is conditional on the Company completing the Proposed Bond Issue. It is anticipated that the Proposed Bond Issuance will be completed in late June or early July 2017 prior to the maturity of the Bonds. If the Proposed Bond Issue is not completed the Supplemental Loan Framework Agreement will terminate even if shareholder approval has been obtained.

#### **B. Reasons for and benefits of the Supplemental Loan Framework Agreement**

In determining the aggregate principal amount under the original Loan Framework Agreement in 2016, the Company considered its cash and cash equivalents of US\$116.2 million as of March 31, 2016, the progress of its projects, the development and financial needs of the Group during the term of the original Loan Framework Agreement, the level of exposure of counterparty risk by the Group and its current requirements for at least the next twelve (12) months. As of December 31, 2016, the Company had advanced an aggregate of US\$158.5 million to the Borrower at an interest rate of 3.9% and had undeployed available cash of an aggregate of US\$59.9 million.

The Directors consider that the extension of the Supplemental Loan Framework Agreement to July 31, 2020 will enable the Company to continue to reduce the level of its idle cash and its funding strength, through the reasonable allocation of resources and increasing its funding utilization rate. The Directors consider that the Supplemental Loan Framework Agreement has been beneficial to the Group and consider it prudent to extend the term of the Supplemental Loan Framework Agreement to July 31, 2020.

The Loan(s) to be provided to the Borrower under the Supplemental Loan Framework Agreement have been and are intended to continue to be funded from the internal resources of the Group. The Company, either directly or through its subsidiaries, will make available its uncommitted cash. The currently outstanding Loans are significantly comprised of proceeds of the Company's US\$500 million Bonds at a financing rate of 3.5% per annum completed on July 18, 2014. The deployment as a Loan under the original Loan Framework Agreement improved the Group's capital efficiency and better utilized its financial resources by earning interest income in United States dollars to align with the currency of its interest expense obligations. The current interest rate of the Bonds is 3.5% per annum and the interest rate under the Loans is 3.9%. The Company anticipates that the interest rate for the Proposed Bond Issuance will be comparable to the current interest rate under the Loans, and will reflect current market interest rates.

The Company is currently preparing to carry out the Proposed Bond Issue prior to the maturity of the Bonds on July 17, 2017. The Supplemental Loan Framework Agreement is conditional on the completion of the Proposed Bond Issue. The Company considers that the transactions contemplated by the Supplemental Loan Framework Agreement provide significant flexibility in managing its capital structure as it enables the Company to raise debt capital to fund future acquisitions while also managing net interest expenses that are incurred prior to the identification and completion of such future acquisitions.

The Company also took into account additional funding available from its Loan Facility entered into between Huatailong and a syndicate of banks on November 3, 2015 pursuant to which the banks agreed to lend the aggregate principal amount of RMB3.98 billion, approximately US\$627 million subject to a floating rate, currently set at 2.83% per annum, set by the People's Bank of China Lhasa Center Branch's interest rate bench mark, discounted by 7 base points (or 0.07%). As of March 31, 2017, the Company has drawn down approximately US\$458.7 million from the Loan Facility. Please refer to the announcement of the Company dated November 3, 2015. Given the favourable borrowing cost of the Loan Facility, the Group will be able to continue to generate additional profit at a relatively low risk level by taking advantage of the interest rate differentials between the Loan Facility and the anticipated interest rate under the Supplemental Loan Framework Agreement.

The Group estimates the additional profit to be generated from Loan(s) under the Supplemental Loan Framework Agreement to be a minimum US\$800,000 based on 3.9% per annum interest less the Group's annualized finance costs (assuming the interest rate under the Proposed Bond Issue remains 3.5% per annum and the annualized offering expenses amount to 0.3% to result in a 3.9% interest rate under the Supplemental Loan Framework Agreement). Therefore the Group has determined that the Supplemental Loan Framework Agreement will be profitable and is therefore considered to be in the interest of the Company and the Shareholders as a whole. Even if the interest rate under the Proposed Bond Issue is higher than 3.5% per annum, since the interest rate under the Supplemental Loan Framework Agreement is based on such rate the Group will not incur a loss.

At the time a drawdown request is received by the Company, the Company will evaluate its currently available cash, the amount and terms of the available credit under the Loan Facility, the cash flow forecast of the Company, risk analysis of operations and potential interest income receivable from such Loan(s), to ensure it is able to meet its sufficient working capital prior to accepting the request for drawdown and entering into a Loan. The Company will not accept the request for drawdown should the cost of borrowing exceed the interest rate it will charge.

The advancement of any Loan(s) under the Supplemental Loan Framework Agreement will depend on the cash requirement of the Borrower, as well as the amount of available cash of the Lender. At all times, the Company reserves the right to refuse the request by the Borrower, for any drawdown request for Loan(s) and neither the Company nor the Borrower shall have any obligations or liability towards each other in the event such request is refused. In respect of each Loan, individual loan agreement(s) will be entered into between the Lender and the Borrower setting out the interest rate as agreed, the loan amount and the repayment term before the drawdown is funded. The aggregate principal amount of all Loan(s) under the Supplemental Loan Framework Agreement will not exceed US\$200 million.

The terms of the Supplemental Loan Framework Agreement, including the interest rate, were agreed by the Company and China National Gold after arm's length negotiations with reference to the commercial practice of making a profit and preserving capital as its main goals, taking into account the Group's finance costs (i.e. the interest rate of 3.5% per annum for the Bonds, the interest rate of 2.83% for the Loan Facility and anticipated interest rate for the Proposed Bond Issue) and the existing cash balance of the Group.

To the extent the Borrower is a subsidiary of China National Gold, each of the subsidiary of China National Gold and China National Gold will be obligated to cause such subsidiary to satisfy the obligations of the Borrower under the Supplemental Loan Framework Agreement and will be liable for any breach under the Supplemental Loan Framework Agreement by such subsidiary. The Loan(s) would be unsecured based on China National Gold's credit rating and financial status. China National Gold has a favourable credit rating (as shown below), and has a strong financial status (through its ability to obtain significant loan facilities also shown below). The Loan(s) may also be guaranteed by other parties based on the circumstances of each Loan.

China National Gold is a centrally state owned Chinese gold corporation and is the only enterprise in the gold industry in the PRC that explores, produces and processes gold with a grade of Au99999. It is the largest gold producer in the PRC and possesses the largest gold refinery facility in the PRC. It has excellent credibility in the gold industry in the PRC and also has a very good financial history having obtained over US\$10 billion in loan facilities from banks without collateral or security. It has received a BBB rating by Standard and Poor, with a AAA rating by Chinese rating firm.

The Group has a long term cooperative relationship with China National Gold mutually benefiting from a collaborative relationship with a wide view of dealings including overall cost reduction. Since any indebtedness from the Group is considered by China National Gold to represent internal inter-corporate indebtedness, it will not affect China National Gold's indebtedness on a fully consolidated basis.

In addition, pursuant to the terms and conditions of the Supplemental Loan Framework Agreement, the Loan(s), in one or multiple drawdowns, are limited to China National Gold and its subsidiaries, thereby reducing the risk that the Company may otherwise be exposed to if the Loan(s) were provided to unrelated entities. At the time a drawdown request is received by the Company, the Company will evaluate its currently available cash, the amount and terms of the available credit under the Loan Facility, the cash flow forecast of the Company, risk analysis of operations and potential interest income receivable from such Loan(s), to ensure it is able to meet its sufficient working capital prior to accepting the request for drawdown and entering into a Loan.

As set out above, individual loan agreement(s) will be entered into between the Lender and the Borrower in respect of each Loan setting out the interest rate as agreed, the loan amount and the repayment term before the drawdown is funded.

Although it is not the Company's ordinary business to provide external financing, the Directors (including independent non-executive Directors), believe that the provisions of the Supplemental Loan Framework Agreement and any Loan(s) advanced thereon will benefit the Company in the long run and will be able to generate additional profit at a relatively low risk level, having considered the above reasons together with (i) the current market norm in relation to similar transactions, (ii) the costs of providing the Loan(s) to the

Borrower, (iii) the fact that the interest income to be generated by Loan(s) would be higher than the interest income received from depositing undeployed funds in US dollars in a financial institution in Hong Kong (based on prevailing interest rates) and would also be beneficial to support additional cash flow income to better manage the Group's United States dollar denominated interest payment obligations, and (iv) the continued ability of China National Gold to repay Loan(s) and fund interest expenses thereunder, are of the view that the Supplemental Loan Framework Agreement and the transactions contemplated thereunder have been entered into equitably, determined after arm's length negotiation and on normal commercial terms and the terms of the Supplemental Loan Framework Agreement are fair and reasonable that are in the interests of the Company and its Shareholders as a whole.

Furthermore, as the Group is accounted for as a subsidiary in the financial statements of China National Gold, the costs of finance and overall performance of the Group will be reflected in the accounts of China National Gold on a consolidated basis. China National Gold considers that the advancement of any Loan(s) by the Group (which may be funded by available idle cash) will be a more cost-efficient way for China National Gold taken as a whole to satisfy its financing needs. By contrast, if China National Gold borrows from another party that is not its subsidiary, it would increase its overall indebtedness on a consolidated basis.

Each of Mr. Xin Song (Chairman and executive Director), Mr. Bing Liu (executive Director), Mr. Lianzhong Sun (non-executive Director) and Mr. Liangyou Jiang (executive Director) are considered to have a conflict of interest in the transactions contemplated under the Supplemental Loan Framework Agreement due to their senior management positions held in China National Gold. All of them abstained from voting on the relevant resolutions at the Board meeting to approve the Supplemental Loan Framework Agreement. All the remaining Directors have confirmed at such Board meeting that they have no material interest in the transactions contemplated under the Supplemental Loan Framework Agreement.

### **C. Internal Control Measures**

In order to secure the Shareholders' interests and ensure the terms of the Supplemental Loan Framework Agreement and the transactions contemplated thereunder and the Cap are on normal commercial terms or terms not more favourable than those available to independent third parties, the Company has adopted the following internal control measures:

- (a) the fact that no Loan under the Supplemental Loan Framework Agreement is required to be advanced unless the Company confirms it has sufficient working capital for its current requirements for at least the next twelve (12) months;
- (b) the terms of the Loan(s) are fixed for the term (including the interest rate) and are set out in the Supplemental Loan Framework Agreement,
- (c) the Company will conduct continuous reviews of the Borrower to evaluate each Borrower's credit, capacity, collateral and character; as well as its own financial position prior to acceptance of a drawdown request. Individual loan agreements will be prepared for each Borrower;
- (d) the Company's financial reporting department monitors on a monthly and quarterly basis the amounts advanced under the Loan(s), interest accruable and payable, anticipated interest payable through to the maturity of such Loan(s) and compliance with the Cap; and
- (e) the Company's financial reporting department continually monitors working capital independent of China National Gold.

### **D. Proposed cap and basis of determination for cap under the Supplemental Loan Framework Agreement**

The Company proposes to maintain the cap for the Supplemental Loan Framework Agreement at US\$208 million, which is the same as the cap for the initial term of the Supplemental Loan Framework Agreement that expires on July 31, 2017. Based on having US\$158.5 million advanced under a Loan as at December 31, 2016, and an additional US\$59.9 million of undeployed capital in US dollars as at December 31, 2016, the Company considered that the current cap is reasonable and appropriate and should be maintained through to the year ended July 31, 2020. Even though not all of the original aggregate principal amount of

US\$200 million was advanced in the original term the Company anticipates that it will have the capacity to do so during the term of the Supplemental Loan Framework Agreement.

The cap assumes that the aggregate principal amount of the Supplemental Loan Framework Agreement is outstanding at all times throughout the year, which accounts for any refreshment of Loan(s). Moreover, as at December 31, 2016 the Company had a buffer amount of US\$59.9 million that had not been deployed, which provides additional comfort that the cap will not be exceeded.

### **Supplemental Contract for the Purchase and Sale of Dore**

On May 7, 2014, Inner Mongolia Pacific entered into the original Contract for Purchase and Sale of Dore with China National Gold for the purpose of regulating the sale and purchase of gold dore to be carried out between them for the three years ending December 31, 2015, 2016 and 2017. Please refer to the information circular of the Company dated May 14, 2014 for details. On May 26, 2017 the Company and Inner Mongolia Pacific entered into the Supplemental Contract for Purchase and Sale of Dore for a term commencing on January 1, 2018 and expiring on December 31, 2020.

#### **A. Key terms of the Supplemental Contract for the Purchase and Sale of Dore**

- Date:** May 7, 2014, as amended on May 26, 2017
- Parties:** (a) Inner Mongolia Pacific (as the seller); and  
(b) China National Gold (as the purchaser)
- Subject Matter:** The sale and purchase of gold dore bars and silver by-products produced at the CSH Mine owned and operated by Inner Mongolia Pacific in Inner Mongolia, China.
- Term:** Subject to the approval of the Independent Shareholders at the Meeting and compliance with other requirements under the Hong Kong Listing Rules, effective until December 31, 2020.
- Payment Terms:** Pricing for gold dore bar products is referenced to the price of Au9995 gold ingot as quoted on the Shanghai Gold Exchange at the time and date to be notified by the seller to the purchaser at least 48 hours prior to delivery of shipment of gold dore bars less RMB0.95 per gram, multiplied by the settlement weight. The amount of RMB0.95 per gram to be deducted from the quoted price is the cost of refining gold dore bars by the purchaser which was determined based on and is consistent with prevailing market practice and with historical transactions between the Group and independent third parties. At current and anticipated prices of gold during the term of the Supplemental Contract for Purchase and Sale of Dore, the refining cost is expected to equal the costs incurred by the purchaser, but is not anticipated to be less than the purchaser's costs so there is a potential for a very small profit element which the Company considers to be de minimis.
- Pricing for silver by-products is referenced to the price of No. 2 silver at the Shanghai Huatong Platinum & Silver Exchange at the time and date to be notified by the seller to the purchaser at least 48 hours prior to delivery of shipment of silver by-products less RMB0.5 per gram, multiplied by the settlement weight. The amount of RMB0.5 per gram to be deducted from the quoted price is the cost of refining silver by-products which was determined based on and is consistent with prevailing market practice and with historical transactions between the Group and independent third parties. At current and anticipated prices of silver during the term of the Supplemental Contract for Purchase and Sale of Dore, the refining cost is expected to equal the costs incurred by the purchaser, but is not anticipated to be less than the purchaser's costs so there is a potential for a very small profit element which the Company considers to be de minimis..

Settlement shall take place three working days after China National Gold has received the material at the refinery unless samples are sent to an umpire analysis. Inner Mongolia Pacific shall deliver an invoice to China National Gold for the resulting settlement weight, and China National Gold will have 30 calendar days to effect payment to Inner Mongolia Pacific.

The Board is of the view that making references to unit price of gold and silver in the two exchanges located in Shanghai is fair and reasonable having considered that (i) the Company's principal market of gold dore bar products and silver by-products is in PRC, (ii) the Shanghai Gold Exchange and the Shanghai Huatong Platinum & Silver Exchange are the two most influential non-ferrous metal exchanges in PRC and (iii) it is the prevailing market and industry practice to determine price of gold and silver with reference to these two exchange platforms in the PRC.

The Board considers that granting 30 days credit period to China National Gold is fair and reasonable having considered (i) contract terms negotiated at arm's length with independent third parties and (ii) prevailing market and industry practice. It is also the industry practice to take into account the refinery cost in determining the settlement price of gold dore bars and silver by-products.

**B. Reasons for and benefits of the Supplemental Contract for Purchase and Sale of Dore**

The reasons for and benefits of the Supplemental Contract for Purchase and Sale of Dore mainly include:

- (a) the Group (including Inner Mongolia Pacific) has established a long-term cooperative relationship with China National Gold since 2008 in similar transactions and given Inner Mongolia Pacific has the flexibility to determine the timing of sale (as it is entitled but not obligated to designate one delivery date per week, and may cancel any shipment without penalty up to two working days prior to the relevant delivery date), therefore, the Supplemental Contract for Purchase and Sale of Dore will provide the Group with a ready buyer of the gold dore bars and silver by-products produced at the CSH Mine and the Group (including Inner Mongolia Pacific) is able to execute the transactions with China National Gold with more flexibility and on more favourable terms;
- (b) China National Gold, being the largest gold producer in China, has good credibility in the industry. This lends assurance to the Group (including Inner Mongolia Pacific) that risks it may face conducting business with China National Gold would be low;
- (c) the terms and conditions of the Supplemental Contract for Purchase and Sale of Dore are unchanged from the original Contract for Purchase and Sale of Dore entered into in 2014. To date, the original Contract for Purchase and Sale of Dore has been well executed which further demonstrates the good cooperative relationship between Inner Mongolia Pacific and China National Gold as well as the credibility of China National Gold;
- (d) the pricing term under the Supplemental Contract for Purchase and Sale of Dore is fair, reasonable and beneficial to Inner Mongolia Pacific; and
- (e) gold production at the CSH Mine is expected to remain stable at current levels for proposed term of the Supplemental Contract for Purchase and Sale of Dore.

**C. Proposed annual caps and basis of determination for annual caps under the Supplemental Contract for the Purchase and Sale of Dore**

Set out below are (1) the existing annual caps for the three years ending December 31, 2017 under the Supplemental Contract for Purchase and Sale of Dore; (2) the actual transaction amount for the two years ended December 31, 2016 and two months ended February 28, 2017; (3) the proposed annual cap for the financial years ending December 31, 2018, 2019 and 2020.

	For the financial year ended December 31					
	2015	2016	2017	2018	2019	2020
The existing annualCaps	2,275	2,438	2,470			

<i>(RMB' Million)</i>						
The actual transaction amounts <i>(RMB' Million)</i>	1,511	1,575	198 (Jan – Feb)			
Utilisation Rate (%)	66%	65%	48% (Jan – Feb)			
Annual Caps <i>(RMB' Million)</i>				2,700	2,700	2,700

The annual caps of RMB2,700 million have been determined with reference to (i) the expected sales volume of gold dore at 7.4 tonnes (i.e. 7.4 million gram) per year, (ii) the expected sales price of gold dore at RMB260.0 per gram and (iii) the expected price volatility of gold dore of approximately 40%. The Company has taken into account only the sales of gold dore bars in determining the annual caps without consideration of the sales of silver by-products under the Supplemental Contract for the Purchase and Sale of Dore, as silver by-products are not material to the content of the dore and are reflected in the calculation of the volatility of gold since historically a material increase in the price of gold usually results in a comparable increase in the price of silver. The Company factored into this determination the expansion of the CSH Mine which is anticipated to result in expanded production versus historical production, together with an allowance for a possible increase in the price of gold from the prevailing prices in effect from 2015 to 2017 if metal prices recover from the recent downturn.

The Directors (including the independent non-executive Directors) consider that (i) the transactions under the Supplemental Contract for Purchase and Sale of Dore will be entered into in the ordinary course of business of the Group; (ii) the terms of the Supplemental Contract for Purchase and Sale of Dore are normal commercial terms and are fair and reasonable and in the interest of the Company and its Shareholders as a whole; and (iii) the annual monetary caps for the transactions contemplated under the Supplemental Contract for Purchase and Sale of Dore for the three years ending December 31, 2018, 2019 and 2020 are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

#### **D. Internal Control Measures**

In order to secure the Shareholders' interests and ensure the terms of the Supplemental Contract for Purchase and Sale of Dore and the transactions contemplated thereunder and the Cap are on normal commercial terms or terms not more favourable than those available to independent third parties, the Company has adopted the following internal control measures:

- (a) the Company will conduct continuous reviews of the prevailing market price for gold and silver on the Shanghai Gold Exchange and Shanghai Huatong Platinum & Silver Exchange;
- (b) the Company's financial reporting department monitors on a monthly and quarterly basis a reconciliation to the cap for the Supplemental Contract for Purchase and Sale of Dore; and
- (c) the Company's auditors review the transactions completed under the Supplemental Contract for Purchase and Sale of Dore and the caps thereunder and report to the independent non-executive directors.

### **Supplemental Product and Service Framework Agreement**

#### **A. Background**

On April 26, 2013, the Company entered into the original Product and Service Framework Agreement with China National Gold, pursuant to which China National Gold will provide mining related services and products, to the Company in order to facilitate the Group's operations in the PRC. On May 29, 2015 the Company and China National Gold entered into the first Supplemental Product and Service Framework Agreement to add the sale and purchase of copper concentrates produced at the Jiama Mine and extend

the term to December 31, 2017. Please refer to the information circulars of the Company dated May 21, 2013 and May 29, 2015 for details. On May 26, 2017 the Company and China National Gold entered into the second Supplemental Product and Service Framework Agreement to extend the term to December 31, 2020 and to extend the scope of the Supplemental Product and Service Framework Agreement to include leasing services to be provided by Zhongxin International Financial Leasing (Shenzhen) Co. Ltd., the shares of which are 80% owned by China National Gold.

## **B. Key terms of the Supplemental Product and Service Framework Agreement**

### 1. Amendment Agreement

- Date:** May 26, 2017
- Parties:** (a) the Company; and  
(b) China National Gold
- Amendments:** (a) extend the scope of the Supplemental Product and Service Framework Agreement to include leasing services to be provided by Zhongxin International Financial Leasing (Shenzhen) Co. Ltd., the shares of which are 80% owned by China National Gold  
(b) extend the term of the Supplemental Product and Service Framework Agreement to expire on December 31, 2020
- Effect:** (a) the other terms of the original Product and Service Framework Agreement to remain unchanged (as amended by the first Supplemental Product and Service Framework Agreement)  
(b) the amendments under the second Supplemental Product and Service Framework Agreement to become effective subject to the approval of the Independent Shareholders at the meeting.

### 2. Supplemental Product and Service Framework Agreement

- Subject matter:** China National Gold will provide mining related services and products in order to facilitate the Group's operations in the PRC. China National Gold will also purchase copper concentrate produced at the Jiama Mine.
- Term:** Subject to the approval of the Independent Shareholders at the meeting, effective until December 31, 2020.
- Products and services provided:** The products and mining development services encompass the following:  
(a) stripping and related work in mine planning and development;  
(b) mining research, development and design and related engineering services;  
(c) environmental, safety and occupational health management services;  
(d) tendering agency service;  
(e) office lease;  
(f) copper concentrate sales;  
(g) auxiliary mining equipment and materials; and  
(h) mining equipment leasing services to be provided by a subsidiary of China National Gold.
- The products and services relate to mining development and planning for daily mining operations in addition to copper concentrate sales.
- Selection providers suppliers** The provider for each category of services and products will be determined by the Company through an arm's length negotiation process or an open market tendering process, depending on the number of potential providers or suppliers in the market for a particular product or service. Where prices are to be determined through arms' length negotiation, in order to ensure that the pricing

is fair and reasonable and in line with market practices, the Company has adopted the following measures (the "Internal Measures"): (i) the applicable purchase department will have regular contact with market providers or suppliers (including China National Gold) to keep abreast of market developments and pricing trends;(ii) before entering into an individual purchase agreement, the Company will invite at least three providers or suppliers (including China National Gold) to submit quotations or proposals; and (iii) the Company will have the providers or suppliers and pricing of the products determined and confirmed by the collective decision of the management, comprising, as appropriate, representatives from the production department, sales department, audit department, finance department and then submitted to the deputy general manager or the general manager for final approval. They will compare the quotations or proposals received and assess the same based on various factors such as pricing and other terms. The Company utilizes open market tendering processes to the maximum extent possible, and generally only utilizes arm's length negotiations for products and services which are not subject to the pricing requirements under the relevant PRC laws and regulations and where there are no comparable historical prices or no active market such that an open market tendering process would be unlikely to result in the required product or service at the best possible price and terms. The tendering process would be conducted strictly in compliance with Law of the People's Republic of China on Tenders and Bids. The Company treats all bidders equally in the tendering process and will accept the proposal of the winning bidder, be it China National Gold or any other bidder.

**Pricing and Payment:**

Payment terms are determined as follows:

Services, Auxiliary Equipment and Materials

The pricing and payment parameters for services relates to each of stripping and related work, mining research, development and design and related services, environmental, safety and occupational health management services; tendering agency service, office leasing services and equipment leasing services.

The pricing of the services rendered and auxiliary equipment and materials provided under the Supplemental Product and Service Framework Agreement shall be determined based on the following:

- (a) prices as may be stipulated by the PRC governmental department responsible for setting such prices or its local bureaus (if any);
- (b) should there be no such prices stipulated by the PRC governmental department respectively for setting such prices or its local bureaus, but there exists an active trading market, prices may be determined by an offering of tender of at least three independent quotes;
- (c) should there be no such prices stipulated by the PRC governmental department respectively for setting such prices or its local bureaus, and there is no active trading market, prices will be determined by comparison to identical or similar historical prices (based on the assessment of three independent quotes submitted under (b) above plus the review of prices for comparable products and services); or
- (d) otherwise, at an agreed upon price consisting of the actual costs plus a reasonable profit margin in accordance with market practice for comparable products and services in the mining industry in China. The reasonable profit margin will be determined after arm's length negotiations in accordance with the Internal Measures and with reference to profit margin of prevailing market for the services and products as contemplated under the Supplemental Product and Service Framework Agreement and/or the average profits margin in the related industry. Such profit margin of the prevailing market will be determined and confirmed by the collective decision of the management, comprising, as appropriate, representatives from the production department, sales department, audit department, finance department and then submitted to

the deputy general manager or the general manager for final approval, and with reference to (i) at least three quotations (including one obtained from China National Gold and two obtained from independent third parties, which provide the same or similar services or products), and (ii) comparing the estimated costs of China National Gold in providing the relevant services as assessed by the Group's relevant internal experts with the quotations obtained, and then submitting to the deputy general manager or the general manager for final approval.

The pricing basis for each of the above services shall fall into category (b) above given the fact that there is active trading markets in China. If category (b) for each of the above services cannot be followed, the Company will consider category (c) and if category (c) cannot be followed, then category (d). All pricing and payment terms will be set out in a specific contract for such products and services. A key principle stipulated in the Supplemental Product and Service Framework Agreement is that payment terms shall not be less favourable than those offered or received by independent third parties.

#### Copper Concentrate Sales

The pricing of the copper concentrate sold under the Supplemental Product and Service Framework Agreement shall be referenced to the pricing principles for connected transactions set out under the original Product and Service Framework Agreement, as follows:

- (a) prices as may be stipulated by the PRC governmental department respectively for setting such prices or its local bureaus (if any);
- (b) if there are no such stipulated prices but an active market exists, prices as may be determined by offering of tender;
- (c) if there are no such stipulated prices and also no active market, prices as with reference to identical or similar transacted prices as observed from the market; otherwise;
- (d) an agreed price consisting of the actual costs plus a reasonable profit margin. The reasonable profit margin will be determined after arm's length negotiations in accordance with the Internal Measures and with reference to profit margin of prevailing market for the services and products as contemplated under the Supplemental Product and Service Framework Agreement and/or the average profits margin in the related industry. Such profit margin of the prevailing market will be determined and confirmed by the collective decision of the management, comprising, as appropriate, representatives from the production department, sales department, audit department, finance department and then submitted to the deputy general manager or the general manager for final approval, and with reference to (i) at least three quotations (including one obtained from China National Gold and two obtained from independent third parties, which provide the same or similar services or products), and (ii) comparing the actual costs of the Group. The pricing basis for the sales and purchase of copper concentrates between the Group and China National Gold shall fall into category (b) above given the fact that there is active markets for copper, gold and silver in China. If category (b) for each of the sales and purchase of copper concentrates cannot be followed, the Company will consider category (c) and if category (c) cannot be followed, then category (d). The settlement price of the Group's copper concentrates shall be referenced to the publicly available quotation from international recognized commodity exchanges in China such as (i) the spot contract of the standard cathode copper in Shanghai Futures Exchange, (ii) the price of Au9995 gold ingot in the Shanghai Gold Exchange, and (iii) the No.3 GB silver in the Shanghai White Platinum & Silver Exchange prevailing at the time of each purchase order.

China National Gold represented and warranted in the Supplemental Product and Service Framework Agreement that the terms offered to the Company are

not less favourable than those offered to independent third parties. The Group has in place internal control measures for choosing between China National Gold and other independent third party buyers for the Group's copper concentrates. Under such measures, the Group will select the successful buyer of the Group's products including the copper concentrates by the 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 China National Gold) 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.

After considering the above including the pricing basis and the internal control measures mentioned above, the Directors are of the view that the transactions contemplated under the Supplemental Product and Service Framework Agreement will be conducted on normal commercial terms or better and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

#### Equipment Leasing Services

The pricing and payment parameters for equipment leasing services relates to equipment leasing which may include one or more sale and leaseback transactions.

The pricing of the equipment leasing services rendered under the Supplemental Product and Service Framework Agreement shall be determined based on the following:

- (a) prices and rates as may be stipulated by the PRC governmental department responsible for setting such prices or its local bureaus (if any);
- (b) should there be no such prices or rates stipulated by the PRC governmental department respectively for setting such prices or its local bureaus, but there exists an active trading market, prices may be determined by an offering of tender;
- (c) should there be no such prices stipulated by the PRC governmental department respectively for setting such prices or its local bureaus, and there is no active trading market, prices will be determined by comparison to identical or similar historical prices; or (d) otherwise, at an agreed upon price consisting of the actual costs plus a reasonable profit margin in accordance with market practice for comparable leasing services in the mining industry in China. The reasonable profit margin will be determined after arm's length negotiations in accordance with the Internal Measures and with reference to profit margin of prevailing market for leasing services as contemplated under the Supplemental Product and Service Framework Agreement and/or the average profits margin in the related industry. Such profit margin of the prevailing market will be determined and confirmed by the collective decision of the management, comprising, as appropriate, representatives from the production department, sales department, audit department, finance department and then submitted to the deputy general manager or the general manager for final approval, and with reference to (i) at least

three quotations (including one obtained from China National Gold and two obtained from independent third parties, which provide the same or similar leasing services and/or leasing finance services), and (ii) comparing the estimated costs of China National Gold in providing the relevant services as assessed by the Group's relevant internal experts with the quotations obtained, and then submitting to the deputy general manager or the general manager for final approval.

The pricing basis for each of the above services shall fall into category (b) above given the fact that there is active trading markets in China. If category (b) for each of the above services cannot be followed, the Company will consider category (c) and if category (c) cannot be followed, then category (d). All pricing and payment terms will be set out in a specific contract for such products and services. A key principle stipulated in the Supplemental Product and Service Framework Agreement is that payment terms shall not be less favourable than those offered or received by independent third parties.

**C. Basis for the proposed revision to the Supplemental Product and Service Framework Agreement**

The reasons for and benefits of the Supplemental Product and Service Framework Agreement mainly include:

- (a) the ability to leverage on China National Gold's expertise in mining related services like mining and stripping, exploration, research and development, mining design, its centralized procurement system and its technological capabilities to maximize productivity;
- (b) with respect to sales of copper concentrate, in view of the unfavourable copper market for copper producers, by entering such agreement, the Company can leverage on China National Gold's strong melting and purchase capabilities; and
- (c) with respect to leasing services, providing the Company with an alternative source of funding and potentially reduce the taxation expense of the Group since equipment leasing costs would be recorded as operating expenses as opposed to capitalized acquisitions of equipment, which then reduce the operating profits at the operating subsidiary level which would reduce taxes payable at such level.

**D. Proposed annual caps and basis of determination for annual caps under the Supplemental Product and Service Framework Agreement**

Set out below are (1) the existing annual caps for the three years ending December 31, 2017 under the Supplemental Product and Service Framework Agreement; (2) the actual transaction amount for the two years ended December 31, 2016 and two months ended February 28, 2017; and (3) the proposed annual caps under the Supplemental Product and Service Framework Agreement for the years ending December 31, 2018, 2019 and 2020.

	For the financial year ended 31 December					
	2015	2016	2017	2018	2019	2020
The existing annualCaps (RMB' Million)	5,123	5,800	7,067			
The actual transaction amounts (RMB' Million)	931	672	202 (Jan – Feb)			
Utilisation Rate (%)	18%	12.0%	17%] (Jan – Feb)			

Annual Caps (RMB' Million)				11,400	11,400	11,400
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Set out below are: (i) the actual transaction amount by product and services types under the Product and Service Framework Agreement for the two years ended December 31, 2016 and (ii) the basis used by the Group to determine the annual caps of RMB11,400 million for each of the three financial years ending 31 December 2020.

	For the financial year ended 31 December		
	2015	2016	2018-2020
	Actual	Actual	Proposed
	RMB million	RMB million	RMB million
Stripping and related services	728	210	140
Mining research	1	2	17
Product supervision	3	3	5
Mining design	20	13	20
Mine development and construction	-	-	398
Environmental, safety and occupational health management	6	12	10
Tendering agency service	7	6	10
Office lease	7	8	8
Auxiliary equipment	28	22	37
Copper concentrates	131	396	7,000
Leasing Services	-	-	500
Subtotal	931	672	8,145
40% buffer	N/A	N/A	3,255
	931	672	11,400

According to the above table, other than (i) mining research, development and design and related services, (ii) sales of copper concentrates and (iii) the new leasing services, the proposed transaction amounts for other types of products and services assumed by the Company in determining the annual caps are similar to the historical transaction amount in the prior years. The increase in mining research, development and design and related services is attributable to the Company's ongoing ramp up and expansion of its Jiama Mine, in particular the ramp-up of the Phase II Series I expansion which is scheduled to be completed in mid-2017 and will require significant technical services in that time. The increase in sales of copper concentrates is due to the expanded capacity of the Jiama Mine and the anticipated recovery of copper prices. The Company established a 40% buffer in the determination of annual caps to take into account potential fluctuation in the price of copper.

#### E. Internal Control Measures

In order to secure the Shareholders' interests and ensure the terms of the Supplemental Product and Service Framework Agreement and the transactions contemplated thereunder and the Cap are on normal commercial terms or terms not more favourable than those available to independent third parties, the Company has adopted certain internal control measures.

All specific contracts under the Supplemental Product and Service Framework Agreement are provided from the mine sites to the Company's corporate office through its record management system (OA) for review by the legal team. After the contract is approved by management, all contracts above a pre-authorized value are provided to the Company's independent non-executive directors to review and approve.

The Company's legal manager is responsible for maintaining a record of all contracts and for monitoring transactions processed under such contracts. On a quarterly basis, the legal manager is responsible for verifying the transaction total directly with the finance department of the mine sites. The report is then provided to the independent auditors, who review all contracts from the mine sites to verify transaction amounts. The audited report on continuing connected transactions will then be provided to the Company's independent non-executive directors for review.

## **F. Reasons for and benefits of revising the Supplemental Product and Service Framework Agreement**

The reasons for and benefits of the Supplemental Product and Service Framework Agreement mainly include:

- (a) China National Gold is the largest gold production enterprise in the PRC and is engaged in survey design, resources development, production, sale and construction in relation to minerals such as gold, silver, copper and molybdenum. The Group can leverage on China National Gold's expertise in mining related services like mining and stripping, exploration, research and development, mining design, its centralized procurement system and its technological capabilities to maximize productivity at the CSH Mine and the Jiama Mine.
- (b) The Directors are of the view that the Supplemental Product and Service Framework Agreement will effectively facilitate the Group's operations in the PRC.
- (c) As required under the Price Law of the PRC, the relevant rules, regulations and measures formulated and promulgated thereunder and other applicable PRC laws and regulations, merchandise and services prescribed thereunder will be subject to the pricing requirements thereunder or the prices stipulated in the price catalogs issued by the central government or local governments at the provincial, autonomous regional and municipal levels of the PRC from time to time. Should the services or products provided for the transactions under the Supplemental Product and Service Framework Agreement fall within the scope of such pricing requirements or the applicable price catalogs issued by the PRC government at the relevant time, the prices of such services or products will be determined in accordance with the prices stipulated under such requirements or such catalogs. Should there be no such prices stipulated by the PRC government but there exists an active trading market, prices may be determined by an offering of tender. Should there be no such prices stipulated by the PRC government and there is no active trading market, prices will be determined by comparison to identical or similar historical prices. For transactions which are not subject to the pricing requirements under the relevant PRC laws and regulations and where there are no comparable historical prices or no active market, the prices will be determined through arm's length negotiations between the parties after taking into account the actual costs and reasonable profit margin, which will be determined after arm's length negotiations and with reference to profit margin of prevailing market for the services and products as contemplated under the Supplemental Product and Service Framework Agreement and/or the average profits margin in the related industry. Such profit margin of the prevailing market will be determined with reference to the quotations obtained from independent third parties, which provide the same or similar services or products.
- (d) Where prices are to be determined through arms' length negotiation, in order to ensure that the pricing is fair and reasonable and in line with market practices, the Company has adopted the following measures: (i) the applicable purchase department will have regular contact with market providers or suppliers (including China National Gold) to keep abreast of market developments and pricing trends;(ii) before entering into an individual purchase agreement, the Company will invite certain providers or suppliers (including China National Gold) to submit quotations or proposals; and (iii) the Company will have the providers or suppliers and pricing of the products determined and confirmed by the collective decision of the management, comprising, as appropriate, representatives from the production department, sales department, audit department, finance department and then submitted to the deputy general manager or the general manager for final approval. They will compare the quotations or proposals received and assess the same based on various factors such as pricing and other terms.
- (e) Where prices are to be determined through the application of a cost plus profit margin, the profit margin must fall into the range of the pre-agreed arm's length range, which is equal to or no favourable than those provided by China National Gold to any independent third-party. The Company anticipates that based on previous experience, there are only a very minor number of services may fall into this category. Historically, the pre-agreed arm's length range of profit margin is 10% to 30% and the Company expects that range would continue to be applied.
- (f) The strong procurement capacity of copper concentrates of China National Gold, which is anticipated to result in stronger pricing capacity for copper concentrates produced at the Jiama Mine.

- (g) The addition of leasing services is anticipated to provide the Group with an alternative source of funding and to potentially reduce the taxation expense of the Group in the future. It will also enable the Company to leverage the significant amount of fixed assets on its balance sheet.

The Directors (including the independent non-executive Directors) consider that (i) the revisions to the transactions under the Supplemental Product and Service Framework Agreement will be entered into in the ordinary course of business; (ii) the terms of the Supplemental Product and Service Framework Agreement are normal commercial terms and are fair and reasonable and in the interest of the Company and its Shareholders as a whole; and (iii) the proposed annual monetary caps for the transactions contemplated under the Supplemental Product and Service Framework Agreement for years ending December 31, 2018, 2019 and 2020 are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

### **New Financial Services Agreement**

Inner Mongolia Pacific, Huatailong and China Gold Finance entered into a Financial Services Agreement on May 29, 2015 pursuant to which China Gold Finance agreed to satisfy the financial services needs of Inner Mongolia Pacific and Huatailong within the People's Republic of China by providing the certain functions performed by financial institutions offering flexibility and favourable terms for a term of three years. Please refer to the information circular of the Company dated May 29, 2015 for further details. On May 26, 2017, the Company and China Gold Finance entered into the New Financial Services Agreement pursuant to which China Gold Finance agreed to satisfy the financial needs of the Company and its subsidiaries (including but not limited to Inner Mongolia Pacific and Huatailong) within the People's Republic of China by providing the certain functions performed by financial institutions on substantially the same terms as the Financial Services Agreement for a term of three years expiring on December 31, 2020. As with the Financial Services Agreement, the daily maximum deposit balance (including accumulative settlement interest) under the New Financial Services Agreement shall not exceed RMB3 billion. Upon the effectiveness of the New Financial Services Agreement (following the approval of the Independent Shareholders) the parties have agreed to terminate the original Financial Services Agreement.

#### **A. Key terms of the New Financial Services Agreement**

**Date:** May 26, 2017

**Parties:** (a) the Company, as the Recipient; and  
(b) China Gold Finance, as the Provider

**Subject matter:** Financial Services provided by China Gold Finance to the Recipient and/or its controlling subsidiaries include deposits, loans, settlement services, financial advisory and other financial services within the People's Republic of China.

**Term:** From the date of the approval of the Financial Services Agreement by the Independent Shareholders at the Meeting to December 31, 2020.

**Description:** China Gold Finance will provide the financial services set out below. China Gold Finance undertakes to provide the Recipient with high quality and efficient financial services.

##### **Deposit Service**

China Gold Finance will accept deposits from the Recipients, up to a maximum amount of daily deposit balance (including accumulative settlement interest) not to exceed RMB3,000 million during the term of the Financial Services Agreement. Each of the deposit service, the loan service, the settlement service and other financial services mentioned above will be conducted separately and independently from one another, although the terms of these services are set out in the Financial Services Agreement as opposed to in separate agreements.

Further, no security over the Group's assets will be given in favour of China Gold Finance for each type of service to be provided under the Financial Services Agreement.

### Loan Service

China Gold Finance will provide funds circulation services, such as loans and guarantees of financial obligations of the Recipients. The loans are to be provided on a similar basis as the Recipient and its subsidiaries are currently subject to in dealings with the major domestic commercial banks within the People's Republic of China. The Recipient and its subsidiaries will not grant any security interest over their assets for loans made under the Financial Services Agreement. In the event the Recipient is unable to repay any loans, China Gold Finance will have the only recourse under the contract to sue for damages for that particular loan. China Gold Finance will not have any recourse against the Recipient under such contracts that affect any deposits provided by the Group under the Financial Services Agreement (including but not limited to any right whatsoever relating to the control, offset or other disposal of such deposits).

### Settlement Service

China Gold Finance will provide settlement services such as collection, payment or internal settlement services.

### Other Financial Services

China Gold Finance will provide financial advisory services, credit appraisal services and other services approved by the China Banking Regulatory Commission.

**Payment terms:** Payment terms are determined as follows:

### Deposit Service

Deposit interest rates will not be lower than (i) the benchmark rates established by the Chinese central bank for the same period and the same type, (ii) the same type of deposit interest rate at the same period from the major domestic commercial banks, and (iii) the interest rate for deposits made by China National Gold or its subsidiaries at the same period. The benchmark rate applied in 2016 was 0.35%.

### Loan Service

Loan interest rates will not be higher than (i) the benchmark rates established by the Chinese central bank for the same period and the same type of loan, (ii) the interest rate for the same type of loans at the same period from the major domestic commercial banks, and (iii) the interest rate for comparable loans made to China National Gold or its subsidiaries at the same period. The benchmark rate applied in 2016 was 4.35%.

### Settlement Service

China Gold Finance will provide settlement services at a fee not higher than (i) the fees publicly quoted by the major domestic commercial banks for the same type of services, and (ii) the fees charged to China National Gold or its subsidiaries by China Gold Finance for the same type of services. The benchmark rates to be applied are set by government regulation.

### Other Financial Services

China Gold Finance will provide other financial services at a fee not higher than (i) the fees publicly quoted by the major domestic commercial banks for the same type of services, and (ii) the fees charged to China National Gold or its subsidiaries by China Gold Finance for the same type of services. The benchmark rates to be applied are set by government regulation.

## B. Proposed caps and basis of determination for caps under the New Financial Services Agreement

The following table sets out the proposed daily caps for the years indicated.

PERIOD	2018 YEAR	FINANCIAL	2019 YEAR	FINANCIAL	2020 YEAR	FINANCIAL
<b>DAILY DEPOSIT BALANCE AND FEES</b>	RMB 3 billion		RMB 3 billion		RMB 3 billion	

The Company's estimate that the daily caps for the maximum daily balance of the deposit for each of the three years ending December 31, 2020 is RMB3,000,000,000 after considering the current operations and development plan of the Recipient. After giving effect to the expansion of the Jiama Mine and factoring in possible acquisitions that the Company is pursuing, the Company anticipates its revenues, and therefore its overall cash flows, will increase which will generate more utilization under the New Financial Services Agreement. The Company has also taken into account its current and anticipated daily deposit balance for the Recipient and its subsidiaries under the current Financial Services Agreement. During the term of the Financial Services Agreement the utilization by the Company increased each year from 2015 to 2017, and the maximum daily deposit balance was approximately RMB 485 million. However, the Company is positioning itself for additional growth through the establishment of the proposed cap.

The proposed daily cap is based on deposit services plus anticipated settlement services. However, the Company expects that any settlement services provided will be in conjunction with deposits made under the Financial Services Agreement and can be included within the current cap. The Company agreed to pay settlement fees and other financial service fees under the New Financial Services Agreement as it was a windfall for the Company under the Financial Service Agreement currently in effect and was a loss incurred by China Gold Finance. Through independent negotiations the Company agreed to modify those payment terms for the New Financial Services Agreement.

## C. Basis for the New Financial Services Agreement

In arriving at the reasons to enter the New Financial Services Agreement, the Company has considered the following factors:

- (a) the New Financial Services Agreement will enable all of the existing and potential new members of the Group to continue to utilize the financial services provided by China Gold Finance;
- (b) the interest rate payable for the Recipient's deposits with China Gold Finance shall not be lower than the interest rate payable by major domestic commercial banks in the PRC for comparable deposits and such interest shall be payable by China Gold Finance on a basis that is not less favourable to the Recipients than those of the major domestic commercial banks;
- (c) the interest rate to be charged for the loans to be provided by China Gold Finance to either Recipient shall not be higher than the rate charged by major domestic commercial banks in the PRC for comparable loans and such interest shall be payable on a basis that is not less favourable to the Recipients than those of the major domestic commercial banks;
- (d) the service fees charged for settlement services, financial and financing advisory services to be provided by China Gold Finance will be not higher than fees charged by major domestic commercial banks in the PRC for comparable services;
- (e) China Gold Finance shall ensure the prudent management of its business and the strict compliance with the risk control indicators for financial institutions issued by the China Banking Regulatory Commission ("**CBRC**");
- (f) China Gold Finance is required under the terms of the Financial Services Agreement to provide financial services at terms that are not inferior to the terms for the same type of services provided by

the major domestic commercial banks and by China Gold Finance to China National Gold and its subsidiaries;

- (g) China National Gold has excellent credibility in the gold industry and also has a very good financial history;
- (h) the Group has a long term cooperative relationship with China National Gold;
- (i) China Gold Finance is regulated by the CBRC and must adhere to the relevant rules, regulations and measures formulated and promulgated thereunder and other applicable PRC laws and regulations issued by the central government or local governments at the provincial, autonomous regional and municipal levels of the PRC from time to time;
- (j) China Gold Finance has been in operation since 2015 and has established a good track record of performance under the financial services agreement currently in effect;
- (k) the New Financial Services Agreement will not cause significant financial impact to the Company or its subsidiaries.

#### **D. Internal Control Measures**

In order to secure the Shareholders' interests and ensure the terms of the New Financial Services Agreement and the transactions contemplated thereunder and the Cap are on normal commercial terms or terms not more favourable than those available to independent third parties, the Company has adopted certain internal control measures.

The Company's accounting group continuously monitors prevailing benchmark rates for deposits and short term loans rates established by major domestic commercial banks within the PRC to ensure that pricing under the New Financial Services Agreement is consistent with the procedures set out in the Financial Services Agreement.

The Company also reconciles the amount of all daily deposits and short term loans under the New Financial Services Agreement on a monthly and quarterly basis to ensure that such amounts are within the cap.

#### **E. Reasons for and benefits of the New Financial Services Agreement**

The reasons for and benefits of the Financial Services Agreement mainly include:

- (a) The rates on loans, guarantees and deposits to be offered by China Gold Finance to the Recipient's will be equal to or more favourable than those offered by major domestic commercial banks in the PRC.
- (b) The settlement service and other financial services will be provided under the Financial Services Agreement at fees that are equal to or more favourable than those offered by major domestic commercial banks in the PRC so notwithstanding that such services were previously provided for no fee the net benefit to the Company is still maintained and the overall terms considered favourable.
- (c) China Gold Finance will be regulated by the CBRC and provides its services in accordance with the rules and operational requirements of these regulatory authorities. In addition, capital risks are reduced through the introduction of the risk control measures stipulated in the Financial Services Agreement.
- (d) The Recipient is expected to benefit from the China Gold Finance's better understanding of the operations of the Recipient which will allow more expedient and efficient services than those rendered by other major domestic commercial banks. For example, in the event that the Recipient considers that it necessary to obtain a loan and guarantee from China Gold Finance in view of its business and financial needs, it is expected that the time required for the examination and approval of the loans and guarantee to be provided by China Gold Finance will be shorter than that required by other major domestic commercial banks.

- (e) Pursuant to the relevant regulations of the CBRC, the customers of China Gold Finance are limited to entities affiliated with China National Gold and its subsidiaries, thereby reducing the risks that China Gold Finance may otherwise be exposed to if its customers include other entities unrelated to China National Gold.
- (f) China National Gold, being the largest gold producer in China and 100% owned by the Chinese central government, has good credibility in the industry. This lends assurance to the Company that risks it may face conducting business with China National Gold (including China Gold Finance) would be low.
- (g) The terms under the Financial Services Agreement are fair, reasonable and beneficial to the Company;
- (h) The Directors (including the independent non-executive Directors) considers that the terms of the Financial Services Agreement and the daily caps in respect of the maximum daily balance of deposit and the maximum fees (where applicable) payable for other financial services under the Financial Services Agreement are fair and reasonable and are entered into on normal commercial terms, and on terms no less favourable than those available to independent third parties under the prevailing local market conditions, in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole.

#### **INFORMATION ABOUT THE COMPANY**

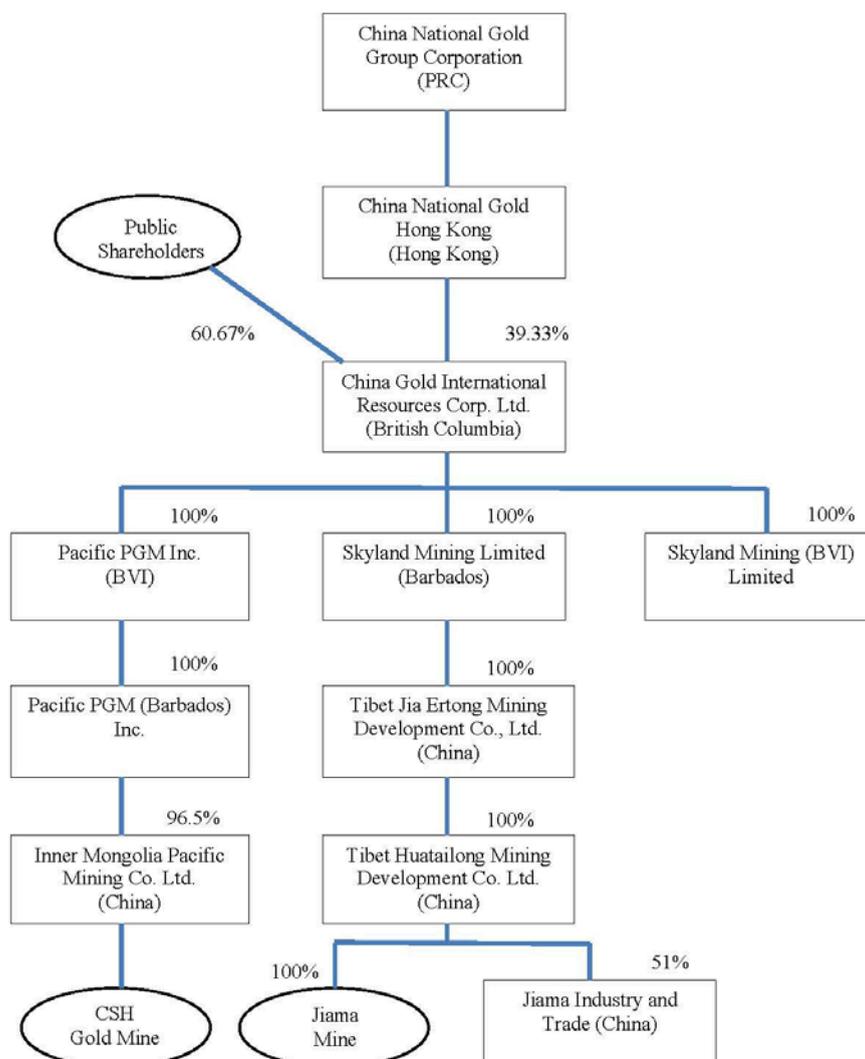
The Company is a gold and base metal mining company based in Vancouver, Canada. Its principal properties are located in Inner Mongolia, China and in the Tibet Autonomous Region, China. The Company commenced gold production at the Inner Mongolia mine in July 2007 and commenced commercial gold production on July 1, 2008. The Company also commenced commercial production of copper, molybdenum, gold, silver, lead and zinc at the Tibet mine in December 2010.

#### **INFORMATION ABOUT THE CHINA NATIONAL GOLD**

China National Gold is the only enterprise directly supervised by the State Council of the PRC that focuses on the exploration, mining, processing, smelting, refining and sales of gold. It also operates other nonferrous mineral assets related businesses. The predecessor of China National Gold was China National Gold Corporation, which was established in 1979 and headquartered in Beijing. China National Gold was the largest gold producer in China in 2016 by gold output, according to the China Gold Association. It is also the only enterprise in the gold industry in China that explores, produces and processes gold with a grade of Au99999.

China National Gold is the controlling shareholder of the Company, holding 39.3% of the issued and outstanding shares of the Company. Therefore, China National Gold is a connected person of the Company for the purpose of Chapter 14A of the Hong Kong Listing Rules.

The following chart illustrates the relationship between the Company and China National Gold.



## INFORMATION ABOUT CHINA GOLD FINANCE

China Gold Finance obtained approval for establishment from the CBRC on August 18, 2014. China Gold Finance obtained the Financial License granted by CBRC's Beijing office on May 12, 2015. The principal operations of China Gold Finance include: providing financial and financing advisory, assisting its members in collecting and making transaction payments; handling entrusted loan and entrusted investments among its members; handling bill acceptance and discounting affairs for its members; conducting internal financial transfers between members the corresponding settlement, clearing design; absorbing deposits from its members; providing loans and finance lease to its members; and engaging in inter-bank borrowings.

## IMPLICATIONS UNDER THE HONG KONG LISTING RULES

### Major and Discloseable Transactions

As one or more applicable percentage ratios (as defined under Rule 14.07 of the Hong Kong Listing Rules) in respect of the Supplemental Loan Framework Agreement and the Deposit Service under the New Financial Services Agreement, when calculated on an aggregated basis, exceed 25%, the transactions contemplated under the Supplemental Loan Framework Agreement and the Deposit Service under the New Financial Services Agreement on an aggregated basis constitute a major transaction for the Company and is subject to reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Hong Kong Listing Rules.

Further, as one or more applicable percentage ratios (as defined under Rule 14.07 of the Hong Kong Listing Rules) in respect of the leasing services under the leasing services pursuant to the Supplemental Product and Services Framework Agreement exceed 5% but are less than 25%, the transactions contemplated under the Supplemental Product and Services Framework Agreement constitute a discloseable transaction for the Company and is only subject to the reporting and announcement requirements under Chapter 14 of the Hong Kong Listing Rules.

Since the remaining transactions contemplated under the New Financial Services Agreement, the Supplemental Contract for the Purchase and Sale of Dore and the Supplemental Product and Services Framework Agreement are of a revenue nature in the ordinary and usual course of business of the Group, they are not subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Hong Kong Listing Rules.

### **Continuing Connected Transactions**

As at the Latest Practicable Date, China National Gold held approximately 39.3% of the issued share capital of the Company through China National Gold Hong Kong Limited, its wholly-owned subsidiary, and thus is the ultimate controlling shareholder of the Company. Accordingly, China National Gold is a connected person of the Company as defined under the Hong Kong Listing Rules. The transactions contemplated under the Continuing Connected Transactions constitute continuing connected transactions for the Company under Chapter 14A of the Hong Kong Listing Rules.

As one or more applicable percentage ratios (as defined under Rule 14.07 of the Hong Kong Listing Rules) in respect of the Supplemental Loan Framework Agreement and the Deposit Service under the New Financial Services Agreement, when calculated on an aggregated basis as mentioned above, exceed 5% and the anticipated transaction amount exceeds HK\$10,000,000, the transactions contemplated under the Supplemental Loan Framework Agreement and the Deposit Service under the New Financial Services Agreement are subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

Further, as one or more applicable percentage ratios (as defined under Rule 14.07 of the Hong Kong Listing Rules) in respect of each of the other Continuing Connected Transactions (other than the Loans Service, the settlement service and other financial services under the New Financial Services Agreement) exceed 5% and the anticipated transaction amount exceeds HK\$10,000,000, the transactions contemplated under each of such Continuing Connected Transactions are subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

According to Rule 14A.90 of the Hong Kong Listing Rules, the Loan Service under the New Financial Services Agreement constitutes financial assistance to the Group, which as the Directors consider is on normal commercial terms and not secured by the assets of the Group, is fully exempt from the reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules. In addition, given that all the applicable percentage ratios (as defined under Rule 14.07 of the Hong Kong Listing Rules) in respect of each of the settlement service and other financial services under the New Financial Services Agreement does not exceed 0.1%, such settlement service and other financial services are fully exempt from the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules pursuant to Rule 14A.76(1)(a) of the Hong Kong Listing Rules.

Each of Mr. Xin Song (Chairman and executive Director), Mr. Bing Liu (executive Director), Mr. Lianzhong Sun (non-executive Director) and Mr. Liangyou Jiang (executive Director) are considered to have a conflict of interest in the transactions contemplated under the Continuing Connected Transactions due to their senior management positions held in China National Gold. All of them abstained from voting on the relevant resolutions at the Board meeting to approve the Continuing Connected Transactions. All the remaining Directors have confirmed at such Board meeting that they have no material interest in the transactions contemplated under the Continuing Connected Transactions.

## GENERAL INFORMATION

The Company will convene the Meeting in Vancouver, Canada on June 28, 2017 Vancouver time (June 29, 2017 Hong Kong time) for the Independent Shareholders to consider and, if thought fit, approve, among other matters, the Continuing Connected Transactions and the transactions contemplated thereunder. China National Gold, the controlling shareholder of the Company, and its respective associates (as defined in the Hong Kong Listing Rules) will abstain from voting on the ordinary resolution(s) approving the Continuing Connected Transactions at the Meeting.

The Independent Board Committee comprising of all the independent non-executive Directors has been established by the Company to consider the terms of the Continuing Connected Transactions and the transactions contemplated thereunder and to advise and make recommendations to the Independent Shareholders as to how to vote at the Meeting on the ordinary resolution(s) regarding the Continuing Connected Transactions and transactions contemplated thereunder. Mr. Ian He, Mr. Yunfei Chen, Mr. Gregory Hall and Mr. John King Burns, all being independent non-executive Directors, have been appointed by the Board to serve as members of the Independent Board Committee. None of the members of the Independent Board Committee has any material interest in the Continuing Connected Transactions and the transactions contemplated thereunder. TC Capital International Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and Independent Shareholders in this regard.

## DESPATCH OF INFORMATION CIRCULAR

An information circular containing, among other things, (i) the Continuing Connected Transactions and the transactions contemplated thereunder, (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from TC Capital to the Independent Board Committee and the Independent Shareholders; (iv) a notice of the Meeting, and (v) other information required under the Hong Kong Listing Rules, will be dispatched to the Shareholders in due course.

## DEFINITIONS

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

“AGM” or the “Meeting”	The annual general meeting and special meeting of the Company to be held on Wednesday, June 28, 2017 at 9:00 am in Vancouver, British Columbia, Canada (Thursday, June 29, 2017 Hong Kong time), to consider and, if appropriate, to approve the matters set out in this information circular, or any adjournment thereof;
“Board”	The board of Directors;
“Bonds”	the US\$500,000,000 aggregate principal amount of 3.5% unsecured bonds issued by the Company’s wholly-owned subsidiary, Skyland Mining (BVI) Limited on July 10, 2014;
“Borrower”	with respect to the Supplemental Loan Framework Agreement, China National Gold or any of its subsidiaries;
“Caps”	with respect to the relevant Continuing Connected Transactions, the various annual caps of such transactions individually or in the aggregate (as the case may be), as set out in Schedule D to this information circular;
“Cdn”	Canadian dollars, the lawful currency of Canada;
“China Gold Finance”	China Gold Group Finance Co. Ltd., a subsidiary of China National Gold existing under the laws of PRC;

“China National Gold”	China National Gold Group Corporation, the ultimate controlling shareholder of the Company currently holding approximately 39.3% of the issued share capital of the Company through China National Gold Hong Kong Limited, its wholly-owned subsidiary;
“CNGGHK”	China National Gold Group Hong Kong Limited
“Company”	China Gold International Resources Corp. Ltd., a limited liability company incorporated under the laws of British Columbia, Canada with its Shares listed on both the Hong Kong Stock Exchange and the Toronto Stock Exchange;
“connected person(s)”	has the same meaning ascribed thereto under the Hong Kong Listing Rules;
“Continuing Connected Transactions”	the transactions contemplated under the Supplemental Loan Framework Agreement, the Supplemental Contract for the Purchase and Sale of Dore, the Supplemental Product and Service Framework Agreement, the New Financial Services Agreement, the Caps thereunder (where applicable), and the transactions contemplated thereunder, which constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules;
“CSH Mine”	Chang Shan Hao mine, a gold mine located in Wulate Zhong Qi in Inner Mongolia, in which the Company holds a 96.5% interest through Pacific PGM (Barbados) Inc., its wholly-owned subsidiary incorporated in Barbados;
“Directors”, each a “Director”	The directors of the Company;
“Group”	The Company and its subsidiaries (as defined under the Hong Kong Listing Rules);
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China;
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange;
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Huatailong”	Tibet Huatailong Mining Development Co., Ltd., a limited liability company incorporated in the PRC which owns and operates the Jiama Mine, in which the Company holds a 100% interest through Skyland Mining Limited and Tibet Jia Ertong Mining Development Co., Ltd., its wholly-owned subsidiaries;
“Independent Board Committee”	an independent committee of the Board comprising all of the independent non-executive Directors;
“Independent Financial Adviser” or “TC Capital”	TC Capital International Limited, a licensed corporation to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) of the regulatory activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the transactions contemplated under the Continuing Connected Transactions;

“Independent Shareholders”	The Shareholders (other than China National Gold and any of its associates) who do not have a material interest in the transactions contemplated under the Continuing Connected Transactions, and are not required to abstain from voting at the Meeting to approve the Continuing Connected Transactions, the Caps thereunder, and the transactions contemplated thereunder;
“Inner Mongolia”	Inner Mongolia Autonomous Region of the PRC;
“Inner Mongolia Pacific”	Inner Mongolia Pacific Mining Co. Limited, a cooperative joint venture company incorporated in the PRC which owns and operates the CSH Mine and in which the Company holds a 96.5% interest through Pacific PGM(Barbados) Inc., its wholly-owned subsidiary incorporated in Barbados;
“Jiama Mine”	Jiama Copper-Gold Polymetallic Mine located in Tibet, China. Jiama hosts a large scale copper-gold polymetallic deposit consisting of copper, gold, molybdenum, silver, lead and zinc. It is owned and operated by the Group through the Company’s indirect wholly-owned subsidiary Huatailong;
“Latest Practicable Date”	May 26,2017,being the latest practicable date before this Announcement;
“Lender”	with respect to the Supplemental Loan Framework Agreement, the Company or any of its subsidiaries;
“Loan(s)”, and each a “Loan”	with respect to the Supplemental Loan Framework Agreement, the loans to be provided by the Lender to the Borrower in an aggregate principal amount of up to US\$200 million on the terms set out in the Supplemental Loan Framework Agreement;
“Loan Facility”	the loan facility agreement entered into between Huatailong and a syndicate of banks on November 3, 2015 pursuant to which the banks agreed to lend to the aggregate principal amount of RMB3.98 billion, approximately US\$627 million;
“New Financial Services Agreement”	the financial services agreement dated May 26, 2017 between China Gold Finance and the Company pursuant to which China Gold Finance will provide financial services and banking services;
“PRC”	The People’s Republic of China, excluding, for the purpose of this information circular only, Hong Kong, Macau Special Administrative Region of the PRC, and Taiwan;
“Proposed Bond Issue”	the proposed issuance of unsecured bonds by the Company’s wholly-owned subsidiary, Skyland Mining (BVI) Limited of up to US\$500 million to refinance the indebtedness represented by the Bonds;
“Provider”	with respect to the New Financial Services Agreement, China Gold Finance as the provider of financial services and banking services;
“Recipient”	with respect to the New Financial Services Agreement, the Company or its subsidiaries as the recipient of financial services and banking services;
“RMB”	Renminbi, the lawful currency of the PRC;
“SFO”	Securities and Futures Ordinance(Cap. 571,Laws of Hong Kong);
“Shareholder(s)”	holder(s) of Share(s);
“Share(s)”	share(s) of the Company;

“Supplemental Contract for the Purchase and Sale of Dore”	the Contract for the Purchase and Sale of Dore dated May 7, 2014, as amended on May 26, 2017, between China National Gold and Inner Mongolia Pacific pursuant to which China National Gold purchases dore from the CSH Mine;
“Supplemental Loan Framework Agreement”	the Loan Framework Agreement dated May 24, 2016, as amended on May 26, 2017 entered into between the Company and China National Gold, pursuant to which the Company or any of its subsidiaries has agreed to make available to China National Gold and any of its subsidiaries the Loan(s) in an aggregate principal amount of up to US\$200 million;
“Supplemental Product and Services Framework Agreement”	the Product and Services Framework Agreement dated April 26, 2103, as amended on May 29, 2015 and May 26, 2017 between China National Gold and the Company pursuant to which China National Gold with its subsidiaries will provide services and products to the Company, and China National Gold will purchase copper concentrates produced from the Jiama Mine;
“Toronto Stock Exchange” or “TSX”	The Toronto Stock Exchange of Toronto, Canada;
“US\$”	United States dollars, the lawful currency of the United States of America;
“Zhongjin Gold Corporation”	Zhongjin Gold Corporation Limited is a limited liability company incorporated in the PRC with its shares listed on the Shanghai Stock Exchange; and China National Gold holds approximately 50% of its issued shares; and
“%”	percent.

By order of the Board  
**China Gold International Resources Corp.  
Ltd.**  
**Mr. Song, Xin**  
*Chairman*

Hong Kong, May 26, 2017

*As of the date of this announcement, the executive directors of the Company are Xin Song, Bing Liu and Liangyou Jiang, the non-executive directors of the Company are Lianzhong Sun and Xiangdong Jiang and the independent non-executive directors are Ian He, Yunfei Chen, Gregory Hall and John King Burns.*