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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

BACKGROUND

On May 7, 2014, Inner Mongolia Pacific Mining Co. Limited ("Inner Mongolia Pacific"), a subsidiary of China Gold International Resources Corp. Ltd. (the "Company"), entered into the Contract for Purchase and Sale of Doré with China National Gold Group Co., Ltd. ("China National Gold") for the sale of gold doré produced by the Chan Shan Hao Gold Mine ("CSH Mine") to China National Gold for a three-year period between January 1, 2015 and December 31, 2017. On May 26, 2017, Inner Mongolia Pacific and China National Gold entered into the First Supplemental Contract for Purchase and Sale of Doré extending the original contract for another three-year term commencing January 1, 2018 and expiring on December 31, 2020. On March 28, 2018, Inner Mongolia Pacific entered into the Second Supplemental Contract for Purchase and Sale of Doré with China National Gold, pursuant to which both parties agreed to amend the reference for gold doré from "the real-time price of Au9995 gold ingot at Shanghai Gold Exchange on the notification date less RMB0.95 per gram" to the monthly average price of the AU(T+D) contract on the Shanghai Gold Exchange less RMB1.50 per gram. On May 6, 2020, China National Gold and Inner Mongolia Pacific entered into the Third Supplemental Contract for Purchase and Sale of Doré for a three-year term commencing on January 1, 2021 and expiring on December 31, 2023.

On April 26, 2013, the Company entered into the Products 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's operations in the PRC for three years commencing on June 18, 2013 and expiring on June 18, 2016. On May 29, 2015, the Company and China National Gold entered into the First Supplemental Products and Service Framework Agreement to add the sale and purchase of copper concentrates produced at the Jiama Mine and to extend the term to December 31, 2017. On May 26, 2017, the Company and China National Gold entered into the Second Supplemental Products and Service Framework Agreement to extend the term to December 31, 2020 and to extend the scope of the Products and Service Framework Agreement to include leasing services to be provided by a subsidiary of China National Gold. On May 6, 2020, the Company and China National Gold entered into the Third Supplemental Product and Service Framework Agreement to extend the term to December 31, 2023.

IMPLICATIONS UNDER THE HONG KONG LISTING RULES

As at the Latest Practicable Date, China National Gold held approximately 39.3% of the 396,413,753 of issued the Company's Shares through its wholly-owned subsidiary, China National Gold Group Hong Kong Limited, 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 Third Supplemental Contract for Purchase and Sale of Doré and the Third Supplemental Products and Services Framework Agreement, the Caps thereunder (where applicable) (the "Continuing Connected Transactions"), constitute continuing connected transactions for the Company under

Chapter 14A of the 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 Continuing Connected Transactions exceed 5%, the transactions contemplated under each of such Continuing Connected Transactions are subject to reporting, announcement and the shareholders (other than China National Gold and any of its associates)(the "Independent Shareholders") approval requirements under Chapter 14A 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 proposed Caps 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 proposed Caps. The Independent Board Committee, having taken into account, among other things, the advice of TC Capital International Limited ("TC Capital"), as the Independent Financial Adviser to advise the Independent Board Committee and Independent Shareholders in this regard, considers that each of the terms of the Continuing Connected Transactions and the proposed Caps 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 China National Gold, the ultimate controlling Shareholder of the Company, and its respective 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.

IMPLICATIONS UNDER APPLICABLE CANADIAN SECURITIES LAWS

As the Company is listed on the TSX, the Company is subject to Multilateral Instrument 61-101 – Protection of Minority Security Holders in Special Transactions ("MI 61-101") which, among other things, regulates related party transactions. Pursuant to MI 61-101, related party transactions are subject to formal valuation and minority shareholder approval requirements unless an exemption is available.

Each of the Continuing Connected Transactions are related party transactions for the Company for purposes of MI 61-101 by virtue of the relationship between the Company and China National Gold.

The Third Supplemental Contract for the Purchase and Sale of Doré is exempt from the valuation requirement of MI 61-101 by virtue of being a sale contract of inventory in the ordinary course of the Company's business. It is subject to minority approval at the Meeting by way of the affirmative vote of not less than a majority of the votes cast thereon by the Independent Shareholders.

The Third Supplemental Product and Services Framework Agreement is comprised of multiple components that are assessed differently under MI 61-101. The sale of copper concentrates is exempt from the valuation requirement of MI 61-101 by virtue of being a sale contract of inventory in the ordinary course of the Company's business. The provision of services is not expressly addressed in the definition of a related party transaction under MI 61-101, and leasing services are considered in the ordinary course of business on reasonable commercial terms that are not less advantageous to the Company than if the lease was with a counterparty with whom the Company deals at arm's length. Furthermore, the overall value of the portions of the Third Supplemental Product and Services Framework Agreement that are not otherwise exempt is not more than 25% of the market capitalization of the Company as of the date of such contract. The Third Supplemental Product and Services Framework Agreement is subject to minority approval at the Meeting by way of the affirmative vote of not less than a majority of the votes cast thereon by the Independent Shareholders.

GENERAL INFORMATION

The Company will convene the Meeting in Vancouver, Canada on June 16, 2020 Vancouver time (June 17, 2020 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 ultimate 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 proposed Caps 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 proposed Caps. Mr. Ian He, Mr. Wei Shao, Dr. Bielin Shi and Ms. Ruixia Han, being all the 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 proposed Caps. TC Capital 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 terms of the Continuing Connected Transactions and the proposed 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

Third Supplemental Contract for the Purchase and Sale of Doré

On May 7, 2014, Inner Mongolia Pacific entered into the Contract for Purchase and Sale of Doré with China National Gold for the sale by Inner Mongolia Pacific and the purchase by China National Gold of gold doré bars and silver by-products produced at the CSH Mine through to December 31, 2017. Please refer to the information circular of the Company dated May 14, 2014 for details of the Contract for Purchase and Sale of Doré. On May 26, 2017, Inner Mongolia Pacific entered into the Supplemental Contract for Purchase and Sale of Doré with China National Gold for the sale by Inner Mongolia Pacific and the purchase by China National Gold of gold doré bars and silver by-products produced at the CSH Mine through to December 31, 2020. Please refer to the information circular of the Company dated May 31, 2017 for details of the Contract for Purchase and Sale of Doré. On March 28, 2018, Inner Mongolia Pacific entered into the Second Supplemental Contract for Purchase and Sale of Doré with China National Gold, to make certain immaterial and non-consequential amendments to the purchase terms of gold doré pursuant to which both parties agreed to amend the reference for gold doré bar products from “the real-time price of Au9995 gold ingot at Shanghai Gold Exchange on the notification date less RMB0.95 per gram to the monthly average price of the AU(T+D) contract on the Shanghai Gold Exchange less RMB1.50 per gram”. On May 6, 2020, Inner Mongolia Pacific and China National Gold entered into the Third Supplemental Contract for Purchase and Sale of Doré for a term commencing on January 1, 2021 and expiring on December 31, 2023.

A. Key terms of the Third Supplemental Contract for the Purchase and Sale of Doré

- Date:** May 6, 2020
- Parties:** (a) Inner Mongolia Pacific (as the seller); and
(b) China National Gold (as the purchaser)
- Subject Matter:** The sale and purchase of gold doré bars and silver by-products produced at the CSH Mine owned and operated by Inner Mongolia Pacific in Inner Mongolia, PRC.
- Term:** Subject to the approval of the Independent Shareholders at the Meeting and compliance with other requirements under the Hong Kong Listing Rules, effective from January 1, 2021 to December 31, 2023.
- Payment Terms:** Pricing for gold doré bar products is referenced to the monthly average price of AU(T+D) contract as quoted on the Shanghai Gold Exchange less RMB1.50 per gram, multiplied by the settlement weight. The amount of RMB1.50 per gram to be deducted from the quoted price is the cost of refining gold doré bars by the purchaser plus compensation for the gold price fluctuation risk born by the purchaser with monthly average price which was determined based on and is consistent with prevailing market practice.
- Pricing for silver by-products is referenced to the price of No. 2 silver at the Shanghai Huatong White 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 with independent third parties. Considering the current and anticipated prices of silver during the term of the Third Supplemental Contract for Purchase and Sale of Doré, the refining cost is expected to equal but not be less than the costs to be incurred by the purchaser, 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 the purchaser has received the material at the refinery unless samples are sent to an umpire analysis. The seller shall deliver an invoice to the purchaser for the resulting settlement weight, and the purchaser will have 30 calendar days to effect payment to the seller.

The Board is of the view that making reference to the 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 doré bar products and silver by-products is in PRC, (ii) the Shanghai Gold Exchange and the Shanghai Huatong White Platinum & Silver Exchange are the two most influential precious metal and non-ferrous metal exchanges in PRC and (iii) it is the prevailing market and industry practice to determine the price of gold and silver with reference to prices quoted on these two exchanges.

The Board considers that granting 30 days credit period to the purchaser is fair and reasonable having considered that (i) the contract terms have been negotiated at arm's length and (ii) the 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 doré bars and silver by-products.

B. Reasons for and benefits of the Third Supplemental Contract for Purchase and Sale of Doré

The reasons for and benefits of the Third Supplemental Contract for Purchase and Sale of Doré 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 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 Third Supplemental Contract for Purchase and Sale of Doré will provide the Group with a ready buyer of the gold doré 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 one of the largest gold producer in the PRC, has good credibility in the industry. This lends assurance to the Group (including Inner Mongolia Pacific) that the risks it may face in conducting business with China National Gold would be low;
- (c) the terms and conditions of the Third Supplemental Contract for Purchase and Sale of Doré are substantially unchanged from the 2015 Contract for Purchase and Sale of Doré (as amended by the First Supplemental Contract for Purchase and Sale of Doré and the Second Supplemental Contract for Purchase and Sale of Doré). To date, the Contract for Purchase and Sale of Doré (as amended) 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 Third Supplemental Contract for Purchase and Sale of Doré 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 during the proposed term of the Third Supplemental to Contract for Purchase and Sale of Doré.

C. Proposed Caps and basis of determination for Caps under the Third Supplemental Contract for the Purchase and Sale of Doré

Set out below are (1) the existing Caps for the three years ending December 31, 2020 under the Second Supplemental Contract for Purchase and Sale of Doré; (2) the actual transaction amount for the two years ended December 31, 2019 and two months ended February 29, 2020; (3) the proposed Caps for the financial years ending December 31, 2021, 2022 and 2023.

	For the financial year ended December 31					
	2018 (RMB in thousands)	2019 (RMB in thousands)	Two months ended February 29,2020 (RMB in thousands)	2021 (RMB in thousands)	2022 (RMB in thousands)	2023 (RMB in thousands)
Existing Caps	2,700,000	2,700,000	2,700,000	n/a	n/a	n/a
Actual transaction amounts	1,216,000	1,414,732	244,945 (Jan-Feb)	n/a	n/a	n/a
Utilization Rate (%)	45%	52.4%	9.07% (Jan-Feb)	n/a	n/a	n/a
Proposed Caps	n/a	n/a	n/a	2,800,000	2,800,000	2,800,000

The Caps of RMB2,800 million have been determined with reference to (i) the expected sales volume of gold doré at 5 tonnes (i.e. 5 million grams) per year, (ii) the expected sales price of gold doré at RMB400 per gram and (iii) the expected price volatility of gold doré of approximately 40%. The Company has taken into account only the sales of gold doré bars in determining the Caps without consideration of the sales of silver by-products under the Third Supplemental Contract for Purchase and Sale of Doré, as silver by-products are not material to the content of the doré and are reflected in the calculation of the price volatility of gold doré since historically a material increase in the price of gold usually results in a comparable increase in the price of silver.

The Directors (including the independent non-executive Directors) consider that (i) the terms and proposed Caps of the Third Supplemental Contract for Purchase and Sale of Doré are fair and reasonable; (ii) the Third Supplemental Contract for Purchase and Sale of Doré is on normal commercial terms and in the ordinary and usual course of business for the Group; and (iii) entering the Third Supplemental Contract for Purchase and Sale of Doré is in the interest of the Company and its Shareholders as a whole.

D. Internal Control Measures

In order to secure the Independent Shareholders' interests and ensure compliance with the terms and proposed Caps of the Third Supplemental Contract for Purchase and Sale of Doré 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 White Platinum & Silver Exchange;
- (b) the Company's financial reporting department will monitor on a monthly and quarterly basis the reconciliation to the Caps for the Third Supplemental Contract for Purchase and Sale of Doré; and
- (c) the Company's auditors will review the transactions completed under the Third Supplemental Contract for Purchase and Sale of Doré and the Caps thereunder and report to the independent non-executive directors.

Third Supplemental Products and Services Framework Agreement

A. Background

On April 26, 2013, the Company entered into the Products and Services Framework Agreement with China National Gold, pursuant to which China National Gold agreed to 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 Products and Services

Framework Agreement to add the sale and purchase of copper concentrates produced at the Jiama Mine and extended the term to December 31, 2017. On May 26, 2017 the Company and China National Gold entered into the Second Supplemental Products and Services Framework Agreement to extend the term to December 31, 2020 and to extend the scope 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. Please refer to the information circulars of the Company dated May 21, 2013, May 29, 2015 and May 31, 2017 for details on the Products and Services Framework Agreements (as amended by the First Supplemental Products and Services Agreement and the Second Supplemental Products and Services Agreement).

On May 6, 2020, the Company and China National Gold entered into the Third Supplemental Products and Services Framework Agreement to extend the term of the of the Products and Services Framework Agreement (as amended by the First Supplemental Products and Services Framework Agreement and the Second Supplemental Products and Services Framework Agreement) for an additional three-year term commencing on January 1, 2021 and expiring on December 31, 2023.

B. Key terms of the Third Supplemental Products and Service Framework Agreement

Date:	May 6, 2020
Parties:	(a) the Company; and (b) China National Gold
Amendments:	Extend the term of the Products and Services Framework Agreement (as amended by the First Supplemental Products and Services Framework Agreement and the Second Supplemental Products and Services Framework Agreement) to expire on December 31, 2023.
Effect:	The other terms and conditions of the Product and Services Framework Agreement (as amended by the First Supplemental Products and Services Framework Agreement and the Second Supplemental Products and Services Framework Agreement) remain unchanged.
Subject matter:	The products and services relate to mining development and planning for daily mining operations, copper concentrate sales and equipment leasing services.
Term:	Subject to the approval of the Independent Shareholders at the Meeting and compliance with other requirements under MI 61-101 and the Hong Kong Listing Rules, effective from January 1, 2021 to December 31, 2023.

**Selection
providers
suppliers**

**of
and** 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 and finance department and then the proposal will be submitted to the deputy general manager or the general manager for final approval. These departments will compare the quotations or proposals received and assess them 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 active trading markets such that an open market tendering process would be unlikely to obtain the best possible price and terms for the required product or service. The tendering process would be conducted strictly in compliance with Law of the PRC on Tenders and Bids. The Company treats all bidders equally in the tendering process and will accept the proposal of the winning bidder.

**Pricing and
Payment:**

General Principle

China National Gold represented and warranted in the Products and Services Framework Agreement (as amended), that the payment terms offered to the Company will depend on the nature of the specific transaction and will not be less favourable than those offered to independent third parties.

Services, Auxiliary Equipment and Materials

The pricing and payment parameters for services relate 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, and leasing services

The pricing of the services, auxiliary equipment and materials 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 responsible for setting such prices or its local bureaus, but there are active trading markets, 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 responsible for setting such prices or its local bureaus, and there is no active trading market, prices will be determined by comparison with 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) if none of the paragraphs (a), (b) and (c) above applies, 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 the PRC. 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 Products and Services Framework Agreement (as amended) 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 and finance department and then the proposal will be 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.

The pricing basis for each of the above services shall fall into category (b) above given the fact that there are active trading markets in PRC. If category (b) for any of the above services cannot be followed, the Company will consider category (c) and if category (c) cannot be followed, then the Company will adopt category (d) and all pricing and payment terms will be set out in a specific contract for such products and services.

Copper Concentrate Sales

The pricing terms of the sale of copper concentrates have not been altered since the Products and Services Framework Agreement was entered and are set out as follows:

- (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 responsible for setting such prices or its local bureaus, but there are active trading markets, prices as may be determined by a tender;
- (c) if there are no such stipulated prices and also no active trading markets, prices as with reference to identical or similar transactions as observed from the market; or
- (d) otherwise, 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 Products and Services Framework Agreement(as amended) 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 and finance department and then the proposal will be 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 are active trading markets for copper, gold and silver in the

PRC. If category (b) for any 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 the Company will adopt 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 the PRC 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.

Volume of the proposed transactions (buyers with the ability to take up a large volume of the Group's products will be preferred).

Equipment Leasing Services

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

The pricing of the equipment leasing services rendered under the Products and Services Framework Agreement (as amended), 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 responsible for setting such prices or its local bureaus, but there are active trading markets, prices may be determined by a tender;
- (c) should there be no such prices stipulated by the PRC governmental department responsible 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 transactions; 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 the PRC. 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 Products and Services Framework Agreement (as amended), 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 and finance department and then the proposal will be 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.

The pricing basis for equipment leasing services shall fall into category (b) above given the fact that there are active trading markets in the PRC. If category (b) for any of the above services cannot be followed, the Company will consider category (c) and if category (c) cannot be followed, then the Company will adopt category (d). All pricing and payment terms will be set out in a specific contract for such products and services.

C. Reasons for and benefits of the Third Supplemental Products and Services Framework Agreement

The reasons for and benefits of the Third Supplemental Products and Services 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 technological capabilities to maximize productivity;
- (b) with respect to sales of copper concentrates, in view of the unfavourable market condition for copper producers, by entering such agreement, the Company can leverage on China National Gold's strong smelting and purchase capabilities; and
- (c) with respect to leasing services, providing the Company with an alternative source of funding and potentially reducing the taxation expense of the Group since equipment leasing costs would be recorded as operating expenses as opposed to capitalized acquisitions of equipment, which will reduce the operating profits and taxes payable at the operating subsidiary level.

D. Proposed Caps and basis of determination for Caps under the Third Supplemental Products and Services Framework Agreement

Set out below are (1) the existing Caps for the three years ending December 31, 2020 under the Second Supplemental Products and Services Framework Agreement; (2) the actual transaction amount for the two years ended December 31, 2019 and two months ended February 29, 2020; and (3) the proposed Caps under the Third Supplemental Products and Services Framework Agreement for the years ending December 31, 2021, 2022 and 2023.

	For the financial year ended December 31					
	2018 <i>(RMB in thousands)</i>	2019 <i>(RMB in thousands)</i>	Two months ended February 29, 2020 <i>(RMB in thousands)</i>	2021 <i>(RMB in thousands)</i>	2022 <i>(RMB in thousands)</i>	2023 <i>(RMB in thousands)</i>
Existing Caps	11,400,000	11,400,000	11,400,000	n/a	n/a	n/a
Actual transaction amounts	974,000	645,201	19,620 (Jan-Feb)	n/a	n/a	n/a
Utilization rate (%)	8.54%	5.66%	0.17% (Jan-Feb)	n/a	n/a	n/a
Proposed Caps	n/a	n/a	n/a	6,300,000	6,300,000	6,300,000

Set out below are: (i) the actual transaction amount by products and services types under the Second Supplemental Products and Services Framework Agreement for the two years ended December 31, 2019 and the two months ended February 29, 2020, and (ii) the basis used by the Group to determine the Caps of RMB6,300 million for each of the three financial years ending December 31, 2023.

	For the financial year ended December 31					
	2018 Actual <i>(RMB in million)</i>	2019 Actual <i>(RMB in million)</i>	Two months ended February 29, 2020 (Actual) <i>(RMB in million)</i>	2021 Proposed for each year <i>(RMB in million)</i>	2022 Proposed for each year <i>(RMB in million)</i>	2023 Proposed for each year <i>(RMB in million)</i>

Stripping and related services	14	12	0.5	91	91	91
Mining research, development and design and related services	85	56	-	23	17	17
Environmental, safety and occupational health management	8	2	-	1	2	1
Tendering agency service	2	1	-	2	2	2
Office lease	26	26	-	27	27	27
Auxiliary equipment	8	1	4	68	68	68
Copper concentrates	830	548	15	4,102	4,102	4,102
Leasing Services	-	-	-	200	200	200
Subtotal	973	646	19.5	4,514	4,509	4,509
40% buffer	N/A	N/A	N/A	1,786	1,792	1,792
Total				6,300	6,301	6,301

The Company also reserved an approximately 40% buffer in determining the proposed Caps for the Third Supplemental Products and Services Framework Agreement.

D. Internal Control Measures

In order to secure the Independent Shareholders' interests and ensure compliance with the terms and the proposed Caps of the Third Supplemental Products and Services Framework Agreement, the Company has adopted certain internal control measures.

All specific contracts under the Third Supplemental Products and Services Framework Agreement are provided from the mine sites to the Company's corporate office through its record management system for review by the legal, finance or other relevant departments. After the contracts are 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 monitoring transactions processed under such contracts. On a quarterly basis, the legal manager is responsible for verifying the aggregated amount of the transactions directly with the finance department of the mine sites. The report is then provided to the independent auditors, who will review all contracts from the mine sites to verify transaction amounts. The auditors' report on continuing connected transactions will then be provided to the Company's independent non-executive Directors for review.

The Group has internal control measures in place 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 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 buyer, 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 the potential buyers)
- (d) Volume of the proposed 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 Product and Service Framework Agreement, as amended, 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.

The Directors (including the independent non-executive Directors) consider that (i) the terms and proposed Caps of the Third Supplemental Products and Service Framework Agreement are fair and reasonable; (ii) the Third Supplemental Products and Services Framework Agreement are normal commercial terms and are and in the ordinary and usual course of business of the Group; and (iii) entering into the Third Supplemental Products and Services Framework Agreement are in the interest of the Company and its Shareholders as a whole.

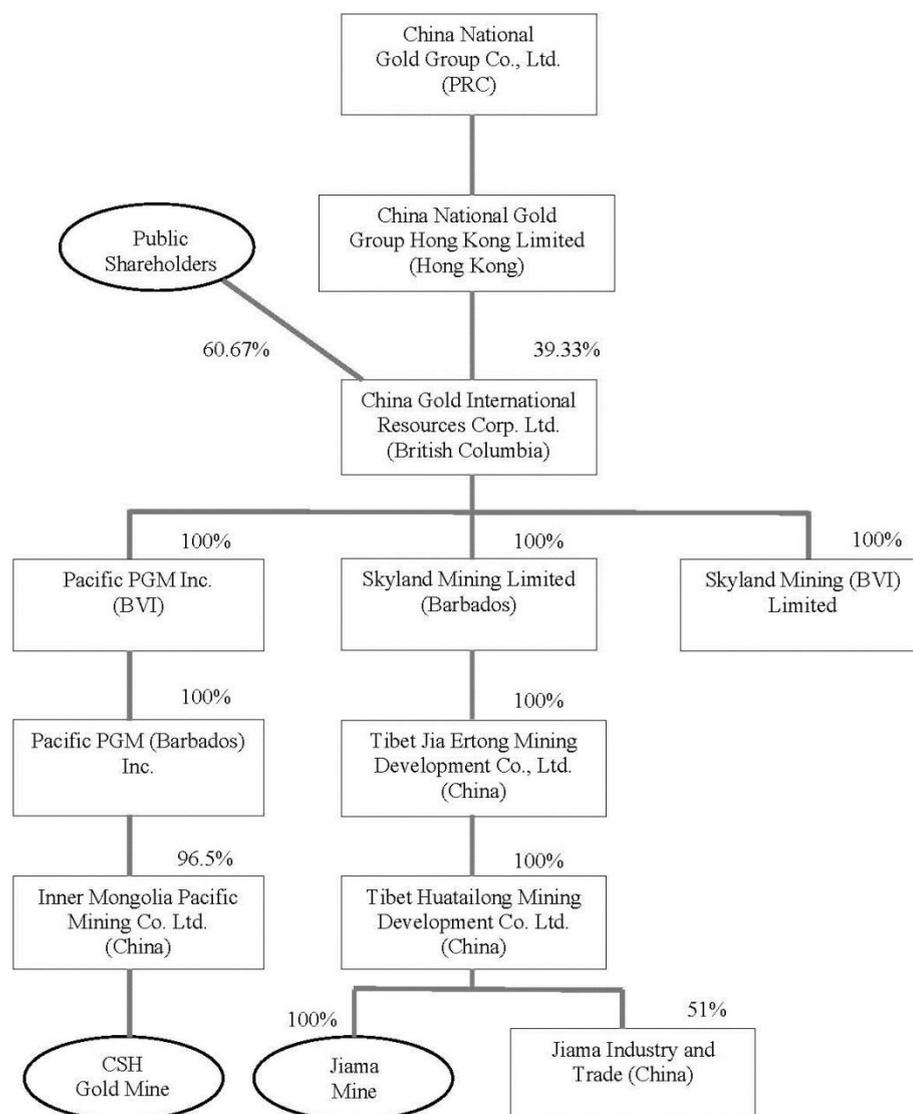
INFORMATION ABOUT THE COMPANY

The Company is a gold and base metal mining company incorporated in British Columbia, Canada. Its principal properties are located in Inner Mongolia Autonomous Region, the PRC and in the Tibet Autonomous Region, the PRC. The Company commenced commercial gold production at its CSH Mine on July 1, 2008. The Company also commenced commercial production of copper, molybdenum, gold, silver, lead and zinc at its Jiama 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 is one of the largest gold producers in the PRC by gold output, according to the China Gold Association.

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



IMPLICATIONS UNDER THE HONG KONG LISTING RULES

As at the Latest Practicable Date, China National Gold held approximately 39.3% of the 396,413,753 of issued Shares through China National Gold Group 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 each of the such Continuing Connected Transactions exceed 5%, the Continuing Connected Transactions are subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

Each of Mr. Liangyou Jiang (Chairman, chief executive officer and executive Director), Mr. Shiliang Guan (executive Director), Mr. Yongqing Teng and Ms. Fuzhan Kang (non-executive Directors) are considered to have a material interest in the Continuing Connected Transactions by virtue of their being officers or affiliates of 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 Continuing Connected Transactions.

GENERAL INFORMATION

The Company will convene the Meeting in Vancouver, Canada on June 16, 2020 Vancouver time June 17, 2020 Hong Kong time) for the Independent Shareholders to consider and, if thought fit, approve, among other matters, the Continuing Connected Transactions. China National Gold, the ultimate controlling Shareholder of the Company, and its 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 and proposed Caps of the Continuing Connected Transactions 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. Mr. Ian He, Mr. Wei Shao, Dr. Bielin Shi and Ms. Ruixia Han, being all the 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. TC Capital 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 terms and the proposed Caps of the Continuing Connected Transactions, (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:

“Board”	The board of Directors;
“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 this announcement;
“China National Gold”	China National Gold Group Co., Ltd. (formerly known as China National Gold Group Corporation), the ultimate controlling Shareholder of the Company currently holding approximately 39.3% of the issued Shares through China National Gold Group Hong Kong Limited, its wholly-owned subsidiary;
“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 Third Supplemental Contract for Purchase and Sale of Doré and the Third Supplemental Products and Services Framework Agreement, which constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules;
“Contract for Purchase and Sale of Doré”	the Contract for Purchase and Sale of Doré dated May 7, 2014 between Inner Mongolia Pacific and China National Gold;
“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;
“First Supplemental Contract for the Purchase and Sale of Doré”	the first supplemental Contract for the Purchase and Sale of Doré dated May 26, 2017 between Inner Mongolia Pacific and China National Gold;
“First Supplemental Products and Services Framework Agreement”	the first supplemental Products and Services Framework Agreement dated May 29, 2015 between China National Gold and 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 PRC;
“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 JiaErtong Mining Development Co., Ltd., the Company's 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 Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to 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 Continuing Connected Transactions, and are not required to abstain from voting at the Meeting to approve the Continuing Connected Transactions;
“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, PRC. 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 6, 2020, being the latest practicable date before this Announcement;
“Meeting”	The annual and special meeting of the Shareholders of the Company to be held on June 16, 2020 at 10:00 am in Vancouver, British Columbia, Canada (June 17, 2020 Hong Kong time), to consider and, if appropriate, to approve (among other matters) the Continuing Connected Transactions, or any adjournment thereof;
“PRC”	The People’s Republic of China
“Products and Services Framework Agreement”	the Products and Services Framework Agreement dated April 26, 2013 between China National Gold and the Company;
“RMB”	Renminbi, the lawful currency of the PRC;
“Second Supplemental Contract for the Purchase and Sale of Doré”	the second supplemental Contract for the Purchase and Sale of Doré dated March 28, 2018 between Inner Mongolia Pacific and China National Gold;
“Second Supplemental Products and Services Framework Agreement”	the second supplemental Products and Services Framework Agreement dated May 26, 2017 between China National Gold and the Company;
“Share(s)”	share(s) of the Company;
“Shareholder(s)”	holder(s) of Share(s);
“Third Supplemental Contract for the Purchase and Sale of Doré”	the third supplemental Contract for the Purchase and Sale of Doré dated May 6, 2020, between Inner Mongolia Pacific and China National Gold ;
“Third Supplemental Products and Services Framework Agreement”	the third supplemental Products and Services Framework Agreement dated May 6, 2020 between China National Gold and the Company;
“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;
“%”	percent.

By order of the Board
China Gold International Resources Corp. Ltd.
Mr. Liangyou Jiang
Chairman and Chief Executive Officer

Hong Kong, May 7, 2020

As at the date of this announcement, the Board of Directors of the Company comprises of Mr. Liangyou Jiang and Mr. Shiliang Guan as Executive Directors, Mr. Yongqing Teng and Ms. Fuzhen Kang as Non-Executive Directors, and Mr. Ian He, Mr. Wei Shao, Ms. Ruixia Han and Dr. Bielin Shi as Independent Non-Executive Directors.