The following is the text of the letter of advice from Investec to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition Agreement and the transactions contemplated under the Acquisition Agreement prepared for the purpose of incorporation in this circular.

Investec Capital Asia Limited
3609, 36/F, Two International Finance Centre
8 Finance Street, Central, Hong Kong
香港中環金融街8號國際金融中心二期36樓3609室
Tel/電話: (852) 3187 5000
Fax/傳真: (852) 2501 0171
www.investec.com

30 August 2013

To: The Independent Board Committee and
the Independent Shareholders of
Jinchuan Group International Resources Co. Ltd

Dear Sirs/Madams,

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF JIN RUI MINING INVESTMENT LIMITED AND THE SALE LOANS INVOLVING THE ISSUE OF CONSIDERATION SHARES AND PERPETUAL SUBORDINATED CONVERTIBLE SECURITIES

I. INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders with regard to the Acquisition Agreement and the transactions contemplated under the Acquisition Agreement. Details of the Acquisition Agreement are contained in the letter from the Board (the "**Letter from the Board**") of the circular to the Shareholders dated 30 August 2013 (the "**Circular**"), of which this letter forms part. Unless otherwise stated, terms defined in the Circular have the same meanings in this letter.

On 27 August 2013, the Company (as Buyer) entered into the Acquisition Agreement with Jintai Mining Investment (as Seller) and Jinchuan HK (as Seller's guarantor), pursuant to which, the Seller has agreed to sell and the Company has agreed to purchase the Sale Share, representing the entire issued share capital of the Target Company, and Sale Loans at the Purchase Price of US$1,290.0 million (equivalent to approximately HK$10,062.0 million). The Purchase Price will be satisfied as to (i) US$204.6 million (equivalent to approximately HK$1,595.9 million) through the issuance of the Consideration Shares; and (ii) US$1,085.4 million (equivalent to approximately HK$8,466.1 million) through the issuance of the PSCS at an initial Conversion Price of HK$1.00 per Conversion Share, by the Company to the Seller and/ or its nominee(s) upon Completion.

As part of the terms of the Acquisition, the Board proposes to increase the authorised share capital of the Company from HK$50,000,000 to HK$200,000,000 by the creation of an additional 15,000,000,000 unissued Shares to rank *pari passu* in all respects with the existing issued Shares.

In addition, the Board proposes to seek a Specific Mandate from the Shareholders at the EGM to issue not more than 4,000,000,000 new Shares, subject to approval from Shareholders at the EGM for the increase of the authorised share capital of the Company as described above.

As the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Acquisition exceed 100%, the Acquisition constitutes a very substantial acquisition for the Company under the Rule 14.06(5) of the Listing Rules.

The Seller is an indirect wholly-owned subsidiary of Jinchuan Group. As at the Latest Practicable Date, Jinchuan HK owns 1,667,142,857 Shares, representing approximately 60.52% of the issued share capital of the Company. Jinchuan Group, the ultimate shareholder of Jinchuan HK, is deemed to be interested in 1,667,142,857 Shares, representing approximately 60.52% of the issued share capital of the Company. Since Jinchuan Group is the ultimate controlling Shareholder, the Seller is an associate of Jinchuan Group and is therefore a connected person of the Company under Chapter 14A of the Listing Rules.

Accordingly, the Acquisition also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the Independent Shareholders' approval requirement under Rule 14A.48 of the Listing Rules.

The Board consists of three executive Directors, namely Mr. Yang Zhiqiang, Mr. Zhang Sanlin and Mr. Zhang Zhong, three non-executive Directors, namely, Mr. Gao Tianpeng, Mr. Qiao Fugui and Ms. Zhou Xiaoyin, and three independent non-executive Directors, namely Mr. Gao Dezhu, Mr. Wu Chi Keung, and Mr. Yen Yuen Ho, Tony.

The Independent Board Committee comprising all of the independent non-executive Directors, namely, Mr. Gao Dezhu, Mr. Wu Chi Keung and Mr. Yen Yuen Ho, Tony, has been established to consider the Acquisition. As the independent financial adviser to the Independent Board Committee and the Independent Shareholders, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders as to whether or not the Acquisition Agreement and the transactions contemplated under the Acquisition Agreement (i) are in the interests of the Company and Shareholders as a whole; (ii) the terms of which are on normal commercial terms and are fair and reasonable; and (iii) whether the Independent Shareholders should vote in favour of the resolution to be proposed at the EGM to approve the Acquisition Agreement and the transactions contemplated under the Acquisition Agreement at the EGM.

II. BASIS AND ASSUMPTIONS OF THE ADVICE

In formulating our advice, we have relied solely on the statements, information, opinions and representations for matters relating to the Group contained in the Circular and the information and representations provided to us by the Group and/or its senior management staff (the "**Management**") and/or the Directors. We have assumed that all such statements, information, opinions and representations for matters relating to the Group contained or referred to in the Circular or otherwise provided or made or given by the Group and/or the Management and/or the Directors and for which it is/they are solely responsible were true, accurate and complete in all material respects at the time they were made and given and continued to be true and valid as at the date of the Circular. We have assumed that all the opinions and representations for matters relating to the Group made or provided by the Directors and/or the Management contained in the Circular have been made on a reasonable basis after due and careful enquiries. We have also sought and obtained confirmation from the Group and/or the Management and/or the Directors that no material facts have been omitted from the information provided and referred to in the Circular, the omission of which would render any statement in the Circular misleading.

We consider that we have reviewed all currently available information and documents to enable us to reach an informed view and to justify our reliance on the information provided so as to form a reasonable basis for our opinions. We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions and representations provided to us by the Group and/or the Management and/or the Directors and their respective advisers or to believe that material information has been withheld or omitted from the information provided to us or referred to in the aforesaid documents. We have not, however, carried out any independent verification of the information provided, nor have we conducted any independent investigation into the business and affairs of the Group, the Target Group, the Jinchuan Group and their respective subsidiaries or the prospects of the markets in which they respectively operate.

III. PRINCIPAL FACTORS CONSIDERED

In formulating our recommendation, we have taken into consideration the following principal factors and reasons:

1. Background information of the Group and reasons for the Acquisition Agreement

On 30 November 2010, upon the completion of the subscription pursuant to the subscription agreement dated 14 August 2010, Jinchuan HK became the Company's controlling Shareholder, details of which are set out in the announcement of the Company dated 24 August 2010.

Jinchuan Group is the ultimate holding company of both Jinchuan HK and the Company. The current principal activities of the Group are trading of mineral and metal products.

As set out in the annual report of the Company for the year ended 31 December 2012 (the "**2012 Annual Report**"), it is the strategic intention of the Company to become Jinchuan Group's flagship platform for undertaking overseas mining and mineral resources operations. The Group will focus on boosting its international minerals and metals trading business by cementing relationships with its existing network of overseas suppliers as well as expanding its customer portfolio by making strategic moves in the development and selection of suppliers and customers. Moreover, the Group will actively explore possible acquisitions of overseas mining and mineral resources assets, in particular operating/producing assets.

Set out below is a summary of the operating results of the Group for each of the six months ended 30 June 2013 and 2012, and two years ended 31 December 2012, based on the interim results announcement dated 23 August 2013 (the "**2013 Interim Results Announcement**") and the 2012 Annual Report:

	For the six months ended 30 June		For the year ended 31 December	
	2013	**2012**	**2012**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)	*(unaudited)*	*(audited)*	*(audited)*
Revenue				
– Trading of mineral and metal products	1,147,451	165,934	1,740,990	–
– Cosmetic and beauty	–	54,233	101,689	129,394
Total Group revenue	1,147,451	220,167	1,842,679	129,394
Gross Profit	33,885	37,873	82,883	87,372
Profit/(loss) for the period/year	35,590	(5,564)	(7,368)	(18,086)
Profit/(loss) attributable to				
– Owners of the Company	35,590	(5,564)	(7,367)	(18,084)
– Non-controlling interests	–	–	(1)	(2)

For the six months ended 30 June 2013 and 30 June 2012

As set out in the 2013 Interim Results Announcement, the unaudited revenue of the Group increased from approximately HK$165.9 million for the six months ended 30 June 2012 to approximately HK$1,147.5 million for the six months ended 30 June 2013. Attributable to, among others, the increase in revenue and improvement in gross profit margin, the unaudited profit of the Group for the six months ended 30 June 2013 (after the discontinued operations) was approximately HK$35.6 million compared to an unaudited loss of the Group for the six months ended 30 June 2012 of approximately HK$5.6 million.

On 24 June 2013, the Company (as the vendor) and Ambleside Associates Limited (as the purchaser) entered into a sale and purchase agreement for the disposal of the Group's cosmetic and beauty business and completion of the aforesaid disposal took place in late June 2013.

For the two years ended 31 December 2012

Revenue for the year ended 31 December 2012 was approximately HK$1,842.7 million, representing an increase of approximately 14.24 times from approximately HK$129.4 million for the year ended 31 December 2011. The Group derived revenue of approximately HK$1,741.0 million from its minerals and metals trading business for the year ended 31 December 2012, representing approximately 94.5% of the Group's total revenue. The Group's cosmetic and beauty business contributed revenue of approximately HK$101.7 million for the year ended 31 December 2012, representing approximately 5.5% of the Group's total revenue as compared to approximately HK$129.4 million for the year ended 31 December 2011 or 100% of the Group's total revenue.

The Group's minerals and metals trading business commenced in 2012. During the year ended 31 December 2012, the Group purchased a total of approximately 11,545 t of copper blister and 79,624 t of copper concentrates under contracts with overseas suppliers, all of which were sold to Jinchuan Group.

For the year ended 31 December 2012, the Group's minerals and metals trading business recorded a segment gain of approximately HK$14.6 million and its cosmetic and beauty business recorded a segment loss of approximately HK$7.9 million. Loss for the year ended 31 December 2012 was approximately HK$7.4 million, representing a year-on-year decrease of approximately 59.3% from a loss of approximately HK$18.1 million for the year ended 31 December 2011. As set out in the 2012 Annual Report, the gross profit margin of the Group has decreased from approximately 67.5% for the year ended 31 December 2011 to approximately 4.5% for the year ended 31 December 2012, largely due to the introduction of the non-ferrous metals trading business which is characterised by substantial revenue with a lean gross profit margin.

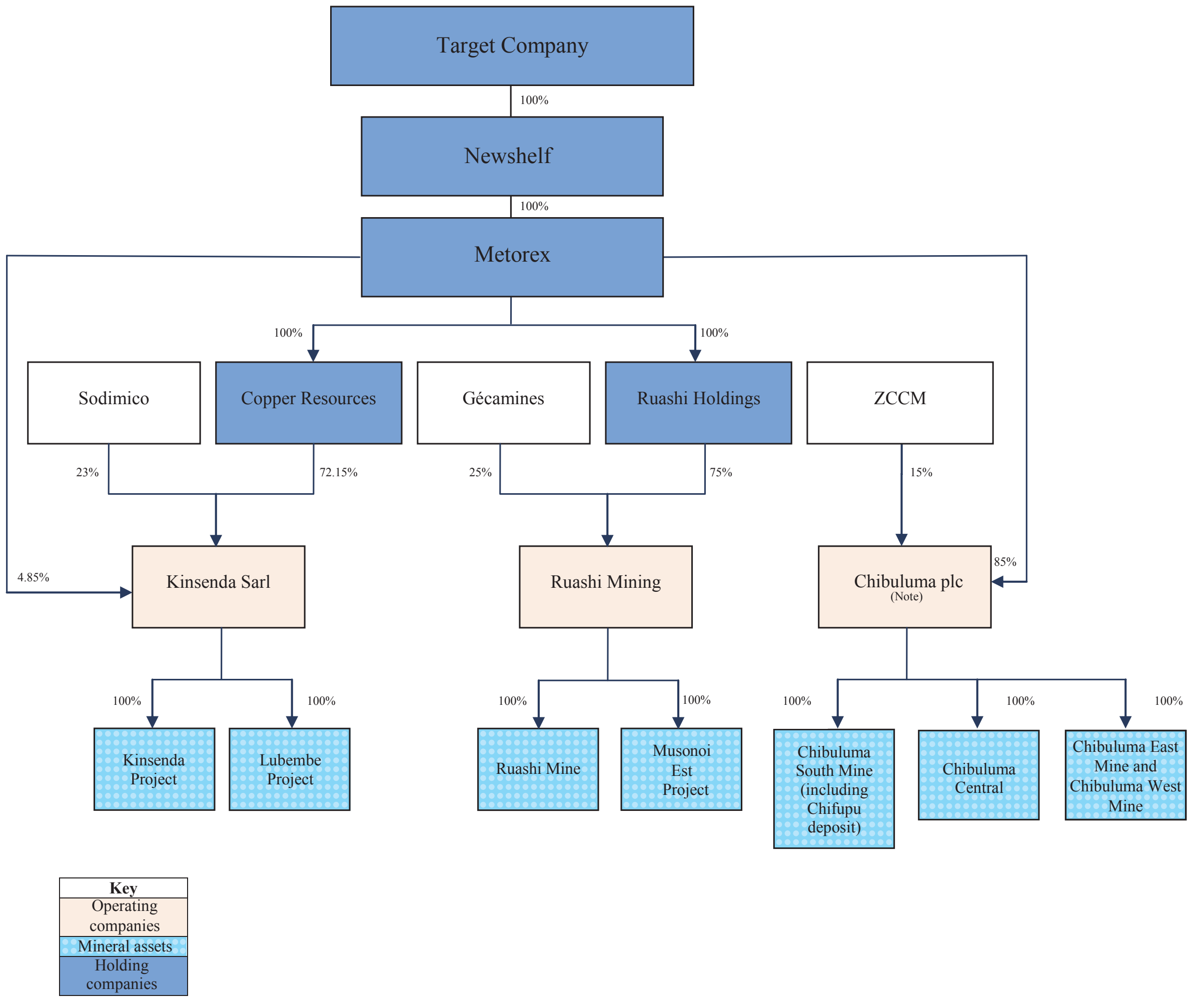
2. Information of the Target Group

The Target Company, being an indirect wholly-owned subsidiary of Jinchuan HK, indirectly holds the entire issued share capital of Metorex.

Metorex is an established mid-tier mining company and focuses on base metals mining, primarily copper and cobalt. Metorex has its headquarters in South Africa and has control over two mining projects in Africa which are in operation and are profit generating, namely (i) the Ruashi Mine, a copper and cobalt mine located in the DRC; and (ii) the Chibuluma South Mine, a copper mine located in Zambia. In addition, Metorex also has control over one Development Project and two Exploration Projects located in the DRC.

Prior to the acquisition by Jinchuan Group, Metorex was listed on the Johannesburg Stock Exchange and the London Stock Exchange since December 1999. Metorex was delisted from the London Stock Exchange in March 2009. Following the acquisition by Jinchuan Group, Metorex was privatised and delisted from the Johannesburg Stock Exchange in January 2012.

A simplified corporate structure of the Target Group setting out the key companies within the Target Group is set out below:



Note: *The minister responsible for finance holds one special share of Chibuluma plc on behalf of the Government of Zambia.*

2.1 Business of Metorex

The key assets of the Metorex Group are summarised in the following table:

Operating Mines/ Development Project/ Exploration Projects	Effective Interest held by Metorex	Location	Status	Minerals
Ruashi Mine	75%	DRC	operating	copper/cobalt
Chibuluma South Mine (including Chifupu deposit)	85%	Zambia	operating (Chibuluma South Mine)/ exploration project (Chifupu deposit)	copper
Kinsenda Project	77%	DRC	development project	copper
Lubembe Project	77%	DRC	exploration project	copper
Musonoi Est Project	75%	DRC	exploration project	copper/cobalt

Source: Competent Person's Report

2.2 Mineral Resources of the Metorex Group

As set out under paragraph headed "II. Business of the Metorex Group" in the section headed "Information of the Target Group" of the Circular, the Metorex Group operates and holds the mining rights to some of the highest grade copper projects in the world. Mineral Resources at the Chibuluma South Mine and the Ruashi Mine have average grades of 3.58% copper and 2.18% copper, respectively. The Kinsenda Project is one of the world's highest grade copper deposits, with Mineral Resources grade averaging 5.51% copper. In addition, the two advanced stage exploration projects, the Lubembe Project and the Musonoi Est Project, also benefit from relatively high grade Mineral Resources with average copper grades ranging between 1.96% and 2.76%.

For further details of the mineral assets of the Target Group including but not limited to, (i) the detailed location of the mineral assets; (ii) operational information of each mine/project; (iii) Mineral Resources and Mineral Reserves, and production volume of the Target Group; and (iv) details of the concessions, please refer to the section headed "Information of the Target Group" of the Circular.

2.3 Financial results of the Metorex Group and the Target Group

As set out in the "Letter from the Board" of the Circular, the Metorex Group is made up of Metorex and its subsidiaries (including Chibuluma plc, Kinsenda Sarl and Ruashi Mining) and comprises (amongst other investment holding companies) the operating companies within the Target Group.

According to the audited consolidated financial statements of the Target Group for the year ended 31 December 2012 prepared in accordance with IFRS, the consolidated net asset/(liability) value of the Target Group was (i) approximately (US$18,000) (equivalent to approximately (HK$140,400)) as at 31 December 2011; and (ii) approximately US$246.0 million (equivalent to approximately HK$1,918.8 million) as at 31 December 2012. The significant increase in the net asset value of the Target Group from its net liability value as at 31 December 2011 was mainly attributable to the completion of the acquisition of the entire share capital of Metorex on 16 January 2012. Accordingly, the results of Metorex together with its subsidiaries have been consolidated into the financial statements of the Target Group since 16 January 2012.

According to the audited consolidated financial statements of the Metorex Group for the year ended 31 December 2012, the consolidated net asset value of the Metorex Group as at 31 December 2012 was approximately US$652.0 million (equivalent to approximately HK$5,085.6 million).

The audited consolidated net profit before and after tax of the Metorex Group for the six months ended 30 June 2013 and 30 June 2012, and two years ended 31 December 2012 were as follows:

	6 months ended 30 June 2013	**6 months ended 30 June 2012**	**12 months ended 31 December 2012**	**12 months ended 31 December 2011**
	(US$'000)	*(US$'000)*	*(US$'000)*	*(US$'000)*
(from continuing operations)		(unaudited)		
Revenue	203,085	201,287	408,051	507,315
Net profit before tax	24,795	53,048	69,884	140,939
Net profit after tax	12,762	32,342	28,512	70,312

The revenue (from continuing operations) of the Metorex Group decreased from approximately US$507.3 million (equivalent to approximately HK$3,956.9 million) for the year ended 31 December 2011 to approximately US$408.1 million (equivalent to approximately HK$3,183.2 million) for the year ended 31 December 2012. We note that in 2011, the Metorex Group made a one-off impairment of an amount of tax of approximately US$9.9 million relating to a change in the tax rate which it has previously expected to recover from the Zambian tax authority. The Metorex Group also incurred a substantial amount of income tax expense of approximately US$60.7 million for the year ended 31 December 2011 due to the increase in corporate tax rate in Zambia from 30% to 42% and the incurrence of additional non-tax deductible expenses. For the year ended 31 December 2012, decrease in revenue and net profit after tax was mainly attributable to the reduction in volumes of copper and cobalt produced from the Ruashi Mine caused by power outages in the DRC from time to time, which in turn adversely affected the sales volume, as well as a reduction in the average price of the cobalt sold by the Metorex Group arising from a decrease in cobalt commodity prices from 2011 to 2012.

The revenue (from continuing operations) of the Metorex Group increased from approximately US$201.3 million (equivalent to approximately HK$1,570.1 million) for the six months ended 30 June 2012 to approximately US$203.1 million (equivalent to approximately HK$1,584.2 million) for the six months ended 30 June 2013. We note from the section headed "Financial Information of the Metorex Group" as set out in Appendix II of the Circular that the Metorex Group countered the downward pressure on the copper and cobalt prices by increasing the volume of copper produced and sold for the six months ended 30 June 2013.

The audited consolidated revenue and net profit after tax of the Target Group for the year ended 31 December 2012 is approximately US$389.0 million and US$48.8 million (equivalent to approximately HK$3,034.2 million and HK$380.6 million), respectively. The audited consolidated revenue and net profit after tax of the Target Group for the six months ended 30 June 2013 is approximately US$203.1 million and US$164.7 million (equivalent to approximately HK$1,584.2 million and HK$1,284.7 million), respectively.

We note from the section headed "Information of the Target Group" of the Circular that in an effort to improve the availability of power supplies on the sites in the DRC, Ruashi Mining had purchased seven diesel powered generators. The new generators and the majority of the ancillary equipment have been delivered to Ruashi Mine and commissioning has taken place in August 2013. These generators are capable of co-generating power with SNEL and therefore will significantly reduce the possibility of disruptions in its mining operations. As an interim measure, Ruashi Mining had also entered into a six month lease agreement for certain diesel powered generators which were commissioned in February 2013. Ruashi Mining plans to purchase these leased diesel powered generators during the second half of 2013 following the expiry of the lease term as an additional measure for the Ruashi Mine to reduce its reliance on power supplies from SNEL and Zambia and become fully self-sufficient in power supply and therefore minimising the negative impact on the mining operations when national grid power disruptions and/or reductions occur.

The net profit after taxation of the Metorex Group (from continuing operations) decreased from approximately US$70.3 million (equivalent to approximately HK$548.3 million) for the year ended 31 December 2011 to US$28.5 million (equivalent to approximately HK$222.3 million) for the year ended 31 December 2012. Such decrease was mainly attributable to the combination of (i) the reduction in revenue (after hedge adjustments) of approximately US$99.3 million (equivalent to approximately HK$774.5 million); (ii) decrease in other expenditure and amortisation of deferred hedge premium of approximately US$29.6 million (equivalent to approximately HK$230.9 million); and (iii) decreased in taxation of approximately US$29.3 million (equivalent to approximately HK$228.5 million).

The net profit after taxation of the Metorex Group (from continuing operations) decreased from approximately US$32.3 million (equivalent to approximately HK$251.9 million) for the six months ended 30 June 2012 to approximately US$12.8 million (equivalent to approximately HK$99.8 million) for the six months ended 30 June 2013. Based on information in "Financial Information of the Metorex Group" as set out in Appendix II of the Circular, the aforesaid decrease was largely attributable to the increase of cost of production of approximately US$35.8 million (equivalent to approximately HK$279.2 million) was due to, among others, the increase in mining costs as a result of the increase in the volume of the copper produced and sold by Ruashi Mining, general inflationary increase in staff's salaries and wages, and payments of retention benefits to certain management personnel in relation to Jinchuan Group's acquisition of Metorex.

3. Overview of the DRC and Zambia

Of the five mining projects of the Target Group, four of the mining projects are situated in the DRC and the remaining project is situated in Zambia. Both the DRC and Zambia are located in the Central African copperbelt which holds some of the world's largest and highest quality deposits of, among others, non-ferrous metals and precious metals. The Central African copperbelt, which extends from north eastern Angola through southern DRC and into Zambia, is one of the richest sources of copper in the world containing over a third of the world's cobalt mineral reserves and a tenth of the world's copper mineral reserves.

For detailed information on the DRC and Zambia, please refer to section headed "Overview of the DRC and Zambia" of the Circular. In addition, for risks relating to conducting mining operations in the DRC and Zambia and investment activities in South Africa, including but not limited to political, economic, regulatory, legal and social risks associated with conducting operations in the DRC and Zambia, please refer to section headed "Risk Factors" of the Circular.

4. Industry Overview

4.1 Copper

Copper, being a base metal with high thermal and electrical conductivity, is commonly used in wires, electromagnets, printed circuit boards as an electrical conductor and heat exchangers as a thermal conductor. Copper exists in two broad categories of ore types: sulphide and oxide.

Copper pricing and exchanges

The copper price has been fluctuating significantly in recent years. The LME provides a terminal market for the buying and selling of pure copper. The copper stocks are stored in LME designated warehouses and are branded by the LME to ensure that it meets the prescribed criteria for shape, weight and quality. Prices are set amongst producers, consumers, funds and speculators on the exchange and are traded in the spot market or with further contracts.

Historical copper price movement during the review period

The following graph shows the LME copper spot closing price since 2 January 2010 up to and including 26 August 2013 (the "**Copper Spot Price Review Period**"):

LME Copper Spot Closing Price January 2010 – August 2013#

up to and including 26 August 2013
Source: Bloomberg

	LME Copper Spot Closing Price per mt (US$) (approximately)		
Year	**Highest** *(date)*	**Lowest** *(date)*	**Average**
2013#	8,267 (04/02/13)	6,638 (24/06/13)	7,417
2012	8,738 (09/02/12)	7,283 (08/06/12)	7,959
2011	10,180 (14/02/11)	6,722 (20/10/11)	8,813
2010	9,650 (31/12/10)	6,068 (07/06/10)	7,543
Average over the Copper Spot Price Review Period			**7,981**

up to and including 26 August 2013

For the first two months of 2013, the average LME copper spot closing price was marginally above the US$8,000 per mt level which is at a similar level of the 2012 average. However, the copper spot closing price has since fallen and fluctuated in the range of approximately US$6,638 per mt and US$7,798 per mt between March 2013 and 26 August 2013. Based on the data from Bloomberg, the average LME copper spot closing price for the Copper Spot Price Review Period was approximately US$7,981 per mt.

The decrease in LME copper spot closing price since the beginning of 2013 may be attributable to, among other factors, concerns of slower growth in economies from the PRC to the U.S. which may reduce demand for copper in addition to the increase in copper inventories as tracked by the LME. Copper price, like the price of other metals/minerals, may be affected by prevailing global economics and subject to volatilities from time to time.

Based on our discussion with SRK, we note that SRK applied the historic three-years trailing average price of copper traded on the LME from 1 July 2010 to 30 June 2013 when adopted the DCF Approach (defined hereafter) to value the Mineral Assets (for details, refer to paragraph headed "(b) Market Valuation" below). Thus, we consider that it is appropriate to review the LME copper spot closing price for the Copper Spot Price Review Period which covers the entire period adopted by SRK as stated above.

For further historic information on the LME copper price, please refer to paragraph headed "LME Copper Price" under section headed "Industry Overview" of the Circular.

Notwithstanding the recent decrease in the LME copper spot closing prices, the Directors have considered the following factors with regard to the long term prospects of copper, in particular (i) the self-sufficiency rate of copper concentrate in the PRC will maintain at 40% to 42% for the years from 2013 to 2016 according to Beijing General Research Institute of Mining & Metallurgy* (國務院國資委管理的中央企業, a central enterprise managed by the State-owned Assets Supervision and Administration Commission of the PRC*), as such PRC companies are required to make up the domestic production deficit by, among others, import raw material and refined copper; (ii) the PRC is the leading consumer of copper worldwide according to Copper Market Forecast 2012-2013, and as stated by SRK in the Competent Person's Report, the outlook for copper is focused mainly on the PRC and India, which are forecast to make up 50% of the demand by 2020; (iii) the PRC currently does not have abundant copper resources and lacks large-scale high-grade copper mines as set out under paragraph headed "China Copper Market Overview" in section headed "Industry Overview" of the Circular; (iv) the PRC has an annual GDP target of 7% from 2011 to 2015 in accordance to the 12th Five-Year Plan of the PRC government (the "**12th Five-Year Plan**"), part of which may be attributable to the growth in domestic consumption; and (v) the PRC targets to increase its urbanisation rate from approximately 47.5% to approximately 51.5% under the 12th Five-Year Plan. The Directors are of the view that, given the anticipated demand for copper from the PRC and based on the aforementioned factors, the Acquisition is consistent with the strategic objectives of the Group.

For further details with regard to the copper industry, please refer to the section headed "Industry Overview" of the Circular.

4.2 Cobalt

Cobalt, a ferromagnetic metal, is normally associated with nickel and copper containing ores and is mined as a by-product or co-product of these metals. Cobalt is a strategic and critical metal used in many diverse industrial and military applications.

* *for identification purposes only*

Cobalt pricing and exchanges

Based on a press release by the LME dated 19 May 2010, we note that cash trading in cobalt commenced on the LME on 19 May 2010. We have reviewed the LME cobalt spot closing price from 19 May 2010 up to and including 26 August 2013 (the "**Cobalt Spot Price Review Period**"), which is set out in the following graph:

LME Cobalt Price May 2010* – August 2013#

* *cash trading in cobalt commenced on the LME on 19 May 2010*
\# *up to and including 26 August 2013*
Source: Bloomberg

	LME Cobalt Spot Closing Price per mt (US$) (approximate)		
Year	**Highest** *(date)*	**Lowest** *(date)*	**Average**
2013#	32,038 (28/06/13)	24,900 (02-10,16/01/13)	27,089
2012	33,975 (18/01/12)	22,405 (27/11/12)	28,931
2011	40,350 (21/02/11)	27,800 (17-18/11/11)	35,297
2010*	43,300 (14-16/09/10)	35,150 (01/12/10)	38,672
Average over the Cobalt Spot Price Review Period			**32,375**

\# *up to and including 26 August 2013*
* *the Cobalt Spot Price Review Period commenced from 19 May 2010*

For the first eight months of 2013 (up to and including 26 August 2013), the LME cobalt price fluctuated in the range of approximately US$24,900 per mt and US$32,038 per mt and recorded an average of approximately US$27,089 per mt which is slightly lower than the average LME cobalt spot closing price for 2012. Based on the data from Bloomberg, the average LME cobalt spot closing price for the Cobalt Spot Price Review Period was approximately US$32,375 per mt. Cobalt price like the price of other metals/minerals, may be affected by the prevailing global economics and is subject to volatilities from time to time.

Based on our discussion with SRK, we note that SRK applied the historic trailing average price of Cobalt traded on the LME from 1 July 2010 to 30 June 2013 when adopted the DCF Approach (defined hereafter) to value the Mineral Assets (for details, refer to paragraph headed "Market Valuation" below). Thus, we consider that it is appropriate to review the LME cobalt spot closing price for the Cobalt Spot Price Review Period which covers the entire period adopted by SRK as stated above.

As stated under the paragraph headed "Cobalt Market Balance and Pricing" under section headed "Industry Overview" of the Circular, we note that the trends in cobalt consumption closely follow those of global industrial production. In 2011, cobalt prices were lagging behind those of copper and nickel as the greater demand fell due to the global financial crisis. The recovery in output at nickel and copper mines pulled cobalt supply up. Whilst production surpluses from previous years and available but declining metal stocks in the PRC may continue to weigh on the market during 2013, the underlying short-term market fundamentals appear to be signaling a momentous improvement. This suggests that the cobalt market may see a gradual but structural price recovery over the course of the year, resulting in a higher average price range from that seen during 2012.

Based on the above, despite the Cobalt Spot Closing Price was in a declining trend for the period under review, the LME cobalt price has experienced gradual increase in the first half of 2013 and the Directors are of the view that the recovery of the global economies coupled with the increase in industrial production might have a positive impact on cobalt price in the long run.

5. Reasons for and benefits of the Acquisition

Corporate strategy of the Group

As set out in the 2012 Annual Report, the Group will continue to follow the strategic path to becoming Jinchuan Group's flagship for undertaking overseas mining and mineral resources operations. The Group will focus on boosting its international trade business of the minerals and metals segment by cementing relationships with its existing network of overseas suppliers as well as expanding its customer portfolio by making strategic moves in the development and selection of suppliers and customers. Furthermore, it was noted that the Group will actively explore possible acquisitions of overseas mining and mineral resources assets, in particular matured assets, in order to further expand its global footprints.

The Directors consider that the Acquisition is consistent with the Company's continuing strategy to strengthen its business in the mining and mineral resources sector. In view of the quality of the Operating Mines, the Development Project and the Exploration Projects, details of which have been set out under section headed "Information of the Target Group" of the Circular as well as under paragraph headed "2.2 Mineral Resources of the Metorex Group" in this letter, the Directors believe that the Acquisition represents a rare but valuable opportunity for the Company to acquire a profitable mining operation as well as mining projects with immense development potential to drive future revenue and profit. The Directors also expect the Acquisition, if implemented, would be a milestone step of its transformation into Jinchuan Group's flagship to undertake overseas mining projects and to increase the scale of the Group's business.

Secured income for 2013 through off-take agreements

As set out in the section headed "Information of the Target Group" of the Circular, Ruashi Mining, of which 75% interest is indirectly held by Metorex, entered into off-take agreements with (i) Glencore for 50% of its annual production of copper cathode; (ii) MRI for approximately 50% of the annual production of copper cathode; and (iii) Jinchuan Group/Lanzhou Jinchuan for 100% of its annual production of cobalt carbonate and/or cobalt hydroxide, respectively. The existing off-take agreements with Glencore and MRI have a duration of twelve months and will both expire on 31 December 2013. As for the off-take agreement with Jinchuan Group/Lanzhou Jinchuan, subject to the relevant requirements of the Listing Rules, will be reviewed and agreed by Ruashi Mining and Jinchuan Group/Lanzhou Jinchuan every three years.

Pursuant to off-take agreement entered into between Chibuluma plc and CCS (the "**Chibuluma Off-take Agreement**"), all of Chibuluma South Mine's copper production is sold to CCS, a company which is incorporated in Zambia and is a subsidiary of China Nonferrous Mining Corporation Limited. The Chibuluma Off-take Agreement has a duration of 12 months and will expire on 20 December 2013.

As such, the Target Group has a secured income and cash flow source for 2013 pursuant to the aforesaid off-take agreements.

Proven track record

The Metorex Group has a proven track record in generating revenue and operating a profitable business as evidenced by information contained in Appendix I and Appendix II to the Circular headed "Financial Information of the Target Group" and "Financial Information of the Metorex Group", respectively.

For the 18 months ended 31 December 2010, the two years ended 31 December 2012 and six months ended 30 June 2013, the Metorex Group has recorded (i) revenue (from continuing operations) of approximately US$561.4 million, US$507.3 million, US$408.1 million and US$203.1 million (equivalent to approximately HK$4,378.9 million, HK$3,956.9 million and HK$3,183.2 million and HK$1,584.2 million), respectively; and (ii) net profit after tax (from continuing operations) of approximately US$133.4 million, US$70.3 million, US$28.5 million and US$12.8 million (equivalent to approximately HK$1,040.5 million, HK$548.3 million, HK$222.3 million and HK$99.8 million), respectively.

Furthermore, each of the Ruashi Mine and the Chibuluma mine has more than five years of production history, with mining operations commencing in October 2007 and June 2001, respectively.

Metorex Senior Management Team

The Company intends to retain the majority of the existing board of directors and senior management team of Metorex after Completion. The existing board of directors of Metorex (the "**Metorex Board**") comprises nine members and the executive committee of Metorex comprises 13 members (the "**Metorex Executive Committee**" together with the Metorex Board, the "**Metorex Senior Management Team**"). Save for one existing member of the Metorex Senior Management Team who has approximately five years' working experience in the mining industry, each member of the Metorex Senior Management Team has more than 12 years' related working experience in the mining/metal trading industry, with eight of those members having over 20 years' related working experience. The Directors expected that the Enlarged Group will benefit from the extensive experience of the board of directors and executive committee of Metorex with their valued insights into the base metals markets in Africa and expertise and contributions in the identification and execution of any potential future mergers and acquisitions by the Enlarged Group in the Africa continent. The combination of the capable and experienced boards and management teams of both the Group and the Metorex Group will provide the Enlarged Group with complementary human capital and enhance its talent pools.

Notwithstanding the above, save for two of the non-executives directors of Metorex, who are also non-executive Directors, as at the Latest Practicable Date, the Company has no firm plans to appoint additional directors or senior management members of the Target Group as a Director after Completion. However, the Company may reassess the position after the integration of the business and operations of the Target Group with the business and operations of the Group.

For biographies of members of the Metorex Senior Management Team, please refer to the section headed "Directors and senior management of the Metorex Group" of the Circular.

Other benefits to the business and performance of the Group

As set out in the "Letter from the Board", the Board expects that the Acquisition will enhance the Group's business and performance in the following aspects:

(i) *Derive and deliver a substantial earnings and cash flow contribution from the Target Group*

Through the Acquisition, the Company expects to derive a substantial earnings and cash flow contribution from Metorex. Metorex produced significant quantities of base metal including 44.9 kt of copper and 3.0 kt of cobalt for the year ended 31 December 2012. Such production resulted in Metorex reporting profit attributable to its owners of approximately US$22.7 million (equivalent to approximately HK$177.1 million) for the year ended 31 December 2012. The cash and cash equivalents of Metorex as at 31 December 2012 amounted to approximately US$36.6 million (equivalent to approximately HK$285.5 million).

(ii) Deliver a diversified and significant portfolio of mineral assets, operations, development projects and future growth opportunities

Metorex is a copper focused mining company with significant copper and cobalt reserves and resources. It currently operates two copper mines and holds a portfolio of highly attractive development and advanced stage exploration projects. As at 30 June 2013, it has significant SAMREC-compliant total Mineral Reserves of approximately 744 kt of contained copper metal and 59 kt of contained cobalt metal and Mineral Resources of approximately 4,736 kt of contained copper metal and 389 kt of contained cobalt metal. All of Metorex's mining projects are located in the DRC and Zambia in the Central African copperbelt, which hosts some of the world's largest copper and cobalt deposits in the world.

It is expected that the Acquisition will allow the Enlarged Group to further expand its business into the mineral resources sector and acquire a diversified portfolio of high-quality upstream base metal assets.

In addition, the Directors are of the view that the Acquisition will be beneficial to the Enlarged Group as the Enlarged Group will (i) have scalable, high quality copper and cobalt resources and reserves upon Completion; (ii) control a diversified portfolio of mineral assets with a strong growth profile supported by an attractive pipeline of development and advanced stage exploration projects; and (iii) establish its strategic footprint in the Central African copperbelt.

Notwithstanding the above, we note that the Metorex Group recorded a year-on-year decrease in net profit after tax for the year ended 31 December 2012, primarily due to reasons including power deficiency at the Ruashi Mine which in turn adversely affected the production at the Ruashi Mine, which is being managed by the Metorex Group through the installation of diesel powered generators. For further details, please refer to information set out under paragraph headed "2.3 Financial results of the Metorex Group and the Target Group" in this letter above. However, as set out under sub-paragraph headed "(c) Summary on evaluation of the Purchase Price" under paragraph headed "6.2 Evaluation of the Purchase Price" in this letter below, when assessing the fairness and reasonableness of the Purchase Price, we have considered a number of factors, in particular, the Purchase Price represents a discount to the Market Valuation.

Further details on the reasons for and benefits of the Acquisition considered by the Company are set out in the section headed "Reasons for and benefits of the Acquisition" in the "Letter from the Board" in the Circular.

6. Principal terms of the Acquisition Agreement

6.1 The Acquisition Agreement

Date:	27 August 2013	
Parties:	Seller:	Jintai Mining Investment Limited (金泰礦業投資有限公司), an indirect wholly-owned subsidiary of Jinchuan Group
	Seller's Guarantor:	Jinchuan HK
	Buyer:	the Company

Assets to be acquired

The Sale Share, representing the entire issued share capital of the Target Company, and the Sale Loans are to be sold to the Company free and clear from all encumbrances. The Target Company is an investment holding company incorporated in Mauritius and is indirectly wholly-owned by Jinchuan HK. In turn, the Target Company indirectly holds (through Newshelf) the entire issued share capital of Metorex. Metorex holds majority interest in three key operating companies within the Target Group, namely Chibuluma plc, Ruashi Mining and Kinsenda Sarl. Please refer to the section headed “Information of the Target Group” in the Circular for further information.

Purchase Price

The Purchase Price payable by the Company to the Seller pursuant to the Acquisition Agreement will be US$1,290.0 million (equivalent to approximately HK$10,062.0 million). As set out in the “Letter from the Board” in the Circular, the Purchase Price has been determined with reference to the Market Valuation prepared by SRK. The Purchase Price represents a slight discount to the Market Valuation.

The Market Valuation seeks to evaluate the full market value of assets held by the Metorex Group and accordingly, reflects the additional value associated with the Inferred Mineral Resources and the exploration potential of the Metorex Group’s assets, which are specifically excluded from the Listing Rules Valuation as required by the Listing Rules.

According to the terms of the Acquisition Agreement, the Purchase Price will be satisfied in the following manner:

(1) Issue of Consideration Shares

As to US$204.6 million (equivalent to approximately HK$1,595.9 million) through the issuance by the Company of 1,595,880,000 Consideration Shares to the Seller and/or its nominee(s) upon Completion at an issue price of HK$1.00 per Share which shall rank pari passu with the existing issued Shares.

(2) PSCS

As to the remaining balance of the Purchase Price of US$1,085.4 million (equivalent to approximately HK$8,466.1 million), through the issuance by the Company of the PSCS convertible into 8,466,120,000 Conversion Shares to the Seller and/or its nominee(s) at an initial Conversion Price of HK$1.00 per Conversion Share which, when issued, shall rank pari passu with the existing issued Shares.

Other principal terms

For details of the other principal terms of the Acquisition Agreement, including “Conditions precedent”, “Guarantee” and “Completion”, please refer to the paragraph headed “The Acquisition” in the “Letter from the Board” in the Circular.

6.2 Evaluation of the Purchase Price

The Purchase Price, payable by the Company to the Seller pursuant to the Acquisition Agreement will be US$1,290.0 million (equivalent to approximately HK$10,062.0 million), was determined with reference to the Market Valuation prepared by SRK.

With a view to satisfying the relevant Listing Rules disclosure requirements and in connection with the determination of the Market Valuation, the Company commissioned SRK to prepare the Competent Person's Report and to conduct (i) a valuation in compliance with Chapter 18 of the Listing Rules, as set out in Appendix V to the Circular; and (ii) the Market Valuation, which was prepared using methodologies in accordance with the SAMVAL Code, on the mineral assets of Metorex. A summary of the respective valuation methodologies adopted are set out below.

(a) Listing Rules Valuation

We note that the Listing Rules Valuation prepared by SRK has been prepared in accordance with Chapter 18 of the Listing Rules (which sets out, among others, the additional listing conditions and disclosure requirements for mineral companies) and the guidelines set out in the SAMVAL Code, the details of the Listing Rules Valuation are set out in a report format in the section headed "Competent Person's Report and Valuation Report" in Appendix V to the Circular (the "**Listing Rules Valuation Report**").

We also note that the Listing Rules Valuation has not included any consideration of the Inferred Mineral Resources in determining the values of the mineral assets of Metorex (the "**Mineral Assets**"). SRK is of the view that the exclusion of these sources of potential value as well as exclusion of a premium or discount related to the market, strategic or other considerations, means that the values assigned to the Mineral Assets do not reflect a fair market value, which is defined under the VALMIN Code 2005 and set out in the section headed "Competent Person's Report and Valuation Report" in Appendix V to the Circular (the "**Fair Market Value**").

In connection with the Listing Rules Valuation, SRK considered the three generally accepted approaches to mineral asset valuation, namely (i) Cash Flow Approach; (ii) Market Approach; and (iii) Cost Approach (each approach is defined hereafter). The SAMVAL Code requires that at least two valuation approaches are applied. Given that the mineral assets of the Metorex Group are in different stages of the mining lifecycle, different combinations of the valuation approaches were applied by SRK to each mineral asset. In determining the Listing Rules Valuation, a sum-of-the-parts methodology was adopted. Under the sum-of-the-parts methodology, (i) SRK selected a value from two valuation approaches for each property (i.e. the mine or project) in accordance with, among others, their respective stage in the mining life cycle (i.e. whether it is in operation, being developed or under exploration); (ii) summed up the values of each property; and (iii) applied certain adjustments (including debt, head office expenses, the terminal value of plant and equipments) to arrive at the Listing Rules Valuation.

Table 6.2.1: Details of the valuation method adopted to value each property

PROPERTY	MOST APPROPRIATE VALUATION METHOD USED
1. Operating Mines	
Ruashi Mine	Cash Flow Approach *(DCF)* *Note 1*
Chibuluma South Mine	Cash Flow Approach *(DCF)* *Note 1*
2. Development Project	
Kinsenda copper project	Cash Flow Approach *(DCF)* *Note 1*
3. Exploration Projects	
Lubembe copper project	Market Approach *(weighed from CTM, GCM and Yardstick methods)* *Note 2*
Musonoi Est Project	Market Approach *(weighed from CTM, GCM and Yardstick methods)* *Note 2*
4. Project under studies	
Ruashi sulphides *Note 3* *(being part of the Ruashi Mine)*	Market Approach *(weighed from CTM, GCM and Yardstick methods)* *Note 2*

Notes

*(1) discounted cash flow ("**DCF**") involves the calculation of the net present values by discounting expected future cash flows.*

*(2) completed transaction method ("**CTM**") derived valuation from completed sales transactions in the subject's industry that are a qualified substitute;*

*guideline company method ("**GCM**"), also known as market capitalisation method, derived the valuation from the market capitalisation, adjusted for the value of options, convertible securities, preference shares and debt; and*

Yardstick method: also known as in-situ resource method involves application of a heavy discount to the value of the total in-situ metal contained within the resource.

(3) Studies are being conducted to determine if the sulphide ore is economically viable and which could extend the life of the Ruashi Mine.

Source: Appendix V to the Circular headed "Competent Person's Report and Valuation Report"

As set out in the table above, SRK adopted the DCF Approach, being the most widely used valuation method for development and operating mines, to value the two Operating Mines and the Development Project of the Target Group, namely, the Ruashi Mine, the Chibuluma South Mine and the Kinsenda copper project. According to SRK, the DCF Approach is more widely used than the Market Approach for valuing the Operating Mines and the Development Project as the DCF Approach takes into consideration, inter alia, forecast production conditions, operating costs, capital expenditure to sustain the operations and the fiscal regime of the country in which the mine or property is situated.

The DCF Approach involves the calculation of the net present values by discounting projected future cash flows. Present values are calculated by discounting projected cash flows using discount rates that take into account the time value of money and the risks associated with the cash flows. We consider the DCF Approach to be appropriate for assets such as the Operating Mines and the Development Project where reserves are depleted over time and capital expenditure is required. We understand from SRK that it is a widely used method of valuation for development and production properties in the mining industry.

The Market Approach, which relies on the principle of substitution where data from similar transactions can be applied to the target asset to estimate value, is used as a reasonableness test of the DCF Approach. We note from SRK that for a transaction to be comparable, it should be similar to the asset being valued in terms of location, geology, commodity, size and grade of resource, and timing (ideally recent). It is often difficult to obtain sufficient transaction information that is recent, so a wider timeframe is used and adjustments applied to convert the resultant metrics into usable data at the valuation date. We also note from SRK that the Cost Approach (defined hereafter) is not appropriate for the Operating Mines and the Development Project.

We also set out below the reasons of SRK for adopting the Market Approach as the most appropriate valuation method for valuing the advanced Exploration Projects (i.e. projects where engineering studies are underway). These reasons include (i) the production rates, LoM, capital expenditure and other key economic data related to the mining operations of such projects, which are fundamental assumptions under the DCF Approach, cannot be reliably estimated at the time of compiling the Listing Rules Valuation Report; and (ii) the cost approach only takes into consideration the expenditures already incurred in relation to the Exploration Projects and the project under studies plus probability-weighted reasonable future exploration expenditure, but not the value of the underlying Mineral Assets (the "**Cost Approach**").

According to SRK, the DCF Approach is not an appropriate valuation methodology for the Exploration Projects and the project under studies.

As set out in Appendix V to the Circular headed the "Competent Person's Report and Valuation Report", the Listing Rules Valuation has been estimated by SRK at approximately US$1,127.3 million (equivalent of approximately HK$8,792.9 million). As such, the Purchase Price represents a premium of approximately 14.4% over the Listing Rules Valuation. However, it should be noted that the Listing Rules Valuation does not reflect the Fair Market Value.

Furthermore, as advised by the Directors, the Purchase Price has been determined with reference to the Market Valuation prepared by SRK. Accordingly, we have also reviewed the valuation methodologies adopted by SRK to derive the Market Valuation below.

(b) Market Valuation

As explained in the sub-section headed "(a) Listing Rules Valuation" above, the Listing Rules Valuation Report prepared by SRK has only taken into account the Measured and Indicated Resources that are considered to be economically extractable, which will generally be limited to an estimate of the aggregate value of reserves (i.e. the portion of measured and indicated resources that has been demonstrated to be economically extractable). In particular, the Inferred Mineral Resources are ignored. As such, the Listing Rules Valuation assigned to the Mineral Assets does not reflect a Fair Market Value.

In light of the above, the Company also commissioned SRK to conduct a Market Valuation. The Market Valuation seeks to evaluate the full market value of mineral interests held by the Metorex Group and accordingly, reflects the additional value associated with the Inferred Mineral Resources and the exploration potential of the Metorex Group's mineral assets, which are specifically excluded from the Listing Rules Valuation. According to Chapter 18 of the Listing Rules, inferred resource is defined as a mineral resource for which tonnage, grade and mineral content can only be estimated with a low level of confidence. It is inferred from geological evidence, sampling and assumed but not verified geological and/or grade continuity. According to the SAMREC Code, it is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that may be limited or of uncertain quality and reliability.

We have reviewed the report on Market Valuation of the Metorex Group's mineral interests as at 30 June 2013 by SRK prepared in accordance with the SAMVAL Code (the "**Market Valuation Report**"). Similar to the Listing Rule Valuation, we note that SRK considered the three generally accepted approaches to mineral asset valuation, namely (i) Cash Flow Approach; (ii) Market Approach; and (iii) Cost Approach. In deriving the Market Valuation, different valuation approaches were adopted depending on, among others, (i) the stage of the mining lifecycle of the particular mine/project; and (ii) the type of the Mineral Resources of the underlying mine/project (i.e. Measured/Indicated/Inferred).

We note that the same valuation methodologies to derive the Listing Rules Valuation of the respective mines/projects with respect to the Measured and Indicated Mineral Resources portion of the Market Valuation were adopted. Please refer to information set out in Table 6.2.1 titled "Details of the valuation method adopted to value each property" above. Following our discussions with SRK, we note that different combinations of the valuation approaches were applied by SRK to each mineral asset given the mineral assets of the Metorex Group are in different stages of the mining lifecycle. In determining the Market Valuation, a sum-of-the-parts methodology was adopted. Under the sum-of-the-parts methodology, we note that (i) SRK selected a value from two valuation approaches for each property (i.e. the mine or project) in accordance with, among others, their respective stage in the mining life cycle (i.e. whether it is in operation, being developed or under exploration); and (ii) summed up the values of each property, to arrive at the Measured and Indicated Mineral Resources portion of the Market Valuation.

As for valuing the Inferred Mineral Resources of the respective property, the Market Approach was adopted. In this regard, we reviewed the Market Approach valuation methodology adopted by SRK and note that it was based on, among others, (i) historical data on copper project transactions located in Zambia and the DRC, including consideration paid, and Measured, Indicated and Inferred Mineral Resources transacted; and (ii) the data for acquisitions in the DRC/Zambian copperbelt area during the past few years. Based on the data groupings of comparable transactions, SRK derived a USD/lb copper equivalent for Inferred Mineral Resources and applied such value to the contained lbs of Copper equivalent in the Inferred Mineral Resources category to derive a value for the Inferred Mineral Resources of each of the properties (i.e. the mine or project). SRK advised that the valuation methodologies adopted to derive the Market Valuation are in accordance with the SAMVAL Code.

The Market Valuation is the aggregate of (i) the value of the Measured and Indicated Mineral Resources of the mineral assets of Metorex; (ii) the value of the Inferred Mineral Resources of the mineral assets of Metorex; and (iii) certain adjustments (including debt, head office expenses, the terminal value of plant and equipments).

As discussed with SRK, most of the bases and assumptions applied in Listing Rules Valuation and the Market Valuation are the same. The major difference in the bases and assumptions applied relates to the exclusion or inclusion of the Inferred Mineral Resources in the valuation. In the Listing Rules Valuation, SRK has not included any consideration of the Inferred Mineral Resources in determining the value of the Metorex Group. On the other hand, in the Market Valuation, SRK has included the value of the Inferred Mineral Resources of the Mineral Assets. The quantum of the abovementioned differences attributable to the respective underlying Mineral Assets (Inferred Mineral Resources) is dependent on the nature of individual resources assets. For Mineral Assets which were well explored, tending towards the end of their economic lives and with limited opportunities to exploit mineralisation beyond current reserves, the difference between its fair market value and value estimated for the purposes of the Listing Rules Valuation may be immaterial. However, for Mineral Assets such as resource projects in the early stages of their development and/or with limited certainties over the quantity of economically minable resources, the difference between estimate of its fair market value and estimate of value for the purpose of the Listing Rules Valuation may be substantial.

According to SRK, the difference between the Market Valuation and the Listing Rules Valuation is primarily attributable to the value of the Inferred Mineral Resources, which has been excluded from the Listing Rules Valuation as required under Rule 18.30(3) of the Listing Rules. However, a value is derived for the Inferred Mineral Resources and included in the Market Valuation as the Competent Person is of the view that certain Inferred Mineral Resources have a reasonable likelihood of being mined in the future.

In addition, we have also discussed with SRK regarding the major assumptions made under the Market Valuation and note the following:

(i) where the DCF Approach was adopted, (a) the forecasted production data applied was based on the LoM plans as developed by the operating mines of Ruashi and Chibuluma and a feasibility study for Kinsenda carried out by professional parties, in addition, the forecasted RoM techno-economic parameters were compared against the historical operational data; (b) the commodity price applied was based on the historic three-year trailing average price of Copper / Cobalt traded on the LME from 1 July 2010 to 30 June 2013, being in line with the market valuation practice as per our discussion with SRK; (c) the forecasted operating and capital expenditure were primarily based on future plans provided by the management of the Metorex Group, reviewed and adjusted as appropriate by SRK; and (d) the discount rate (i.e. the weighted average cost of capital ("**WACC**")) was calculated based on the Capital Asset Pricing Model and reflects, among others, (aa) risk-free rate, being the rate quoted for an United States 10-year government bonds as at 30 June 2013; (bb) the risk premiums in respect of market risk (which was based on the findings of the report "2012 Valuation Methodology Survey" conducted by an international professional firm), company risk (calculated based on beta and market risk premium) and country risk (which was based on data published by an international business and finance focused publisher); and (cc) the equity to debt ratio based on Chinese resource-based companies listed on the Stock Exchange; and

(ii) where the Market Approach was adopted, (a) the selection criteria of comparables; and (b) the rationale and basis for the adjustment factors, where applicable.

We note that the Management has reviewed and satisfied themselves with the basis of the underlying assumptions in connection with the Market Valuation. We have discussed with SRK regarding its rationale for adopting the abovementioned major assumptions and SRK has also confirmed that the methodology and parameters used in assessing the fair market value of the Mineral Assets, including the major assumptions adopted, are in alignment with market practice.

In connection with Copper/Cobalt price applied under the DCF Approach, we have reviewed and set out our analysis on the Copper and Cobalt LME price under paragraph headed "4.1 Copper" and "4.2 Cobalt" above. As for the capital and operating expenditure, we have discussed with SRK in relation to the reasoning behind the adjustments made by SRK and the appropriateness of the capital and operating expenditure as provided by the Company. We also note from the Market Valuation report that Metorex compiled a benchmark analysis for the C1 costs[1] of the Operating Mines against those of other producers in various African countries, we note the estimated C1 costs of each of the Operating Mines are in line with the C1 costs of other producers in various African countries. With regard to the discount rate (i.e. WACC), we have reviewed the calculation by SRK based on its data and sensitivities analysis on the net present value by varying factors such as the discount rate, revenue, the operating expenditure and price of commodity.

Furthermore, we note that the Market Valuation was prepared in accordance with the SAMVAL Code, a recognised code under Chapter 18 of the Listing Rules. As such, we consider the valuation method adopted to derive the Market Valuation to be fair and reasonable.

Based on the Market Valuation prepared by SRK, the Purchase Price represents a slight discount to the Market Valuation.

[1] *C1 costs include the sum of mining (waste + ore), processing, site overheads, transportation costs, refining/realisation charges and mineral royalties, but will exclude company taxation, corporate overheads, environmental closure costs, terminal benefits liabilities, financing charges and all non-cash items such as depreciation and amortisation.*

Furthermore, we have also reviewed acquisitions of various mineral assets conducted by listed issuers on the Main Board of the Stock Exchange (the "**Main Board Listed Issuers**") for a consideration of not less than HK$800 million since 1 January 2010 up to and including the Latest Practicable Date and identified a number of transactions, including the acquisition of mineral assets conducted by (i) Minmetals Resources Limited[2], Sinocop Resources (Holdings) Limited[3] ("**Sino Resources**") and China Precious Metals Resources Holdings Co., Limited[4] ("**CPM**"), the acquisition agreement of which was entered into in October 2010, November 2011 and July 2012, respectively (together the "**Market Transactions**").

We note that the consideration for each of the Market Transactions was determined after taken into account, among other things, the fair value measurement and/or volume and quality of the underlying mineral assets which includes the value associated with inferred resources. The location of underlying mineral assets of the Market Transactions include Australia, Canada, Indonesia, the PRC and Laos.

In addition, we also note that the Australian Securities Exchange and the Toronto Stock Exchange, from the relevant standards and guidelines, including the VALMIN Code[5] and the CIMVAL[6] standards and guidelines, permits inferred resources to be included in the mineral properties valuation reports issued under its listing rules. We also note both the VALMIN Code and CIMVAL standards and guidelines are recognised standards/codes under Chapter 18 of the Listing Rules. Given that it is common practice for parties to make reference to the market valuation and/or consider the volume and quality of the mineral assets (including inferred resources) when determining the consideration for the sale and purchase of mineral assets, we consider that the adoption of the Market Valuation to value the mineral assets of Metorex to be appropriate.

[2] *as set out in the circular of Minmetals Resources Limited dated 22 November 2010, the purchase price was arrived at after arm's length negotiations between the parties to the acquisition and was determined with reference to the range of the market valuation (which seeks to evaluate the full market value of the target mineral assets and accordingly, reflects the value associated with inferred resources and the exploration potential of the Target Group's assets) and adjusted by the parties for expectations on working capital changes until 31 December 2010.*

[3] *as set out in the announcement of Sino Resources dated 29 March 2012 (the "**Sino Announcement**"), the consideration was determined after arm's length negotiations between Sino Resources and the vendors and was based on the various factors, including, among others, the volume, quality and accessibility of the Glauberite estimated reserves and the relative size of that Glauberite deposits comparable in volume, quality and accessibility to the deposits at other PRC glauberite mines and the potential earnings that may be derived from the deposits at the Glauberite Mine, and as at the date of the Sino Announcement, the estimated resources of sodium sulfate are based on the preliminary Competent Person's Report issued by SRK Consulting (Australasia) Pty Ltd in relation to the estimate resource potential in the Glauberite Mine. As set out in the Sino Announcement, the stated sodium sulfate were made up of inferred, indicated and measured resources.*

[4] *as set out in the circular of CPM dated 24 September 2012, the consideration was determined between the purchaser and the vendor after arm's length negotiations, taking into account, (i) the preliminary range of market valuation (prepared using methodologies in line with the VALMIN Code and seeks to evaluate the full market value of the target group and accordingly, reflects the value associated with inferred resources and the exploration potential of the mines; and (ii) the future prospects of the gold mining industry.*

[5] *Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports*

[6] *Canadian Institute of Mining, Metallurgy and Petroleum on valuation of mineral properties*

(c) Summary on evaluation of the Purchase Price

Having considered the above factors, in particular, (i) the Purchase Price represents a slight discount to the Market Valuation (prepared by SRK in accordance with the SAMVAL Code using methodologies in line with international market practices, which seeks to evaluate the full market value of the Mineral Assets held by the Metorex Group and accordingly reflect the additional value associated with the Inferred Mineral Resources and the exploration potential of the Metorex Group's assets); and (ii) we note that the Market Valuation is a common methodology used in assessing valuation of assets in mergers and acquisitions transactions that involve companies engaged in mining operations which is in line with our findings as detailed above, we concur with the Directors' view that the Purchase Price is fair and reasonable. Further analysis on the settlement of the Purchase Price is set out below.

6.3 Consideration Shares

According to the terms of the Acquisition Agreement, the Purchase Price will be satisfied by the issue of (i) Consideration Shares as to US$204.6 million (equivalent to approximately HK$1,595.9 million); and (ii) PSCS as to US$1,085.4 million (equivalent to approximately HK$8,466.1 million), respectively.

The Consideration Shares represent approximately 57.9% of the entire existing issued share capital of the Company as at the Latest Practicable Date and approximately 36.7% of the enlarged issued share capital of the Company immediately after Completion, assuming that, other than those contemplated under the Acquisition Agreement, there will be no changes in the shareholding of the Company during the period from the Latest Practicable Date to the Completion Date.

Comparison of issue price of the Consideration Shares with prevailing Share price and net asset value of the Group

The issue price of the Consideration Shares of HK$1.00 per Share (the "**Consideration Share Issue Price**") represents:

(i) a discount of approximately 29.08% over the average closing price of HK$1.41 per Share as quoted on the Stock Exchange as at the Latest Practicable Date;

(ii) a discount of approximately 29.08% to the closing price of HK$1.41 per Share as quoted on the Stock Exchange on the Last Trading Date;

(iii) a discount of approximately 28.57% over the average closing price of approximately HK$1.40 per Share for the last 30 trading days up to and including the Last Trading Date;

(iv) a discount of approximately 29.58% over the average closing price of approximately HK$1.42 per Share for the last 90 trading days up to and including the Last Trading Date; and

(v) a price to book value of approximately 3.6 times the unaudited consolidated net asset value of the Group of approximately HK$0.28 per Share as at 30 June 2013.

In addition to the above, when assessing the fairness and reasonableness of the Consideration Share Issue Price, we have also taken into account of (i) the daily closing price of the Shares as quoted on the Stock Exchange from the 12 months period prior the publication of the announcement dated 24 August 2010 in relation to the subscription for new Shares by Jinchuan HK (the "**Subscription**") up to and including the Last Trading Date (the "**Share Price Review Period**"); and (ii) the relative share price performance of the Company as compared to its peer companies based on the principal business activities of the Group (i.e. trading of mineral and metal products).

Selection of Peer Companies

With a view to identify comparable companies for comparison purposes, based on the existing principal activities of the Group, we have set out the following parameters, trading of mineral resources as one of its principal operating activities (which contribute to no less than 50% of its overall revenue for the latest full financial year based on their published annual reports) with no mineral resources processing, manufacturing or production activities of its own. To the best of our knowledge, we have identified four listed issuers on the Main Board of the Stock Exchange which fall within the abovementioned category (based on their respective latest published annual reports), namely APAC Resources Limited[7] ("**APAC**"); CGN Mining Co. Limited ("**CGN Mining**"); Poly Capital Holdings Limited ("**Poly**"); and Prosperity International Holdings (H.K.) Limited[8] ("**PIHL**") (the "**Minerals Trading Companies**").

In addition to the comparables set out for Minerals Trading Companies, in view of that (i) the Group has been loss making for each of the two years ended 31 December 2012; (ii) the relatively small asset base of the Group compared to the asset base of the Target Group; (iii) the Acquisition will result in a significant change in the Company's principal business activities; and (iv) the Directors expect that the Enlarged Group's assets, revenue and profit will be primarily attributable to the Target Group upon Completion, thus we have extended our analysis to include companies based on the Copper Companies Selection Criteria (defined hereafter). Accordingly, we have identified, to the best of our knowledge, an exhaustive list of eight listed issuers on the Main Board of the Stock Exchange with copper mining operations as one of its principal operating activities based on their respective latest published annual reports and a market capitalisation of no less than HK$8.0 billion as at the Latest Practicable Date (the "**Copper Companies Selection Criteria**"), namely China Gold International Resources Corp. Limited ("**China Gold**"), China Nonferrous Mining Corporation Limited ("**China Nonferrous**"); Glencore Xstrata PLC ("**Glencore**"); Jiangxi Copper Company Limited ("**Jiangxi Copper**"); Kazakhmys PLC ("**Kazakhmys**"); MMG Limited (formerly known as Minmetals Resources Limited) ("**MMG**"); Zhaojin Mining Industry Co., Limited ("**Zhaojin**"); and Zijin Mining Group Company Limited ("**Zijin**") (the "**Copper Companies**", together with the Trading Companies, the "**Peer Companies**"). Given that the Purchase Price is marginally above the HK$10.0 billion, we have set the selection threshold for the market capitalisation of Copper Companies to be no less than HK$8.0 billion.

---

7 *APAC has minority shareholdings in three ASX listed exploration / producer companies, given the minority nature of the investment, we have included APAC as a comparable.*

8 *PIHL engages in iron ore trading through its 64.07%-owned and London-listed subsidiary, Prosperity Minerals Holdings Limited, which in turn holds a 35% effective interest in a joint venture company engaged in the exploration and production of iron ore. Given its indirect minority position in such investment, we have included PIHL as a comparable.*

Chart 6.3.1: Daily closing price of the Shares during the Share Price Review Period

Source: based on information extracted from Stock Exchange website

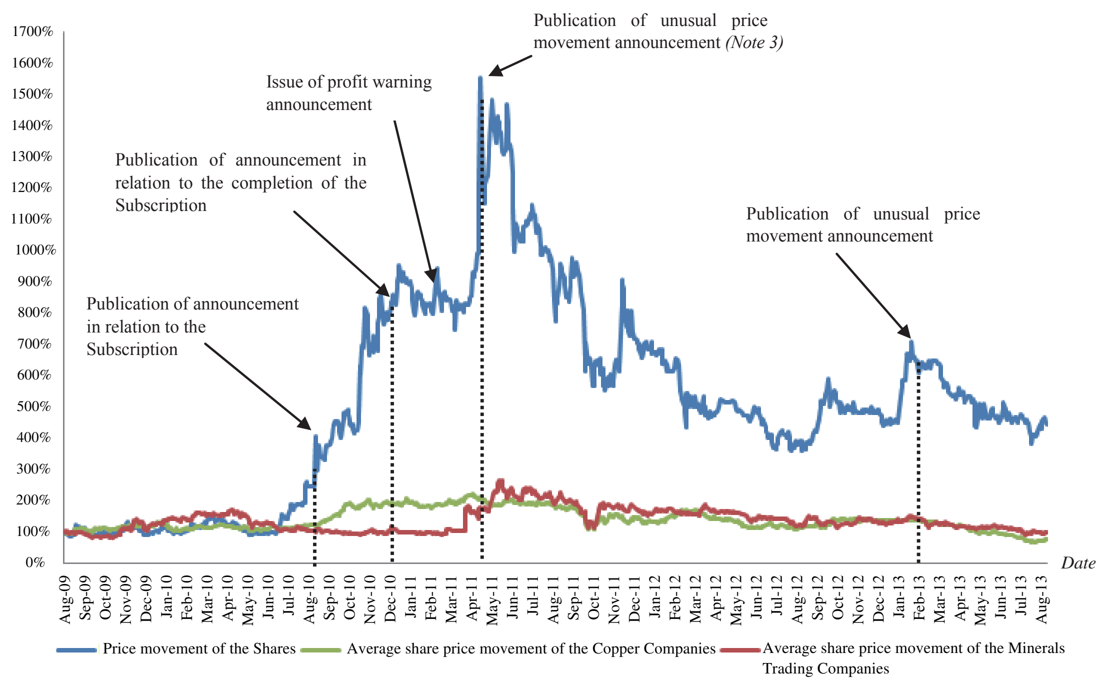
During the Share Price Review Period, the daily closing Share price was in the range of HK$0.26 per Share to HK$4.82 per Share. The average closing price of the Shares for the Share Price Review Period was approximately HK$1.59 per Share, a premium of approximately 59.0% over the Consideration Share Issue Price.

As illustrated in Chart 6.3.1 above, the closing Share price since the commencement of the Share Price Review Period and prior to the publication of the announcement in relation to the Subscription dated 24 August 2010 (the "**Subscription Announcement**") had not been higher than HK$0.80 per Share. However, on 24 August 2010, being the first trading day since the publication of the Subscription Announcement, the closing Share price reached HK$1.26 per Share. Upon completion of the Subscription (the "**Subscription Completion**") on 30 November 2010, the Share price further increased to HK$2.52 per Share and on 21 April 2011 (the "**Record High Date**"), the closing Share price reached its record high of HK$4.82 during the Share Price Review Period (the "**Record High**").

We also note that between the publication date of the Subscription Announcement and the Record High Date, the Company published a profit warning announcement on 28 January 2011, setting out the fact that the Group expected a considerable increase in its loss for the year ended 31 December 2010 as compared the corresponding prior year (the "**Profit Warning**") and subsequently releasing its annual results for the year ended 31 December 2010 on 28 February 2011. Despite the Profit Warning and the fact that the Group recorded a loss of approximately HK$437.7 million for the year ended 31 December 2010 as compared to a loss for the year of appropriately HK$9.2 million for the prior year, the closing Share price since the date of the Profit Warning up until 31 March 2011 maintained between HK$2.31 per Share to HK$2.93 per Share.

Given that there appears to be a lack of correlation between the closing Share price and the financial performance of the Company during the aforesaid review period, we have further reviewed and compared the relative share price performance of the Company to those of the Peer Companies during the Share Price Review Period.

Chart 6.3.2: Relative share price performance of the Company to the Peer Companies (Note 1) during the Share Price Review Period (Note 2)



Notes

(1) *Each of China Gold, Glencore, Kazakhmys and China Nonferrous was listed on the Stock Exchange on 1 December 2010, 25 May 2011, 29 June 2011 and 29 June 2012, respectively, and therefore their respective shares were not traded on the Stock Exchange during the entire Share Price Review Period. As such, we have excluded the aforementioned companies from Chart 6.3.2 (the "**Excluded Copper Companies**").*

(2) *The Share Price Review Period commenced on 24 August 2009, being 6 months prior to the publication of the Subscription Announcement. For the purpose of our analysis, we have (i) fixed the average closing price of the Peer Companies on 24 August 2009 as 100% on the y-axis of the chart (the "**Reference Date**"); and (ii) charted the average closing price movement of the Peer Companies and since the Reference Date over the Share Price Review Period.*

(3) *As set out in the unusual price movement announcement of the Company dated 20 April 2011, the Company was not aware of any reason for the substantial increase in Share price, save for the following transaction which was in negotiation. As disclosed in the announcement of the Company dated 21 April 2011, such transaction was in connection with the disposal of a subsidiary of the Company which in turn held interest in a property project and constituted a discloseable transaction for the Company (the "**Disposal**"). The Company expected to record a gain of approximately HK$0.8 million from the Disposal.*

Source: based on information extracted from Stock Exchange website

As illustrated in Chart 6.3.2 above, the performance of the closing Share price was largely stable until around two months immediately prior to the publication of the Subscription Announcement. We further note that from the publication of the Subscription Announcement till the Subscription Completion, the closing Share price surged by approximately 421.5% over the closing Share price on average as at the commencement of the Share Price Review Period (the "**Commencement Closing Share Price**"), compared to the closing share prices of Trading Companies and Copper Companies (save for the Excluded Copper Companies) which (decreased)/ increased by an average of approximately (0.3%) and 67.4% during the same period, respectively. Subsequently, from the Subscription Completion up to and including the Last Trading Date, the closing Share price remained substantially higher than those prior the publication of the Subscription Announcement and increased by approximately 565.6% over the Commencement Closing Share Price on average, as compared to the closing share prices of Peer Companies (save for the Excluded Copper Companies) which increased by an average of approximately 45.4% and 43.7% during the same period, respectively.

Share price review conclusion

Having considered that (i) the closing share price of the Company remained at a similar level despite the publication of a results announcement in relation to the Group recording additional losses of over HK$420.0 million for the year ended 31 December 2010 when compared to the corresponding prior year, representing a loss in excess of 45 times the losses recorded from the corresponding prior year (the "**2010 Results Announcement**") and that we are not aware of other material factors and/or explanation except for the Subscription Agreement; and (ii) the significant disparity between the performance of the closing Share price of the Company compared to those of the Peer Companies (save for the Excluded Copper Companies) during the Share Price Review Period, we concluded that the significant increase in the closing Share price observed during the Share Price Review Period might have been underpinned by the expectation of corporate action to fulfill the stated intention of Jinchuan Group of deploying the Company as its flagship for undertaking overseas operations in the exploration and exploitation of mineral assets and related trading, such expectation may have the effect of decoupling the typical relationship between share price and the Group's financial performance. In view of the above, we do not consider the prevailing Share price as an objective value benchmark supported by the Company's existing business.

In view of the above, when assessing the fairness and reasonableness of the issue price of HK$1.00 for the Consideration Shares, we have primarily considered the basis of which the issue price was determined, including that the issue price represents approximately 3.6 times of the unaudited net asset value per Share of HK$0.28 as at 30 June 2013, being notably higher than that of the net asset value per Share.

We also note that in this letter under the heading of "7. Expected financial effects of the Acquisition to the Group", the Acquisition is expected to result in an enhancement in net asset per Share (excluding non-controlling interests) backing from approximately HK$0.28 per Share as reported in the Company's six months ended 30 June 2013, to approximately HK$0.74 per Share on a fully diluted basis assuming full conversion of the PSCS but before the issuance of any new Share under the Specific Mandate as set out in section headed "Unaudited pro forma financial information of the Enlarged Group" as set out in Appendix IV to the Circular. As such, the net asset value per Share immediately after the Completion is expected to be higher than the net asset value per Share of approximately HK$0.28 as at 30 June 2013.

Based on information as set out in the "Letter from the Board" and the section headed "Unaudited pro forma financial information of the Enlarged Group" as set out in Appendix IV to the Circular, we also note that the basic earnings per Share of the Group for the six months ended 30 June 2013 is approximately 1.30 HK cents. Immediately after Completion, the basic earnings per Share of the Enlarged Group would be approximately 29.48 HK cents based on pro forma net profit attributable to equity owners of the Enlarged Group of approximately HK$1,282.5 million divided by 4,350,753,051 Shares (before conversion of any PSCS and the issuance of any new Shares under the Specific Mandate). Based on pro forma net profit attributable to equity owners of the Enlarged Group approximately HK$1,282.5 million and assuming 12,816,873,051 Shares will be in issue and outstanding immediately after Completion and after conversion of all PSCS but before issuance of any new shares under the Specific Mandate, the basic earnings per Share of the Enlarged Group will be approximately 10.01 HK cents.

Peer Companies comparison

Further to the analysis set out above, we have also considered common approach for the evaluation of issue price of the Consideration Shares, including (i) the prevailing Share price; (ii) the historical price to earnings ratio (the "**P/E ratio**") of the Peer Companies; and (iii) the historical price to net book value ratio (the "**P/NAV ratio**") of the Peer Companies, each of the above being an appropriate and representative method for comparison purposes.

However, based on our analysis set out under paragraph headed "Share price review conclusion" above, we do not consider the prevailing Share price as an objective value benchmark supported by the Company's existing business. In addition, given that the Group recorded a loss for the year ended 31 December 2012, the Company has no P/E ratio for comparison purposes.

In view of the above, we have performed our analysis on the P/NAV ratio, being a common approach and an appropriate indicator in evaluating the issue price of the Consideration Shares for comparable purposes.

For the comparison of P/NAV ratio against the Peer Companies, we have included (i) Minerals Trading Companies; and (ii) Copper Companies, based on reasons as set out under paragraph headed "Selection of Peer Companies" above, including factors such as the principal operating activities of the Group and the Acquisition (if consummated) will result in a significant change in the Company's principal business activities.

Set out in Table 6.3.3 below are the market statistics of the Peer Companies for comparison purposes:

Table 6.3.3: Market statistics of the Peer Companies

Minerals Trading Companies ***(stock code)***	**Price to net asset value per share** *(note 1)* *(approximately)*	**Copper Companies** ***(stock code)***	**Price to net asset value per share** *(note 1)* *(approximately)*
PIHL *(803) (note)*	0.8 times	Jiangxi Copper *(358) (note 2)*	0.4 times
APAC *(1104)*	0.2 times	Glencore *(805)*	1.1 times
Poly *(1141)*	0.3 times	Kazakhmys *(847)*	0.4 times
CGN Mining *(1164)*	2.1 times	MMG *(1208)*	0.8 times
		China Nonferrous *(1258)*	1.6 times
		Zhaojin *(1818) (note 2)*	0.6 times
		China Gold *(2099)*	1.0 times
		Zijin *(2899) (note 2)*	0.3 times
Average	0.9 times	Average	0.8 times
Maximum	2.1 times	Maximum	1.6 times
Minimum	0.2 times	Minimum	0.3 times
Consideration Share Issue Price to net asset value per share			3.7 times

Notes: (1) *Calculated by the respective share price as at the date of the Announcement divided by the respective latest published audited net asset value (excluding non-controlling interests) per share.*

(2) *Conversion of Renminbi ("**RMB**") into Hong Kong dollars is based on the exchange rate of RMB1.00 = HK$1.25*

As shown in Table 6.3.3 above, the Consideration Share Issue Price is at approximately 3.7 times to the audited net asset value (excluding non-controlling interests) per Share as at 31 December 2012, which is also notably above the average P/NAV ratio of the Minerals Trading Companies and Copper Companies of approximately 0.9 times and 0.8 times, respectively.

Given the Consideration Share Issue Price is at approximately 3.7 times to the audited net asset value (excluding non-controlling interests) per Share as at 31 December 2012, being significantly above the average P/NAV ratio of the Peer Companies, we believe that the Share price is not justified by the underlying fundamental of its own businesses. It is also questionable as to whether the prevailing share price of the Company can be sustained in the long term in the event that the Acquisition is not implemented or there are any changes in the stated intention to mould the Company as the flagship of Jinchuan Group for overseas acquisition of mineral assets.

The Acquisition, if implemented, would considerably enhance the business base of the Group and its long-term prospects and would be an inaugural event marking the beginning of the Group's strategy as a mining exploration and production company. The successful implementation of the Acquisition should also allow the Company's future long-term share price to be underpinned by significant assets, improved business fundamentals and prospects, which are important factors for the long-term sustainability of the Company's future share price.

In addition to the above analysis, based on the characteristics of the Acquisition, including (i) the Purchase Price; (ii) the mineral assets are located in Africa; (iii) Metorex focuses on base metals mining, primarily consists of copper and cobalt; and (iv) the Purchase Price will be satisfied by way of issue of shares (in part or in full), we have determined our criteria for selecting precedent transactions to be acquisitions of copper mineral assets in Africa by the Main Board Listed Issuers for a consideration in excess of HK$10.0 billion which was settled (partially or in full) by way of issue of shares, between 1 January 2012 up to and including the Latest Practicable Date for comparable purposes. Based on the aforesaid criteria and review period, we have not identified any such transaction. As such, we performed additional work by expanding our criteria to cover the acquisitions of copper mineral assets worldwide by Main Board Listed Issuers for a consideration in excess of HK$10.0 billion which was settled (partially or in full) by way of issue of shares during the period commencing 36 months immediately prior the date of the Announcement. Based on the aforesaid criteria, we have identified only one acquisition, the details of which are as follows.

Pursuant to the agreement dated 19 October 2010 entered between the relevant parties, MMG acquired the Minerals and Metals Group (the "**2010 MMG Acquisition**"), being a significant producer of, among other minerals, copper for an aggregate amount of US$1,846 million whereby approximately US$361.84 million was satisfied by the issuance of new shares of MMG at an issue price of HK$3.00 per consideration share (the "**MMG Issue Price**"). As set out in the 2010 MMG Acquisition transaction circular dated 22 November 2010, the MMG Issue Price represented a price-to-book value of approximately 1.1 times the net asset value per share attributable to the owners for the then latest financial year (which is notably lower than the price to book value of approximately 3.7 times under the Acquisition). For illustration purposes, notwithstanding that there is a decoupling effect on the typical relationship between Share price and the Group's financial performance as detailed under paragraph headed "Share price review conclusion" above, we note that the MMG Issue Price represent a discount of approximately 48.6% to its closing price on the last trading date (which exceeds the discount of approximately 29.1% under the Acquisition).

Having considered that, among others, (i) both the Acquisition and the 2010 MMG Acquisition involve the acquisition of copper mineral assets and part of the consideration is settled/to be settled by way of the issuance of shares; (ii) both of the subject mineral assets also include a number of mines which are in different stages of the mining lifecycle; and (iii) the Acquisition will result in a significant change of the Company's principal business and the Directors expect that the Enlarged Group's assets will be primarily attributable to the Target Group upon Completion, we are of the view that comparison between the 2010 MMG Acquisition and the Acquisition to be appropriate.

Taking into account the analysis on the Consideration Share Issue Price as set out above, in particular, (i) the Issue Price represents a significant price to book value ratio; (ii) based on the unaudited pro forma financial position of the Enlarged Group as set out in Appendix IV to this Circular, which illustrates the effect of the Acquisition assuming that Completion had taken place on 30 June 2013 and taking into account the issue of 8,466,120,000 Conversion Shares upon the full conversion of the PSCS, the net asset value per Share will be enhanced as a result of the Acquisition from approximately HK$0.28 per Share as at 30 June 2013 to approximately

HK$0.74 per Share, details of which are set out under paragraph headed "7. Expected financial effects of the Acquisition to the Group" in this letter; and (iii) the new shares issued under the 2010 MMG Acquisition in relation to MMG's then net asset value compared to the Consideration Share Issue Price to the net asset value of the Company as at 31 December 2012, we conclude that the Consideration Share Issue Price is fair and reasonable.

6.4 PSCS

Pursuant to the terms of the Acquisition Agreement, US$1,085.4 million (equivalent to approximately HK$8,466.1 million) of the Purchase Price will be satisfied by the issue of PSCS, which is convertible into 8,466,120,000 Shares at the initial conversion price of HK$1.00 per Share (subject to adjustment) (the "**Initial Conversion Price**").

The key terms of the PSCS are summarised below:

Issuer	The Company
Maximum aggregate principal amount of the PSCS	US$1,085.4 million (equivalent to approximately HK$8,466.1 million)
Status and subordination	The PSCS constitutes direct, unsecured and subordinated obligations of the Company and rank *pari passu* without any preference or priority among themselves. In the event of the winding-up of the Company, the rights and claims of the PSCS Holders shall (i) rank ahead of those persons whose claims are in respect of any class of share capital (including preference shares) of the Company; (ii) be subordinated in right of payment to the claims of all other present and future Senior Creditors of the Company and (iii) *pari passu* with each other and with claims of holders of Parity Securities
Issue price	100% of principal amount of the PSCS
Distribution(s)	The PSCS shall not bear any interest for the first three (3) years from the issue date but shall bear interest at 0.1% per annum thereafter payable annually in arrears on 31 December each year
Optional deferral of distributions	The Company may, at its sole discretion, elect to defer a distribution pursuant to the terms of the PSCS

Maturity date	There is no maturity date. This feature would give the Company the option to choose to pay distributions on the PSCS, force redemption of the PSCS or force conversion of the PSCS in circumstances as the Company considers appropriate or desirable. In addition, the perpetual nature of the PSCS would allow the Company to account for the PSCS as equity in its financial accounts
Conversion period	Any time from the date of issue of the PSCS, subject to certain conditions as provided in the terms of the PSCS
Conversion Price	Initially HK$1.00 per Conversion Share, subject to adjustment as provided for in the terms of the PSCS
Restriction on conversion	The Company or a PSCS Holder may only convert such number of PSCS as would not cause the Company to contravene the minimum public float requirement under the Listing Rules following conversion
Conversion Price adjustment	The Conversion Price will be subject to adjustment in certain events, including but not limited to, consolidation, subdivision or reclassification, capitalisation of profits or reserves, capital distribution, rights issues of Shares or options over Shares, rights issues of other securities, issue of Shares at less than the current market price, other issues of securities at less than the current market price, modification of rights of conversion and other offers to Shareholders
Issuer's option to force conversion	On or at any time after three (3) years after the date of issue of the PSCS, the Company may, at its sole discretion, elect to convert the PSCS in whole or in part in respect of the holding of any holder into Shares. Conversion are subject to certain conditions and restrictions as set out in the paragraph headed "PSCS" in the "Letter from the Board"
Issuer's option to force redemption	The PSCS may be redeemed at the option of the Company in whole, but not in part, at their principal amount plus distribution accrued upon the Company giving not less than five (5) business days notice to

	the holder of the PSCS. However, a PSCS Holder has no right to require redemption of any outstanding principal amount of the PSCS
Voting	The PSCS Holder(s) will not be entitled to receive notice of, attend or vote at, general meetings of the Company by reason only of its being a PSCS Holder
Transferability	Subject to the terms of the PSCS, a PSCS may be transferred by delivery of a transfer form, together with the certificate issued in respect of that PSCS, to the registered office of the Company or the specified office of any registrar which the Company may appoint
Automatic Conversion	At any time when a PSCS Holder is not a connected person of the Company, a principal amount of PSCS which upon conversion will result in the PSCS Holder holding in aggregate just under 10% of the issued share capital of the Company shall be automatically converted into Conversion Shares
	The automatic conversion right is set out in the terms and conditions of the PSCS which is the governing document of the PSCS. Further details of which are set out in the paragraph headed "PSCS" in the "Letter from the Board"
Pre-emption right	Subject to terms and conditions of the PSCS, following the receipt by the Company of a notice, the Company may by no later than 15 business days after it has received the notice, elect to purchase and cancel all or some of the PSCS and at the price specified in the notice. The Directors will take into account, among other things, (i) the principal amount of PSCS to be transferred, (ii) the prevailing market price of the Shares, and (iii) the prevailing Conversion Price of the PSCS, in determining whether the purchase price is fair and reasonable. The Company must complete the purchase of the relevant PSCS within 15 business days of it informing the PSCS Holder that it has elected to purchase the PSCS. If the Company does not elect to

purchase, or fails to complete the purchase after so elected, the PSCS Holder may transfer such PSCS to the purchaser and at the purchase price specified in the notice in accordance with the terms of the PSCS

Further details of the pre-emption right are set out in the paragraph headed "PSCS" in the "Letter from the Board"

For further key terms of the PSCS, please refer to the "Letter from the Board" paragraph headed "PSCS" in this Circular.

Analysis of the terms of the PSCS

Shareholders should note that the PSCS, subject to the terms and conditions governing the PSCS, bear the following characteristics:

- the PSCS have no maturity and no redemption obligation (notwithstanding that the PSCS may be redeemed at the option of the Company in whole), as such the Company has the option of not paying back any outstanding principal amount of the PSCS to the holder of the PSCS but subject to a distribution rate in accordance to terms of the PSCS;

- the perpetual nature of the PSCS would allow the Company to account for the PSCS as equity in its financial accounts;

- the issuer's option to force conversion allows the Company to choose to convert the PSCS in circumstances that the Company considers appropriate or desirable (for example, if market conditions are such that it would be in the interest of the Company if the dilution impact of the issue of the Conversion Shares would be reflected to the greatest extent as possible) and hence will no longer be required to pay distributions on those PSCS which have been forced by the Company to be converted pursuant to this provision;

- the issuer's option to force redemption allows the Company flexibility and at its discretion to redeem outstanding PSCS;

- the PSCS are subordinated in right of payment to the claims of all other present and future Senior Creditors of the Company;

- holders are entitled to no interests for the first three years from the issue date and a distribution rate of 0.1% per annum thereafter on any outstanding principal amount;

- the Company has the option to defer scheduled distribution pursuant to the terms of the PSCS;

- the automatic conversion feature is structured to ensure that to the extent the Conversion Shares of any PSCS Holders can be recognized as free float, the Company will have the right to require such conversion. With the automatic conversion feature in place, additional Shares will be issued once the shareholding of any PSCS Holders is below 10% of the issued share capital of the Company. This may result in the Conversion Shares being highly concentrated in a few shareholders' hands. However, more Shares will be tradable and can potentially enhance the trading volume and diversify the equity base of the Company; and

- as the PSCS are not listed or freely tradable on a securities market, it was considered to be appropriate for the Company to have a pre-emptive right over the transfer of a PSCS. The pre-emptive right would allow the Company to have an opportunity to determine the identity of persons to whom the PSCS may be transferred and to have an opportunity to repurchase the PSCS if the Company considers that the transfer price and terms are favourable.

Comparison of Initial Conversion Price with prevailing Share price and net asset value of the Group

The Initial Conversion Price of HK$1.00 per Share, which is equivalent to the Consideration Share Issue Price, represents:

(i) a discount of approximately 29.08% over the average closing price of HK$1.41 per Share as quoted on the Stock Exchange as at the Latest Practicable Date;

(ii) a discount of approximately 29.08% to the closing price of HK$1.41 per Share as quoted on the Stock Exchange on the Last Trading Date;

(iii) a discount of approximately 28.57% over the average closing price of approximately HK$1.40 per Share for the last 30 trading days up to and including the Last Trading Date;

(iv) a discount of approximately 29.58% over the average closing price of approximately HK$1.42 per Share for the last 90 trading days up to and including the Last Trading Date; and

(v) a price to book value of approximately 3.6 times the unaudited consolidated net asset value of the Group of approximately HK$0.28 per Share as at 30 June 2013.

Based on the Initial Conversion Price of HK$1.00 and assuming no changes in the shareholding in the Company from the Latest Practicable Date other than those contemplated under the Acquisition Agreement, the Company will allot and issue 8,466,120,000 Conversion Shares credited as fully paid upon full conversion of the PSCS. The 8,466,120,000 Conversion Shares represent approximately 307.3% of the entire existing issued share capital of the Company as at the Latest Practicable Date, approximately 194.6% of the enlarged issued share capital of the Company immediately after Completion (assuming no conversion of the PSCS), approximately 66.1% of the enlarged issued share capital of the Company immediately after Completion (assuming full conversion of the PSCS) and approximately 50.3% of the enlarged issued share capital of the Company immediately after Completion (assuming full conversion of the PSCS) and assuming the issue of maximum number of new Shares under the Specific Mandate.

Perpetual convertible instruments comparables

Given that the universe of perpetual convertible instruments (excluding bonus perpetual convertible instrument issues) issued by Main Board Listed Issuers within the 24-months period immediately prior to the date of the Announcement is limited, all of the identified perpetual convertible instruments under the aforesaid parameters, being five in total, were selected for review (the "**Perpetual Convertible Comparables**"). Set out below are the details of the Perpetual Convertible Comparables:

Table 6.4.1: Perpetual Convertible Instruments (note 1)

Company (Stock code)	Date of announcement	Initial conversion price (per Share)	Premium/ (discount) of the conversion price to the closing price on the last trading date *(approx. %)*	Premium/ (discount) of conversion price to the audited net asset value per share attributable to the owners for the latest full financial year based on the date of the transaction announcement *(approx. %)*	Distribution rate per annum *(%)*	Maturity	Optional deferral of distributions by the issuer	Restriction on conversion	Redemption rights of the holder	Holder of Perpetual Convertible Instrument being connected person(s) of the issuer	Purpose of issue
China Qinfa Group Limited ("**Chinq Qinfa**") (866)	28-Nov-12	HK$1.65	51.4	22.6	3.0	None	Yes	Yes	Yes	Yes	Fund raising
Guangdong Nan Yue Logistics Company Limited ("**GNYL**") (3399)	23-Sep-12	RMB2.74	155.1 *(note 2)*	0.9	1.0	None	Yes	Yes	No	Yes	Settlement of consideration
Greentown China Holdings Limited ("**Greentown**") (3900)	8-Jun-12	HK$7.40	38.3	(41.9)	9.0 *(note 3)*	None	Yes	Yes	No	Yes	Fund raising from strategic investor
Hop Hing Group Holdings Limited ("**Hop Hing**") (47)	1-Dec-11	HK$0.37	(15.9)	(61.1) *(note 4)*	3.5	None	Yes	Yes	No	Yes	Settlement of consideration
CATIC Shenzhen Holdings Limited ("**CATIC**") (161)	21-Nov-11	RMB3.56	10.0	21.1 *(note 5)*	1.0	None	Yes	Yes	No	Yes	Settlement of consideration
		Maximum	*(note 2)* 51.4	22.6	9.0						
		Minimum	(15.9)	(61.1)	1.0						
		Average	*(note 2)* 21.0	(11.7)	3.5						
The Company	**27-Aug-13**	**HK$1.00**	**(29.1)**	**267.7**	**Nil for the first three years and 0.1 p.a. thereafter**	**None**	**Yes**	**Yes**	**No**	**Yes**	Settlement of consideration

Notes:

(1) for the avoidance of doubt, the Perpetual Convertible Comparables comprise only perpetual convertible instrument which shall rank ahead of those persons whose claims are in respect of any class of share capital (including preference shares) of the issuer and the holder of which does not have the right to receive dividends and other distributions pari passu with holders of the ordinary shares.

(2) the premium of approximately 155.1% over the closing price of the H shares of the issuer is considered to be unusually high and to avoid distortion to the overall analysis, we have not included this result in our range and average analysis.

(3) as stated from the announcement of this comparable, the distribution rate was 9% per annum in the first five years, and it would be adjusted in every five years. Details of which please refer to the announcement dated 8 June 2012 of this comparable.

(4) as the conversion price to net asset value ratio was not set out in the transaction announcement/circular, it is calculated based on the initial conversion price of HK$0.37 divided by the audited net asset value attributable to the owners of the company per share of approximately HK$0.95 per share.

(5) as the conversion price to net asset value ratio was not set out in the transaction announcement/circular, it is calculated based on the initial conversion price of RMB3.56 divided by the audited net asset value attributable to the owners of the company per share of approximately RMB2.94 per share (inclusive of both issued domestic and H shares).

Source: based on information extracted from the respective transaction announcement and/or circular published on the Stock Exchange website

We note that three of the Perpetual Convertible Comparables were issued for the settlement of the consideration for an acquisition (in part or in full), the remaining two Perpetual Convertible Comparables were issued for the purpose of fund raising. Notwithstanding that two of the Perpetual Convertible Comparables were issued for different purposes, having considered, like the PSCS, all of the Perpetual Convertible Comparables (i) are accounted for as equity instrument in the financial statements of the respective issuer; and (ii) contain similar principal terms as set out in Table 6.4.1, such as no maturity, optional deferral of distributions by the issuer, restriction on conversion and no redemption rights of the holder, we consider the inclusion of all the Perpetual Convertible Comparables for comparison purposes to be appropriate. As set out in Table 6.4.1, the conversion price of recent share issues by the Perpetual Convertible Comparables ranged from a premium of approximately 51.4% to a discount of approximately 15.9% with an average discount of approximately 21.0% to the respective closing prices of their shares on the last trading day prior to the release of the relevant announcement.

We note that the discount of the Conversion Price to the closing Share price on the Last Trading Day is approximately 29.1%, which is below the largest discount of the Perpetual Convertible Comparables. However, having considered the reasons as set out under the paragraph headed “Share review conclusion” in this letter above, in particular (i) the closing share price of the Company remained at a similar level despite the publication of the 2010 Results Announcement in relation to the Group recording additional losses of over HK$420.0 million for the year ended 31 December 2010 when compared to the corresponding prior year, representing a loss in excess of 45 times the losses recorded from the corresponding prior year and that we are not aware of other material factors and/or explanation except for the Subscription Agreement; and (ii) the significant disparity between the performance of the closing Share price of the Company compared to those of the Peer Companies during the Share Price Review Period indicated that the significant increase in the closing Share price observed during the Share Price Review Period might have been underpinned by the expectation of corporate action to fulfill the stated intention of Jinchuan Group to deploy the Company as its flagship for undertaking overseas operations in the exploration and exploitation of mineral assets and related trading, such expectation may have the effect of decoupling the typical relationship between share price and the Group’s financial performance of the underlying trading of mineral and metal products business, and cosmetic and beauty product business (which was disposed of by the Company in June 2013), we are of the view that the issue price to share price ratio is not an appropriate benchmark for assessing fairness and reasonableness for the Conversion Price.

In view of the above, we have also compared the conversion price to the net asset value per share (the “**Conversion Price/NAV**”) of the Company under the Acquisition with the Perpetual Convertible Comparables. As set out in the Table 6.4.1, the Conversion Price/NAV of the Perpetual Convertible Comparables ranged from a premium of approximately 22.6% to a discount of approximately 61.1% with an average discount of approximately 11.7%. The Conversion Price/NAV under the Acquisition, being approximately 267.7%, is markedly above the highest premium of the Conversion Price/NAV of the Perpetual Convertible Comparables.

In terms of the distribution rate per annum, the PSCS bears a 0.1% distribution rate per annum, which is the lowest amongst the Perpetual Convertible Comparables.

We have also compared other features of the PSCS with those of the Perpetual Convertible Comparables and note that the PSCS and each of the Perpetual Convertible Comparables have (i) no maturity; (ii) optional deferral of distributions by the issuer; and (iii) no redemption rights of the holder. In addition, none of the holders of the PSCS and the Perpetual Convertible Comparables have redemption rights.

In addition, we also compared other features of the PSCS with those of the Perpetual Convertible Comparables. Based on information extracted from the respective transaction announcement and/or circular published on the Stock Exchange website, we note that, similar to the PSCS, (i) a majority of the Perpetual Convertible Comparables has the features of (a) force conversion, namely, GNYL, Greentown and CATIC; and (b) pre-emptive rights, namely, GNYL, Hop Hing and CATIC; (ii) the perpetual convertible instrument issued by Greentown also has the force redemption feature; and (iii) the perpetual convertible instrument issued by Hop Hing also has the automatic conversion feature.

Having considered the analysis of the terms of the PSCS, and noting in particular that the PSCS is non-voting, non-redeemable and holders are not entitled to earnings or dividend participation save for the 0.1% coupon payable from the fourth anniversary of the issue, we consider the terms of the PSCS, in the context of the Company as a going concern, to be more favourable to that the Consideration Shares which as we concluded earlier to be fair and reasonable. In practice, the issue of the PSCS allows the Company to finance the Acquisition and continue to comply with the minimum public float shareholding requirement of the Stock Exchange. It also gives the Company more flexibility in the timing of future equity issues and thus avoiding any market overhang caused by an impending equity placement in the market to finance the Acquisition. We therefore concur with view of the Directors that the terms of the PSCS are fair and reasonable and in the interests of the Company and the shareholders as a whole.

7. Expected financial effects of the Acquisition to the Group

Earnings

Based on the unaudited pro forma condensed consolidated statement of profit or loss and other comprehensive income of the Enlarged Group as set out in Appendix IV to the Circular and assuming Completion had taken place on 1 January 2013, as a result of the Completion, (i) the total revenue (from continuing operations) of the Group for the six months ended 30 June 2013 would be increased by approximately 138.0% from approximately HK$1,147.5 million to approximately HK$2,731.5 million; and (ii) the profit (from continuing operations) for the six months ended 30 June 2013 of approximately HK$13.7 million would increase to a profit of approximately HK$1,286.2 million (not including profit from discontinued operations of approximately HK$21.8 million). Such is mainly attributable to the Target Group's profit for the six months ended 30 June 2013 of approximately HK$1,284.8 million from its continuing operations.

Assets, liabilities and capital commitment

Shareholders' attention is drawn to the unaudited pro forma financial position of the Enlarged Group as set out in Appendix IV to this Circular, which illustrates the effect of the Acquisition assuming that Completion had taken place on 30 June 2013 and taking into account the issue of 8,466,120,000 Conversion Shares upon the full conversion of the PSCS. Based on the abovementioned unaudited pro forma financial position of the Enlarged Group and as set out in the "Letter from the Board" of the Circular, (i) the unaudited consolidated net asset value of the Group as at 30 June 2013 per Share will increase from approximately HK$0.28 per Share to approximately HK$0.74 per Share calculated by dividing the pro forma equity attributable to owners of the Enlarged Group of approximately HK$9,424.0 million as at 30 June 2013 by the total number of 12,816,873,051 Shares immediately after Completion and assuming full conversion of the PSCS but before issuance of any new shares under the Specific Mandate; and (ii) there would be corresponding respective significant increases in the total assets, total liabilities and net assets.

Working capital

As set out in the unaudited pro forma statement of financial position of the Enlarged Group as set out in Appendix IV to the Circular and assuming completion of the Acquisition had taken place on 30 June 2013, the bank balances and cash would be increased by approximately HK$115.2 million and the interest-bearing borrowings, classified as current liabilities, would be increased by approximately HK$662.3 million.

8. Proposed increase in authorised share capital of the Company

The authorised share capital of the Company is HK$50,000,000 comprising of 5,000,000,000 Shares, of which 2,754,873,051 Shares are in issue as at the Latest Practicable Date. In connection with the Acquisition, the Board proposes to increase the authorised share capital of the Company from HK$50,000,000 to HK$200,000,000 by the creation of an additional 15,000,000,000 unissued Shares to rank *pari passu* in all respects with the existing issued Shares in the capital of the Company.

9. Dilution

As set out under paragraph headed "Effects of the Acquisition on the Company" in the "Letter from the Board" of the Circular, the equity interest of the existing public Shareholders in the Company will be diluted from approximately 39.5% as at the Latest Practicable Date to approximately 6.5% upon the issuance of the Consideration Shares, assuming full conversion of the PSCS (based on the initial Conversion Price) and the issuance of the 4,000,000,000 new Shares under the Specific Mandate (on the assumption that there are no changes in the shareholding in the Company from the Latest Practicable Date to the Completion Date other than those contemplated under the Acquisition Agreement).

Set out in Table 10.1 below is the potential dilution effects on the shareholding of public shareholders as a result of the issuance of Consideration Shares, Conversion Shares (upon conversion of the PSCS) and the new Shares under the Specific Mandate:

Table 9.1: Potential dilution effects on the shareholding of the public shareholders

	As at the Latest Practicable Date		Immediately after Completion (assuming no conversion of the PSCS)		Immediately after Completion and full conversion of the PSCS *(note 3)*		Immediately after Completion (assuming full conversion of the PSCS) and the maximum number of new Shares are issued under the Specific Mandate	
Name of Shareholders	*Number of Shares*	*% of total issued Shares*	*Number of Shares*	*% of total issued Shares*	*Number of Shares*	*% of total issued Shares*	*Number of Shares*	*% of total issued Shares*
Jinchuan Group	1,667,142,857	60.52%	1,667,142,857	38.32%	1,667,142,857	13.01%	1,667,142,857	9.91%
Seller-Consideration Shares *(note 1)*	–	0.00%	1,595,880,000	36.68%	1,595,880,000	12.45%	1,595,880,000	9.49%
Seller-Conversion Shares *(note 2)*	–	0.00%	–	0.00%	8,466,120,000	66.05%	8,466,120,000	50.34%
Total Jinchuan Group Shareholding	1,667,142,857	60.52%	3,263,022,857	75.00%	11,729,142,857	91.51%	11,729,142,857	69.75%
Other public shareholders	1,087,730,194	39.48%	1,087,730,194	25.00%	1,087,730,194	8.49%	1,087,730,194	6.47%
Placees	–	–	–	–	–	–	4,000,000,000	23.79%
Total Issued Shares	**2,754,873,051**	**100.00%**	**4,350,753,051**	**100.00%**	**12,816,873,051**	**100.00%**	**16,816,873,051**	**100.00%**

Notes

(1) The above table assumes that the Seller will directly subscribe for the Consideration Shares and hold the PSCS. The Seller may only convert such number of securities, where such conversion would not cause the Company to contravene the minimum public float requirement under the Listing Rules.

(2) Jinchuan Group holds the entire issued share capital of Jinchuan HK. Jinchuan HK holds approximately 60.52% of the issued share capital of the Company as at the Latest Practicable Date. The Seller is a wholly-owned subsidiary of Jinchuan Group.

(3) Assuming full conversion of the PSCS but before issuance of any new shares under the Specific Mandate, the total issued Shares immediately after Completion would be 12,816,873,051 Shares, which is the aggregate of (i) the total issued Shares of 2,754,873,051 Shares as at the Latest Practicable Date; (ii) the Consideration Shares of 1,595,880,000 Shares; and (iii) the conversion shares (upon the conversion of the PSCS at an initial Conversion Price) of 8,466,120,000 Shares.

When considering the potential dilution effects to the shareholding of the Independent Shareholders, it should be noted that under the terms and conditions of the PSCS, a holder of the PSCS may only convert such number of PSCS as would not cause the Company to contravene the minimum public float requirement under the Listing Rules following conversion.

Having taken into account, (i) the factors as set out under paragraph headed "5. Reasons for and the benefits of the Acquisition" in this letter and that the Consideration Shares and the PSCS will be issued to satisfy the Purchase Price; (ii) the terms of the Consideration Shares and the PSCS, in particular, the issue price per Consideration Share and the conversion price of the PSCS of HK$1.00 is at a substantial premium to the net asset value per Share as at 30 June 2013; (iii) the net proceeds raised from the issuance of new Shares under the Specific Mandate is intended to be applied towards, among others, the exploration and development initiatives of the Target Group's projects; and (iv) upon the issuance of the Consideration Shares, the Conversion Shares (upon conversion of the PSCS) and/or the new Shares under the Specific Mandate, the capital base of the Company will be enlarged, thereby reducing the overall gearing of the Group, we are of the view that the dilution on the shareholding interests of the Independent Shareholders to be acceptable.

IV. RECOMMENDATION

Having considered the factors and analysis set out in this letter, in particular,

(i) the Purchase Price represents a discount to the Market Valuation (prepared by SRK in accordance with the SAMVAL Code using methodologies in line with international market practices, which seeks to evaluate the full market value of assets held by the Metorex Group and accordingly reflect the additional value associated with Inferred Mineral Resources and the exploration potential of the Metorex Group's assets);

(ii) our analysis on the settlement methodology as set out under paragraphs headed "6.3 Consideration Shares" and "6.4 PSCS" in this letter; and

(iii) the expected financial effects as set out under paragraph headed "7. Expected financial effects of the Acquisition to the Group" in this letter,

we consider that the Acquisition Agreement and the transactions contemplated thereunder are on normal commercial terms which are fair and reasonable and in the interests of the Company and the Shareholders as a whole, even though the Acquisition does not fall within the ordinary course of business of the Company.

Accordingly, we would recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution to approve the Acquisition Agreement and the transactions contemplated thereunder at the EGM.

Yours faithfully
For and on behalf of
Investec Capital Asia Limited
Jimmy Chung
Managing Director
Corporate Finance