
LETTER FROM INVESTEC

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

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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 oT metals tradingimam-osralicresennr beautyillion

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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

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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

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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

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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 "2.22.831Ral resour224 of Me seexrgetroupness iionletterines, the Directing

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- (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

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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 pool Regal of the Metorex Group’s assets, which are specifically excluded from

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

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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

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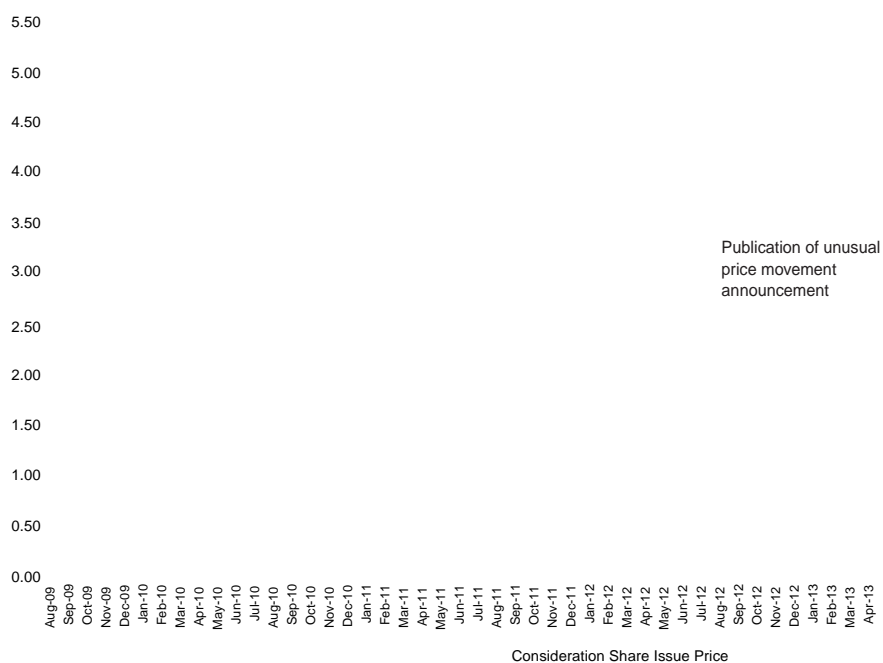
The Market Valuation is the aggregate of (i) the value of the Measured and Indicated Mineral Resources of the mineral assets of Metorex; (ii) the value of the Inferred Mineral Resources of the mineral assets of Metorex; and (iii) certain adjustments (including debt, head office expenses, the terminal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

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



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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

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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)

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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

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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

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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 audited net asset value per share attributable to the owners for the latest full financj					
				0.268	-1.187	Td (the date of the)Tj	-0.025	Tw 1.424
			price to the closing price on the last trading date	-1.187	Td (year based on)Tj	-1.187	Td (transaction)Tj	-1.47
				-1.187	Td			

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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 laetua0eatm aaypricr tho

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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

Name of 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	
	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	–	–	–	–	–	–	–	–

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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