

INDUSTRY OVERVIEW

This section and other sections of this circular contain information relating to the PRC economy and the industry in which the Group and the Target Group operate. Certain information and data contained in this section have been derived partly from publicly available government and official sources. Certain other information and statistics set forth in this section have been extracted from the Antaike's Report commissioned by the Company from Antaike, an independent industry consultant, for inclusion in this circular. Unless otherwise stated, the information contained in this section of the circular has been extracted from the Antaike's Report. The Directors believe that these sources are appropriate sources for such information and have taken reasonable care in selecting and identifying the sources, in compiling, extracting, and reproducing such information, and in ensuring no material omission of such information. The Directors have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been independently verified directly or indirectly by the Company or the Sponsor, or any of their respective affiliates, directors, employees, agents or advisers. Such information may not be consistent with other information compiled within or outside China. Neither the Company nor the Sponsor makes any representation as to the completeness, accuracy, or fairness of such information, and accordingly, such information should not be unduly relied upon.

COPPER

Introduction

Copper has high electrical and thermal conductivity and good workability, allowing the metal to be used in a wide range of applications, the most prevalent of which is in the manufacture of wires, cables and other electrical products. Copper is extensively used in electrical and electronic products, building and construction, transportation, industrial machinery and equipment, and consumer and general products, accounting for approximately 42%, 28%, 12%, 9% and 9%, respectively of global annual consumption in 2009. The consumption of copper for these purposes is affected by various factors, including trends in the world economy and market competition with other metals and materials.

Copper production

Copper can be produced as either a primary product or as a co-product of other metals, including gold, lead, zinc, nickel or silver. The rock is first drilled and blasted with explosives. After blasting, it is loaded and transported to the primary crushers from the mine, where the ore is crushed and screened, with the fine sulfide ore being transported to froth flotation cells for recovery of copper.

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Copper cathode production

There are two basic methods of copper cathode production, depending on the type of ore minerals (oxide or sulfide). The first, and by far the more prevalent, is the electro-refining method. This involves the mining and processing of copper concentrates, which are smelted to form blister and refined to form cathode. The three stages can be carried out at different locations, although it is typical for smelting and refining to be carried out at the same location. Scrap enters the process chain at both the smelting and refining stages.

The alternative method of production is by leaching and electro-winning (a hydro-metallurgical process). This method (called SX-EW leaching) involves a solvent extraction process and the copper cathode so produced is known as SX/EW copper, which accounted for around 17.8% of global production of copper cathodes in 2010.

As copper cathode production by the traditional electro-refining method is a multi-stage process, there are a series of inter-linked “copper markets” which form part of the process chain. These markets are in copper concentrates, copper blister or anodes and cathodes. Imbalances along the process chain emerge as a result of imperfect matches between capacity and requirements at different stages of the process. The existence of markets for copper concentrates and copper blister or anodes is important to non-integrated copper producers, who do not have the full capacity to mine and concentrate their own ore, to smelt such concentrate into copper blister and then to smelt and refine copper blister into copper cathodes.

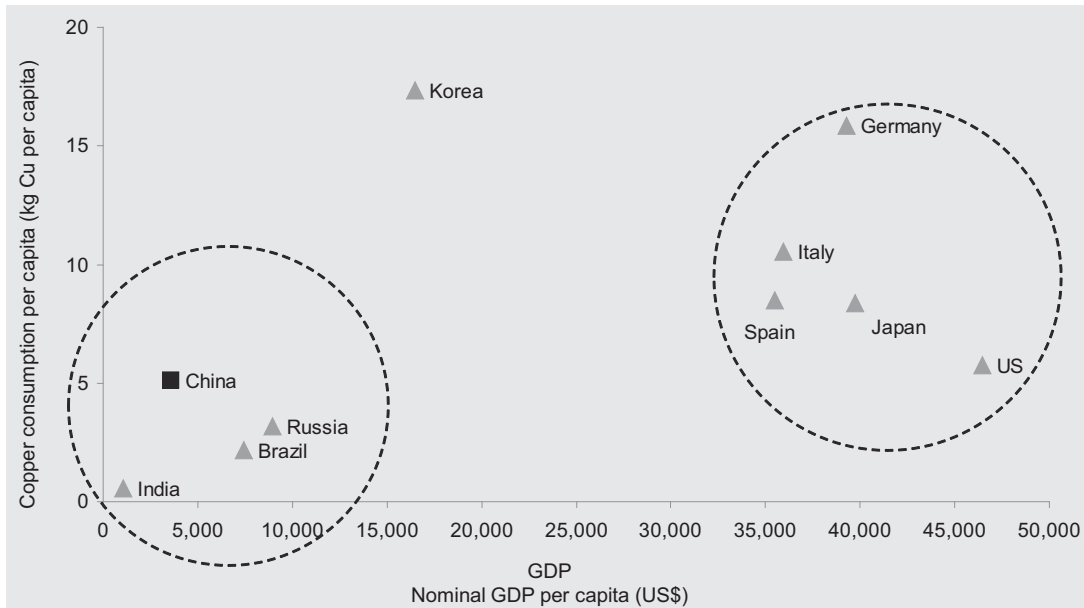
Copper cathodes with grading over 99.9% may be delivered to downstream copper processors. Copper cathodes may also be cast into wire, rod, billets, cakes or ingots, as pure copper (“**processed copper products**”) or alloyed with other metals. Secondary materials can also be used directly in the production of these products.

Demand for copper cathodes

With broad end-use markets, copper cathode consumption has been particularly influenced by GDP growth, industrial development and consumer spending. The chart below summarizes the positive correlation between per capita consumption of copper cathode and GDP per capita in countries at different levels of economic development. As illustrated in the chart below, developing countries (bottom left-hand quadrant) generally, on a per capita basis, consume less copper cathode than developed countries (top right-hand quadrant) on a per capita basis in 2010. As the GDP per capita of developing countries in the lower left quadrant, such as China, India and Brazil, increases, the consumption of copper cathode on a per capita basis is expected to increase. Demand for copper cathodes in these developing countries, therefore, has strong growth potential.

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Copper cathode consumption and GDP per capita



Source: Antaika

Note: Population and GDP are based on 2009 data and copper cathode consumption is based on 2010 data

Global demand for copper cathodes

According to the Antaika Report, global demand for copper cathodes grew at a CAGR of 2.0% from 2000 to 2010, reaching 18.49 million tonnes in 2010, mainly driven by consumption growth in China. Global demand for copper cathodes is expected to grow at a CAGR of 3.2% from 2010 to 2013, representing a consumption increase from 18.49 million tonnes to 20.32 million tonnes. In the near term, Antaika forecasts a steady growth in demand in the emerging markets, including China and Brazil, and a gradual recovery in demand in the United States and Europe. In the first half of 2011, global copper cathode demand was 9.5 million tonnes, representing an increase of 3.0% compared to the same period last year.

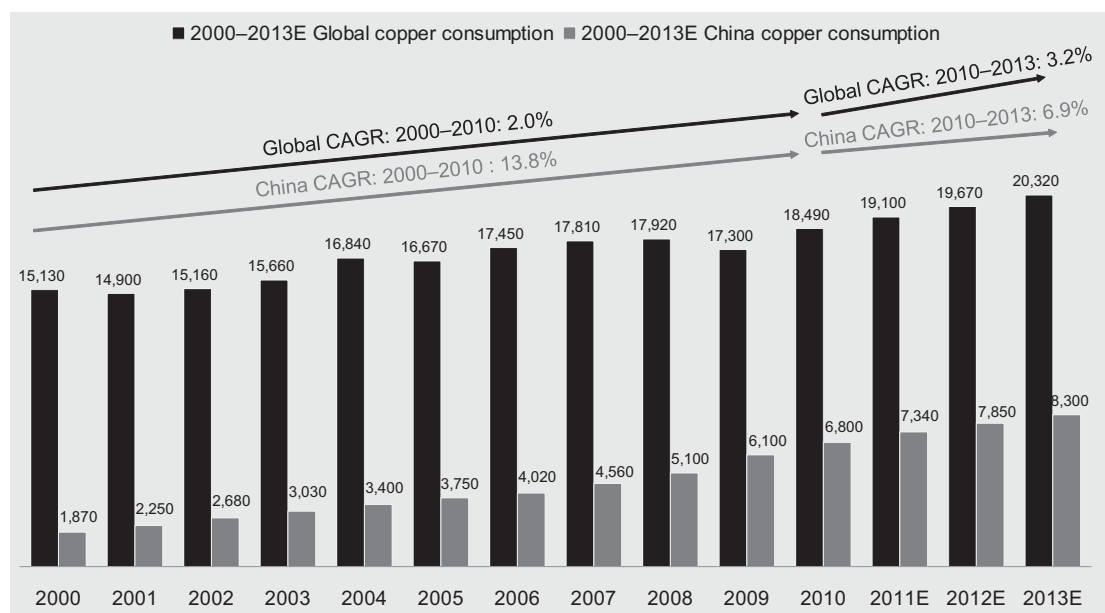
The top three countries in terms of copper cathode consumption in 2010 were China, United States and Germany with a total consumption of approximately 6.80 million tonnes, 1.77 million tonnes and 1.31 million tonnes, respectively. China now accounts for roughly 36.8% of the world's copper cathode consumption, and is by far the largest copper cathode consumer globally. However, on a per capita basis, China's copper cathode consumption is still lower than most of the major developed countries. Increase in demand for copper cathodes in China, brought about by strong economic growth and rapid industrialization and urbanization, has been the main driver to the global consumption growth.

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China's demand for copper cathodes

According to the Antaike Report, China's demand for copper cathodes grew at a CAGR of 13.8% from 2000 to 2010, reaching 6.8 million tonnes in 2010. In 2009 and 2010, the growth in copper demand in the PRC was closely linked to government stimulus spending. In the aftermath of the global financial crisis which began in 2008, the PRC government introduced a RMB586 billion stimulus package, aimed at countering the effects of the global economic slow-down on the Chinese economy. This boosted demand across the different end markets for copper products. Investments in major new infrastructure projects, relaxation of control over bank financing for major real estate projects, and introduction of consumer-focused stimuli leading to increased consumption in passenger cars and home electrical appliances all helped stimulate demand for copper products. For instance, under the "electrical appliances for rural households" scheme, which was introduced in February 2009, a 13% subsidy was provided by the PRC government on the purchase of various types of home electrical appliances by residents in rural areas.

2000 – 2013E Global/China copper cathode consumption (thousand tonnes)

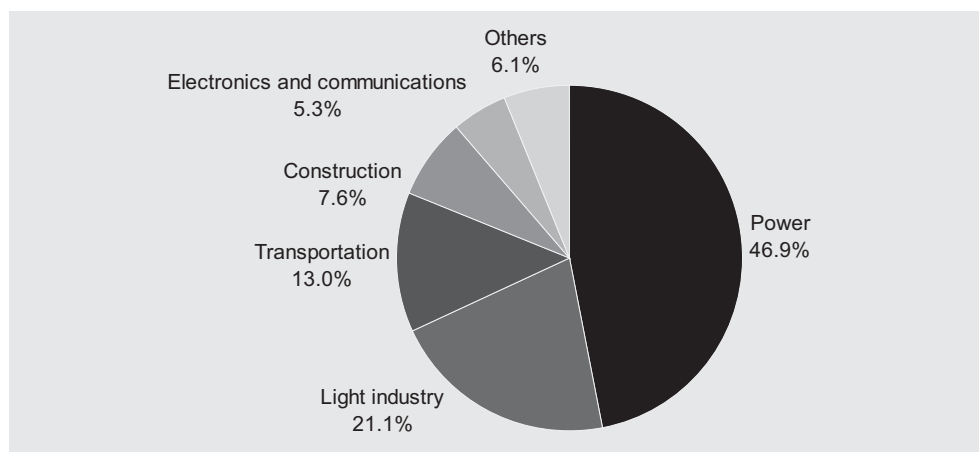


Sources: World Bureau of Metal Statistics ("WBMS"), International Copper Study Group ("ICSG"), Antaike

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The major end consumption markets for processed copper products in the PRC are in the power generation facilities and cable industry, home electrical appliances industry, construction and real estate industry, transportation and industrial machinery and equipment sectors. According to a report on China's 12th Five-Year Development Plan of Power Industry released by China Electricity Council on 21 December 2010, China plans to invest RMB5.3 trillion (equivalent to approximately US\$794 billion) in the power sector over the next five years, an increase of 68% over the five-year period from 2006 to 2010. Around RMB2.75 trillion is to be spent on power generation facilities, and the rest to be spent on grid development. As such, the main drivers for the demand for copper cathodes in China in the near term are (i) the planned expansion of the power industry as evidenced by the planned investment under the aforesaid China's 12th Five-Year Plan of Power Industry released on 21 December 2010, (ii) construction of more affordable housing resulting in the increase in the use of copper construction materials, and (iii) increased consumption of household electrical appliances in rural areas in China, leading to the increased usage of copper in the light industry.

Domestic processed copper products consumption by end markets in 2010



Source: Antaike

Supply of copper cathodes

The supply of copper cathodes depends to a large extent, on the supply of copper concentrates. Through the electro-refining method, copper ore is processed into concentrates or recovered from the leach solution, and further processed into copper cathodes. Copper reserves are copper resources that can be mined economically.

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Global supply of copper cathodes

From 2000 to 2010, global production of copper cathodes grew at an annual average rate of 2.3%, from 14.76 million tonnes in 2000 to 18.53 million tonnes in 2010. The main driving force behind such growth came from Asia and in particular, China. Supply of copper cathodes grew by 12.8% in China from 2000 to 2010, outpacing the growth of mine production supply of 6.8% in the same period.

2003 – 2010 Global and selected countries' copper cathode production (thousand tonnes)

	2003	2004	2005	2006	2007	2008	2009	2010
China	1,836	2,199	2,600	3,006	3,497	3,739	4,123	4,578
Chile	2,902	2,837	2,824	2,811	2,936	3,058	3,272	3,220
Japan	1,430	1,380	1,395	1,532	1,577	1,540	1,440	1,549
USA	1,306	1,306	1,255	1,250	1,311	1,280	1,161	1,096
Russia	842	919	935	951	949	862	874	893
Others	6,959	7,294	7,572	7,741	7,664	7,722	7,212	7,197
World total	15,275	15,935	16,581	17,291	17,934	18,201	18,082	18,533

Sources: WBMS, ICSG, Antaika

Global supply of copper reserves and copper concentrates

According to the USGS-Mineral Commodity Summaries dated January 2011, as at the end of 2010, total recoverable copper reserves around the world were estimated to amount to 630 million tonnes, primarily concentrated in North America, Latin America and Middle Africa. Chile and Peru have most of the world's copper reserves, accounting for approximately 38% in aggregate.

2003 – 2010 Global and selected countries' copper concentrates production (thousand tonnes)

	2003	2004	2005	2006	2007	2008	2009	2010
Chile	3,287	3,814	3,778	3,669	3,725	3,357	3,277	3,293
China	604	742	762	873	928	931	961	1,140
Peru	863	1,036	1,010	875	1,018	1,108	1,113	1,082
Indonesia	1,004	843	1,065	817	789	651	995	873
Australia	840	854	916	822	829	833	830	811
Others	7,159	7,305	7,390	5,109	5,192	5,567	5,480	5,453
World	13,757	14,594	14,921	12,165	12,481	12,447	12,656	12,652

Sources: WBMS, ICSG, Antaika

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The copper mining industry is highly concentrated in the world's top five copper producers. Chile National Copper Corporation (“**Codelco**”), Freeport McMoRan, BHP Billiton, Xstrata, and Rio Tinto, collectively, control approximately 39.2% of the total supply of mined copper.

Global top 10 mined copper producers (thousand tonnes) (Note)

Rank	Company Name	2008	% of Total	2009	% of Total	2010	% of Total
1	Codelco	1,546	10.0	1,782	11.2	1,700	10.7
2	Freeport McMoRan	1,514	9.7	1,520	9.6	N/A	11.1
3	BHP-Billiton	1,380	8.9	1,207	7.6	1,075	6.7
4	Xstrata	952	6.1	907	5.7	913	5.7
5	Rio Tinto	700	4.5	805	5.1	678	4.3
6	Anglo American	640	4.1	670	4.2	623	3.9
7	Grupo Mexico	488	3.1	496	3.1	688	4.3
8	KGHM	429	2.8	439	2.8	425	2.7
9	Norilsk Nickel	410	2.6	410	2.6	389	2.4
10	Kazakhmys	340	2.2	320	2.0	335	2.1
	Top 10 total	8,399	54.1	8,556	53.9	N/A	53.9

*Source: Raw Materials Group (“**RMG**”), News release, Company Annual Reports*

Note: Producer of copper concentrates and copper cathodes with self-owned copper mines

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China's supply of copper cathodes

China remained to be the largest producer of copper cathodes in the world from 2006 to 2010. Since 2005, China's production of copper cathodes has increased by approximately 12.0% per annum on average, and in 2010, China's production of copper cathodes was approximately 4.58 million tonnes, representing an increase of approximately 11.0% compared to the preceding year. Major copper producers have continued to expand their production scale in recent years and industry concentration is increasing. Some of the world's largest smelters are located in China, and the top five copper cathode producers in China include:

China's top 5 copper cathode producers (thousand tonnes)

Rank	Company	2008	2009	2010	Market share in 2010
1	Jiangxi Copper	702	802	902	19.7%
2	Tongling Non-ferrous	647	719	812	17.8%
3	Jinchuan Group	284	357	379	8.3%
4	Yunan Copper	385	289	325	7.1%
5	Daye Metal	264	270	308	6.7%
	Other	1,497	1,686	1,852	40.4%
	China	3,779	4,123	4,578	100.0%

Source: Antaika

2006 – 2010 China and selected provinces' copper cathode output (thousand tonnes)

	2006	2007	2008	2009	2010
Total in China	3,003	3,497	3,779	4,123	4,578
Jiangxi	507	646	782	816	936
Shandong	310	378	466	564	591
Anhui	420	486	524	539	573
Gansu	276	324	367	419	478
Yunnan	384	414	312	300	341

Sources: 中國有色金屬工業協會 (China Non-ferrous Metals Industry Association) ("CNIA"), Antaika

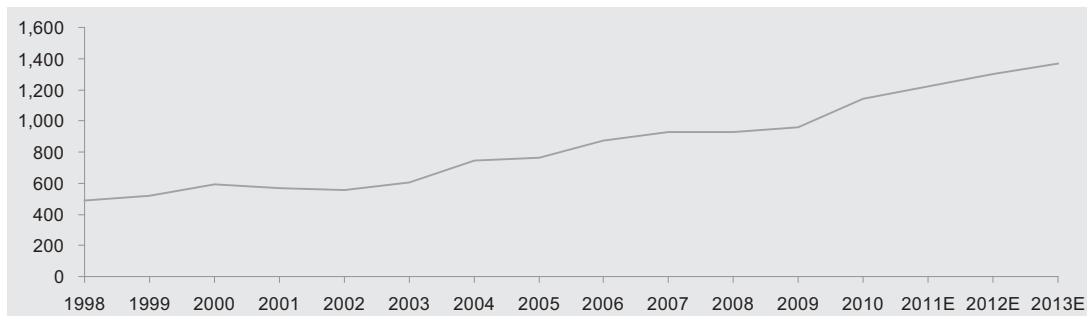
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China's supply of copper reserves and copper concentrates

According to the USGS-Mineral Commodity Summaries dated January 2011 and the Antaike Report, China ranked sixth in the world in 2010 in terms of copper reserves with an estimated 30 million tonnes of copper reserves. The identified copper resources in China are mainly located in Jiangxi, Tibet, Yunnan, Inner Mongolia, Shanxi and Anhui. The top ten provinces or autonomous regions in the PRC have, in aggregate, an estimated 39.87 million metric tonnes of resources, accounting for 78.6% of the national volume of total identified copper resources. The largest copper miners in operation in PRC include Dexing, Wunugetushan, Ashele, Dongguashan, Deerni, Dahongshan, Huogeqi, Tongkuangyu, and etc.

China as a whole does not have sufficient copper resource to support its rising domestic consumption demand. With an increasing consumption of copper products in China, the growth of the downstream processing and smelting operations are occurring at a much faster pace than the growth in the upstream mining operations, and hence, the market for copper concentrates (being the main raw material for further processing at the smelters) continues to tighten. In 2010, China copper industry had a self-sufficiency rate of approximately 31.9%, leaving the country largely dependent on import of copper concentrates and scrap copper.

1998 – 2013E China's mined copper production (thousand tonnes)



Sources: CNIA, Antaike

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2005-2010 China's copper concentrate production of major Chinese producers (Unit: 000' tonne)

Ranking		2005	2006	2007	2008	2009	2010
1	Jiangxi Copper	158	158	156	159	167	172
2	Yunnan Copper	72	72	76	90	95	97
3	Zijin Copper	8	20	47	57	71	80
4	Tongling Non-ferrous	37	46	47	51	54	62
5	Jinchuan Group	44	49	33	35	45	45
6	West Mining	–	–	25	28	20	26
7	Zhongtiaoshan Non-ferrous	22	28	28	24	17	24
8	Daye Metal	21	21	20	21	20	21
9	China Gold Group	11	11	10	13	13	17
	Total	37.3	40.5	44.2	47.8	50.2	54.4
	% of China in total	49.0	46.4	47.6	51.3	52.2	47.7
	China total	76.2	87.3	92.8	93.1	96.1	114.0

Source: CNIA, Antaika

Inventory and stocks of copper cathodes

Global inventory and stocks

Copper cathode inventories, reported and unreported, are generally held by consumers, producers, trading houses, government organizations and speculators. Stocks of copper cathode at LME, being one of the major metal exchanges for trading in copper cathodes, have been declining since 2003. The copper cathode stock at LME declined drastically from 980,000 tonnes in May 2002 to less than 50,000 tonnes in mid 2005, and has remained at a low level of under 200,000 tonnes prior to 2008. From 2008 to 2010, stocks of copper cathode at LME increased but the levels were maintained at between 300,000 tonnes to 500,000 tonnes.

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China's inventory and stocks

To ensure that there is sufficient supply and to prevent a slow down in its industrial production plans, which require, among others, vast consumption of copper cathodes, the PRC government maintains stocks of copper cathodes through the State Reserve Bureau of the PRC. The volume of this stockpile varies in magnitude from several hundred thousand tonnes to over a million tonnes of copper cathodes. Prior to 2009, China's supply of and demand for copper cathodes were more or less balanced. However, since the start of the global financial crisis in 2009, China has been taking advantage of adjustments in the prices of copper cathodes to increase purchase of copper cathodes, which led to a surge in China's import of copper cathodes between 2009 and 2010 and a significant increase in China's inventory of copper cathodes (estimated at a level that exceeds one million tonnes). This inventory is held mainly by the State Reserve Bureau of the PRC, financial traders and private investors. In the first half of 2011, China experienced significantly weakened import and increased export of copper cathodes, indicating that the inventory level of copper cathodes of the PRC has been declining.

Copper pricing and exchanges

As in the case of all commodities, the price of copper cathodes is primarily affected by the balance between supply and demand (production consumption) of copper cathodes, as well as existing inventory levels. To a lesser degree (though their significance has increased in recent years), the price of copper cathodes is also affected by the demand of financial investors and metal exchanges.

The international benchmark price for copper is the price at which copper cathodes are traded on LME, quoted in terms of US\$ per tonne. LME official prices are commonly used as a benchmark for daily prices and form the basis for most physical contracts.

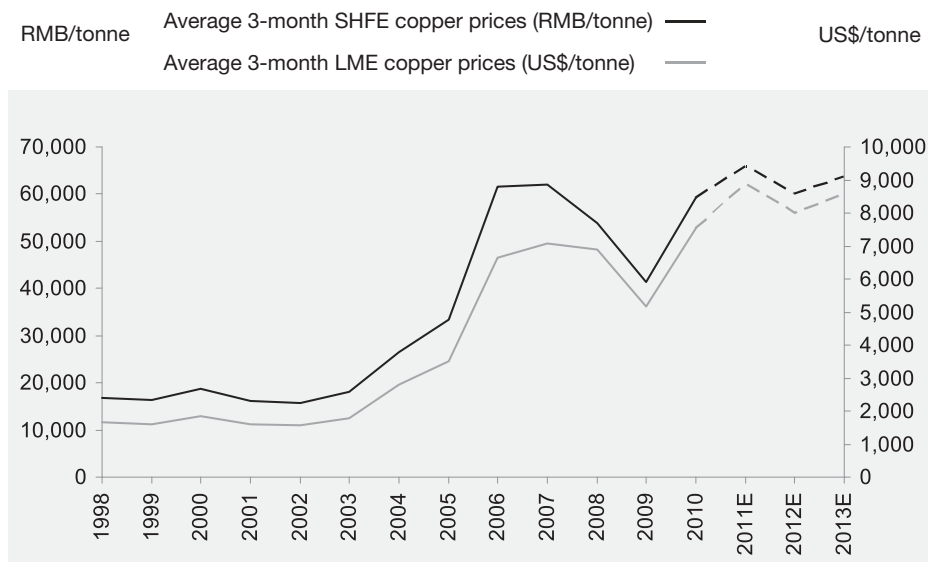
The two other main exchanges where copper cathodes are traded are the CME Group Inc.'s Comex and SHFE. The Comex offers futures contracts with monthly deliveries going forward 23 months as well as American options on them. Prices are quoted in terms of cents per pound and the contract size is 25,000 pounds.

SHFE is the only futures exchange in the PRC which trades copper futures. Futures are available on a monthly basis going forward 12 months, and the contract size is 5 tonnes, quoted in terms of RMB per tonne. Domestic prices of copper cathode typically follow international trends but copper cathodes are often traded at a premium (or discount) to LME price, plus import duties and taxes, depending on the level of supply of copper cathodes in the local market. SHFE does not offer options.

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Prices of copper cathodes have experienced significant fluctuations in the past. The following chart sets forth copper cathode average 3-month forward LME price and average 3-month forward SHFE price from 1998 to date, and the forecasted copper cathode average 3-month forward LME and SHFE prices for 2011 to 2013.

1998 – 2013E Average 3-month LME and SHFE copper cathode prices



Sources: LME, SHFE, Antaika

Note: Average 3-month forward SHFE copper cathode prices forecast is based on the exchange rate of US\$1=RMB6.55

Similar to other commodities, the period from 2005 to 2007 witnessed the most substantial increase in prices of copper cathodes since the late 1980s. The increase in price over this period was primarily driven by the emergence of China as a major consumer of copper cathodes and Chinese domestic demand between 2003 and 2008.

In China, the prices of copper cathodes reached the highest point of RMB85,550 per tonne in May 2006 roughly in line with prices in the international markets. The global financial crisis which began in 2008 caused prices of copper cathodes to fall sharply after the peak throughout 2008 until the first quarter of 2009. Since then, prices of copper cathodes have recovered strongly. The average 3-month forward SHFE price rebounded from RMB41,389 per tonne in 2009 to RMB59,296 per tonne in 2010, an increase of 43%. On LME, the average 3-month forward rebounded from US\$5,171 per tonne in 2009 to US\$7,550 per tonne in 2010, an increase of 46.01%, according to the Antaika Report.

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During the period from January 2011 to July 2011, 3-month forward copper on LME averaged US\$9,440 per tonne, representing an increase of 33% year-on-year. Assuming that there is no material deterioration in the world economy, Antaika forecasts that the 3-month forward copper price for 2011 to 2013 will, on average, be US\$8,900 per tonne, US\$8,000 per tonne and US\$8,600 per tonne, respectively. Prices of copper cathodes in China have averaged RMB67,711 per tonne on SHFE during January to October in 2011, an increase of 16.9% compared to the same period last year. According to the Antaika Report, prices of copper cathode are expected to fall throughout 2011 and 2012, and to increase slightly in 2013 with SHFE prices forecasted to be an average of RMB66,000 per tonne in 2011, RMB60,000 per tonne in 2012 and RMB63,700 per tonne in 2013. With demand for copper cathodes rebounding, a worldwide shortage in supply of copper cathodes is expected for the period from 2011 to 2013, which is expected to provide support for the prices of copper cathodes. The introduction of the copper exchange traded fund at the end of 2010 further strengthened copper's financial attributes, and the implementation of relaxed monetary policies also provides additional support for copper prices around the globe. On the other hand, the potential negative impact that the European Union debt crisis may have on the world economy and other economic uncertainties may exert downward pressure on the price of copper cathodes.

Market outlook

According to Antaika, global prices of copper cathodes are expected to remain at relatively high levels in the near term due to supply constraints across the world and specifically in China, with SHFE prices forecasted to be around RMB66,000 per tonne on average in 2011 or an increase of 11.3% compared to 2010. Global prices of copper cathodes are significantly influenced by demand and supply in China given that it accounted for approximately 35.3% and 36.8% of the world's total consumption of copper cathodes in 2009 and 2010, respectively. As such, Antaika forecasts that the global prices of copper cathodes will remain at relatively high levels as it expects supply deficit in copper cathodes in China to continue in the near term. China experienced a supply deficit in copper cathodes from 2008 to 2010 where domestic supply fell short of domestic demand by 1.36 million tonnes, 1.98 million tonnes, and 2.22 million tonnes, respectively. The shortage of supplies in China has been, and will continue to be, satisfied by imported copper cathodes. It is expected that insufficient domestic supply, and a high level of import in China, which is forecasted to remain at above 2 million tonnes per annum from 2011 to 2013, will be among the key factors supporting the global prices of copper cathodes.

The tight supply of copper concentrates is expected to remain the bottleneck in the supply chain and any deficit will have to be satisfied by imports. Shortage of copper concentrates has had a large impact on smelter returns – treatment charges (“TC”) and refining charges (“RC”, together with TC, collectively, “TC/RC”) for 2010, agreed between the major copper miners and major Japanese and PRC smelters, were once near their lowest level ever. However, the earthquake which hit Japan in March 2011 caused operational disruptions at some of the smelters there. The market supply of copper concentrates became relatively abundant. Currently spot prices for TC and RC are stable at levels above US\$100 per tonne and 10 US cents per pound, respectively (which are equivalent to a combined TC/RC of 25.73 US cents per pound of copper). Forward (long term) contract prices for the second half of 2011 for TC and RC are US\$90 per tonne and 9 US cents per pound, respectively (which are equivalent to TC/RC of 23.16 US cents per pound of copper), about 25% higher than the price level of the first half of 2011.

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In the medium term, the market is expected to be more balanced with expected new supply of copper concentrates entering the market, meeting the demand for copper cathodes. Prices for copper cathodes are expected to be robust, as growth in demand is expected to continue to outpace growth in supply.

The positive price outlook for copper cathodes is further supported by demand from strong economic growth in China. Except for the period falling immediately after the global financial crisis in 2009, this has been the central theme of the copper market since early 2000s and is likely to remain the case throughout this decade with continued increase in the level of urbanization and improvements in macroeconomic conditions.

2000 – 2013E Global/China supply and demand forecast of copper cathode (thousand tonnes)

	2000		2001		2002		2003		2004		2005		2006	
	World	China	World	China	World	China	World	China	World	China	World	China	World	China
Production	14,760	1,371	15,580	1,523	15,270	1,630	15,230	1,836	15,920	2,199	16,570	2,600	17,290	3,006
Growth (%)	1.9	16.8	5.6	10.9	(2.0)	7.2	(0.3)	12.9	4.5	19.6	4.1	18.2	4.3	15.8
Consumption	15,130	1,870	14,900	2,250	15,160	2,680	15,660	3,030	16,840	3,400	16,670	3,750	17,450	4,020
Growth (%)	7.8	20.6	(1.5)	20.3	1.7	19.1	3.3	13.1	7.5	12.2	(1.0)	10.3	4.7	7.2
Balance	(370)	(499)	680	(727)	110	(1,050)	(430)	(1,194)	(920)	(1,201)	(100)	(1,150)	(160)	(1,014)
	2007		2008		2009		2010		2011E		2012E		2013E	
	World	China	World	China	World	China	World	China	World	China	World	China	World	China
Production	17,930	3,497	18,200	3,739	18,080	4,123	18,530	4,578	18,690	4,950	19,630	5,540	20,240	5,890
Growth (%)	3.7	16.3	1.5	6.9	(0.7)	10.2	2.5	11.2	0.9	8.1	5.0	11.9	3.1	6.3
Consumption	17,810	4,560	17,920	5,100	17,300	6,100	18,490	6,800	19,100	7,340	19,670	7,850	20,320	8,300
Growth (%)	2.1	13.4	0.6	11.8	(3.5)	19.6	6.9	11.5	3.3	7.9	3.0	6.9	3.3	5.7
Balance	120	(1,063)	280	(1,361)	780	(1,977)	40	(2,222)	(410)	(2,390)	(40)	(2,310)	(60)	(2,410)

Source: Antaike

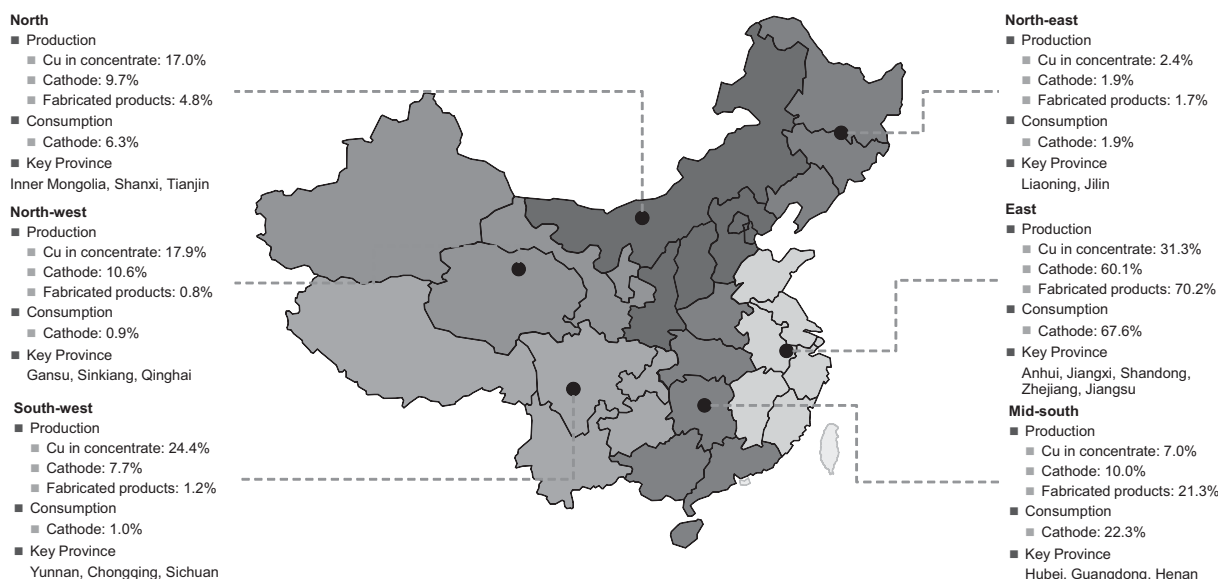
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Copper industry in the PRC

Since 2000, the copper market in the PRC in general has experienced significant growth. The key drivers of this trend were the increasing level of urbanization and the continued industrial growth in China, which saw consumption more than quadruple from 1999 to 2009, adding nearly 5 million tonnes to global annual demand for copper. From 2000 to 2010, China's annual consumption and annual production of copper cathodes increased by approximately 263.6% and 233.9%, respectively. In comparison, the global annual consumption and annual production of copper cathodes increased by 22.2% and 25.5%, respectively during the same period.

The map below shows the geographical distribution of copper production and consumption in China in 2010 (as percentages of total production, consumption, and downstream fabricated products produced in China). The mid-south region, where the Target Group's mines and production facilities (including the Smelting Plant and the Precious Metal Plant and the Four Mines) are located, is close to two of the largest copper consumption regions in Eastern and Southern China. The mid-south region is also China's third largest copper cathode production base, accounting for approximately 10% of copper cathode production capacity in 2010.

Geographical distribution of copper production and consumption in China in 2010



Notes: Classification of regions adopted by Antaiko as follows:

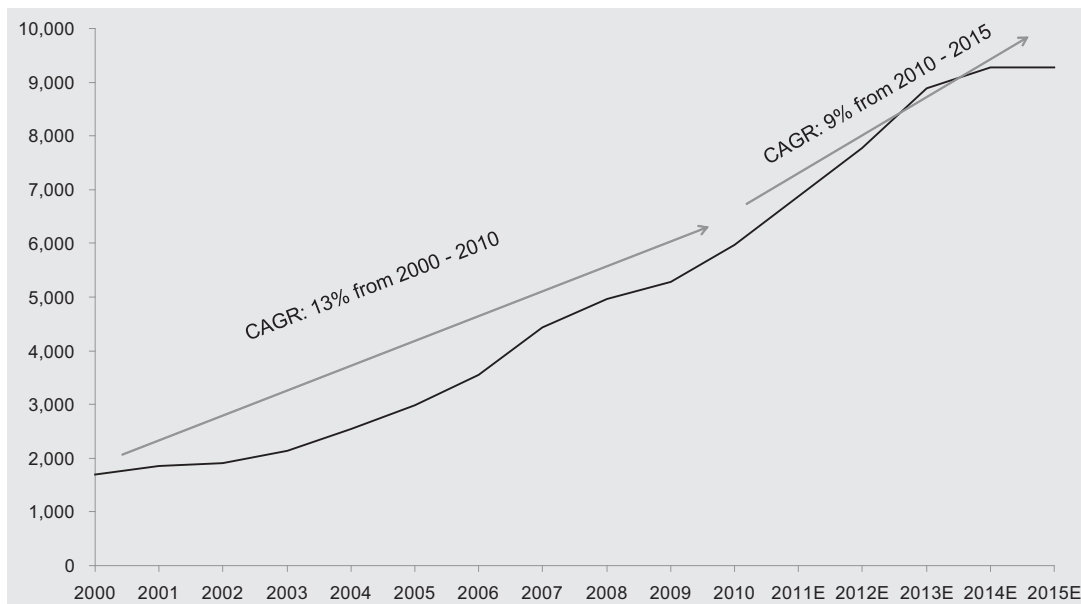
- East region – Shandong, Jiangsu, Anhui, Zhejiang, Jiangxi, Fujian and Shanghai
- North-east region – Heilongjiang, Jilin and Liaoning
- Mid-south region – Henan, Hubei, Hunan, Guangdong, Guangxi, Hainan
- South-west region – Sichuan, Yunnan, Guizhou, Chongqing, Tibet
- North-west region – Shaanxi, Gansu, Qinghai, Ningxia, Sinkiang
- North region – Beijing, Tianjin, Hebei, Shanxi, Inner Mongolia

INDUSTRY OVERVIEW

Copper smelting industry in China

Over the past ten years, China's production of copper cathodes increased by an annual average of 12.8%, accounting for 85% of total growth in global refined production. China's refining capacity (which is equivalent to the ability to produce copper cathodes) is expected to continue to grow in the next five years, largely through capacity expansion at existing smelters, and in particular, by the leading copper cathode producers. According to the Antaika Report, the aggregate annual refining capacity of the top four copper cathode producers in terms of production volume in China amounted to 1.80 million tonnes by the end of 2006, which has increased to 2.86 million tonnes by the end of 2010, representing an increase of approximately 58.9%. Based on the rapid expansion in the refining capacity of these largest producers in the past five years, the expansion plan of other existing producers as well as the entry of new producers, in each case, taking into account their ramp up schedules, Antaika projects that the annual refining capacity in China will reach 9.28 million tonnes by 2015. However, China's production of copper cathodes will be dependent on the ability of smelters to secure raw materials (both scrap and concentrate), as growth in domestic production of concentrates and blister copper is expected to be slower.

2000 – 2015E China copper cathode refining capacity (Unit: 000'tonnes)



Source: Antaika

INDUSTRY OVERVIEW

Imports from international markets help to supply a large portion of concentrate demand from Chinese smelters (Copper concentrate balance in China, thousand tonnes)

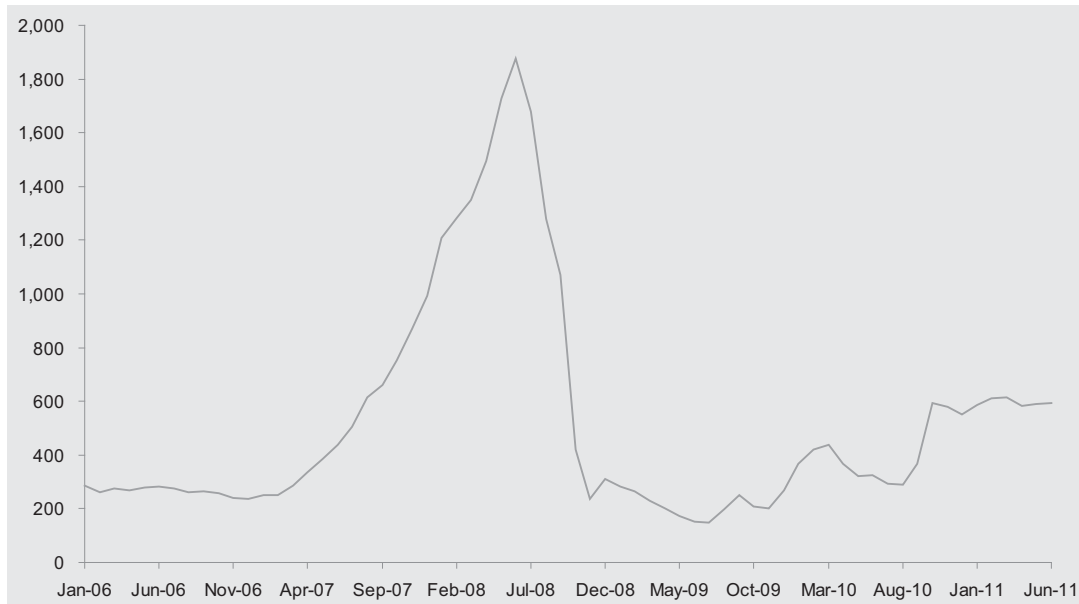
	2007	2008	2009	2010	2011E	2012E	2013E
Production	930	930	960	1,140	1,220	1,300	1,370
Consumption	2,200	2,460	2,690	2,680	3,030	3,360	3,700
Balance	(1,270)	(1,530)	(1,730)	(1,540)	(1,810)	(2,060)	(2,330)
Net import	1,350	1,560	1,720	1,750	–	–	–
Balance	90	30	(20)	200	–	–	–

Sources: Antaike

TC/RCs for copper concentrates, which are what copper smelters charge to smelt copper concentrates for the production of copper cathodes, have been low over the past 4 years as a result of a tight copper concentrates market. TC/RCs typically fall when the supply of copper concentrates falls or when operating smelting capacity increases, which has been the case in China for the past 4 years. For example, at their lowest levels, TC/RCs were at US\$46.5 per tonne for TC and 4.65 US cents per pound for RC (which were equivalent to a combined 11.96 US cents per pound of copper processing costs) in 2010 which were just about the level of actual costs of production. China's non-integrated copper smelters (who do not operate their own mines) suffer from low profit margins and profitability from downstream processing such as smelting when TC/RCs are low. Nevertheless, with relatively high price for sulphuric acid, being a by-product produced in the course of copper cathode production, these copper smelters were able to apply the profit from sales of sulphuric acid to compensate for the lower TC/RCs.

INDUSTRY OVERVIEW

2006-2011 China sulphuric acid price (RMB per tonne)

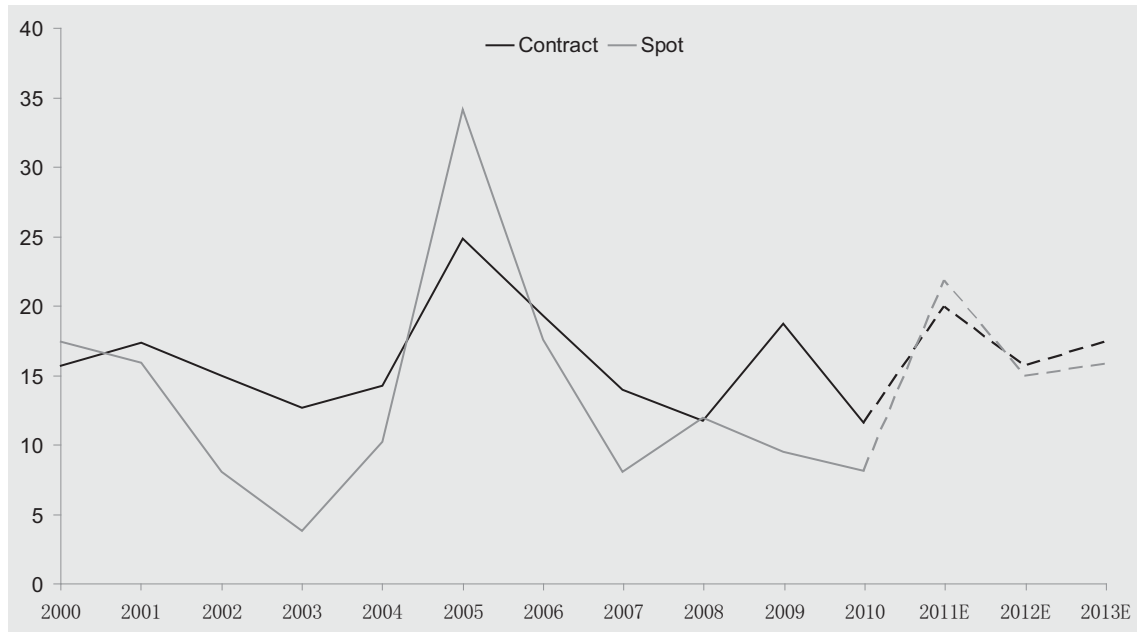


Source: Antaika

Since the second half of 2010, however, TC/RC spot rates have been moving upwards, driven by increase in consumption demand in different end markets and more aggressive negotiations between copper concentrate producers and copper smelters. Increasing concentration of the copper smelting industry in China helps smelters to gain more negotiation power. In addition, the earthquake in Japan in March 2011 has caused and may in the short term continue to cause disruption to the production of Japanese copper smelters due to power shortage and other factors, which may lead to increase in demand for the smelters operating in China. Going forward in 2012 and 2013, the supply deficit of copper concentrate is likely to continue to increase as the growth in demand for copper concentrate continues to outpace the increase in supply as a result of the rapid expansion of the smelting capacity (which is equivalent to the ability to process copper concentrates). China experienced a supply deficit in copper concentrates during the period from 2008 to 2010 where domestic supply fell short of domestic demand by 1.53 million tonnes, 1.73 million tonnes, and 1.54 million tonnes, respectively. Antaika forecasts that such trend will continue in near term, which will create downward pressure on TC/RC.

INDUSTRY OVERVIEW

TC/RC trends since 2000 (US Cent/lb Cu) and forecasts to 2013



Sources: Bloomberg, Antaika

Note: According to Antaika, copper processing costs, $TC/RC = TC / (30\% - 1.15\%) + RC$ TC/RC is calculated assuming 30% grade of standard copper concentrates and a 1.15% wear (which brings down the grade of copper)

Major producers

The copper smelting industry in China is becoming increasingly concentrated. The largest copper producers of copper cathodes, which include Jiangxi Copper, Tongling Non-ferrous, Jinchuan Group, Yunnan Copper and Daye Metal, together, accounted for 59.5% of the total copper cathode production in China in 2010.

INDUSTRY OVERVIEW

2005 – 2010 production and sufficiency level for China's major copper producers

(Unit: 000'tonnes Cu)

		2005	2006	2007	2008	2009	2010
Jiangxi Copper	Copper cathode production	422	443	554	703	802	902
	Copper concentrate production	158	158	156	159	167	172
	Self-sufficiency rate	37.5%	35.6%	28.2%	22.6%	20.8%	19.1%
Tongling Non-ferrous	Copper cathode production	448	534	624	649	719	812
	Copper concentrate production	37	46	47	51	54	62
	Self-sufficiency rate	8.3%	8.6%	7.5%	7.9%	7.5%	7.6%
Yunnan Copper	Copper cathode production	320	378	452	385	287	325
	Copper concentrate production	72	72	76	90	95	97
	Self-sufficiency rate	22.5%	19.0%	16.8%	23.4%	33.1%	29.8%
Daye Metal	Copper cathode production	178	205	250	265	271	308
	Copper concentrate production	21	21	20	21	20	21
	Self-sufficiency rate	11.8%	10.0%	8.1%	7.8%	7.6%	6.8%
Xiangguang Copper	Copper cathode production	–	–	4	92	180	240
	Copper concentrate production	–	–	–	–	–	–
	Self-sufficiency rate	0%	0%	0%	0%	0%	0%
Dongying Fangyuan Copper	Copper cathode production	75	140	180	181	204	207
	Copper concentrate production	–	–	–	–	–	–
	Self-sufficiency rate	0%	0%	0%	0%	0%	0%
Yantai Penghui Copper	Copper cathode production	62	72	103	87	111	101
	Copper concentrate production	–	–	–	–	–	–
	Self-sufficiency rate	0%	0%	0%	0%	0%	0%
Baiyin Non-ferrous	Copper cathode production	78	76	71	77	50	89
	Copper concentrate production	8	7	6	8	6	7
	Self-sufficiency rate	10.7%	9.2%	8.5%	10.4%	12.0%	7.9%
Zhongtiaoshan Non-ferrous	Copper cathode production	27	56	91	91	65	79
	Copper concentrate production	22	28	28	24	17	24
	Self-sufficiency rate	80.9%	50.2%	30.8%	26.3%	26.1%	30.4%

Sources: CNIA, Antaika

*Note: 1. Self mined copper concentrate production level
2. Ranking based on production of copper cathodes*

INDUSTRY OVERVIEW

GOLD

Introduction

Gold is a dense, soft, malleable and ductile metal, with good electric and thermal conductivity as well as fairly strong chemical corrosion resistance and anti-tarnish property. It is diamagnetic, but gold mixed with a certain amount of manganese has extremely high magnetic susceptibility and gold mixed with a large amount of iron, nickel and cobalt also acquires a high level of magnetic susceptibility. Moreover, the chemical stability of gold is fairly high and it is rather stable in lye and various kinds of acid fluid. Gold hardly oxidizes or changes color when exposed to air.

Gold has long been used for the maintenance of financial reserves and as currency and jewellery. In terms of industrial application, gold is mainly used in the manufacture of precision instrument and meters as well as in the electronics industry.

Gold is mainly produced by independent gold mines and from the smelting of non-ferrous metals such as copper.

Demand and supply of gold

Global supply of gold increases relatively slowly. In 2010, global supply of gold reached 4,108 tonnes, which amounted to an increase of only 2.2% from 2000. The increase in gold supply has mainly come from scrap gold. Global output of scrap gold reached 1,653 tonnes in 2010, representing an increase of 166.6% from 620 tonnes in 2000. Meanwhile, output of mined gold has remained basically stagnant.

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The use of gold for the manufacture of jewellery has been one of the most important sources of demand for gold. However, demand in this sector has declined in the past ten years. The jewellery industry accounted for approximately 2,060 tonnes of the global demand for gold in 2010, a decrease of 35.7% from 2000. The industry's demand for gold also decreased from 79.8% in 2000 to 50.1% in 2010. Due to global inflation and continual rise in gold prices, the demand for investment in gold (i.e. bullion investments) has increased significantly (especially at times of economic uncertainty, as gold is typically regarded as a “safe haven” investment and inflation hedge). Bullion investment demand reached 1,429 tonnes in 2009, accounting for one third of the total gold demand.

2000-2010 Global Gold Supply and Demand (Unit: tonnes)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Total supply	4,018	3,915	4,038	4,228	3,866	4,115	3,981	3,939	3,957	4,287	4,108
Mined	2,620	2,646	2,618	2,623	2,494	2,549	2,483	2,473	2,409	2,572	2,659
Gold recovered from											
scrap metal	620	749	874	986	881	902	1,133	982	1,316	1,674	1,653
Official sector sales	479	520	547	620	479	663	365	484	232	41	(87)
Other	299	–	(1)	(1)	12	1	–	–	–	–	(117)
Total demand	4,018	3,915	4,038	4,228	3,866	4,115	3,981	3,939	3,957	4,287	4,108
Jewellery	3,205	3,009	2,662	2,484	2,616	2,718	2,298	2,417	2,193	1,759	2,060
Industry and dentistry	451	363	358	382	414	433	462	465	439	373	–
Gold bar hoarding	242	261	264	180	257	264	235	236	386	187	–
Others	120	262	534	422	579	241	621	652	609	539	–
Implied net investment											
<i>(Note)</i>	–	20	220	760	–	459	365	169	330	1,429	–

Source: GFMS Limited (“GFMS”)

Note: the implied net investment reflects the amount invested by investors in gold. In case where a positive implied net investment is recorded, this means that the demand of investors for gold is greater than the supply of gold, and vice versa.

INDUSTRY OVERVIEW

China is an important gold producer. From 2000 to 2010, gold output in China underwent a constant and significant increase. It reached 341 tonnes in 2010, an increase of 92.7% from 2000. This is mainly due to the rise in gold prices and rapid expansion of copper smelters.

2000-2010 Gold Output in China (Unit: tonnes)

2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
177	182	190	201	212	224	240	270	282	314	341

Source: China Gold Association

Gold pricing and exchanges

Gold prices, unlike many other commodities, are not affected solely by supply and demand, but also other factors such as global inflation, currency devaluation and fund flow. Gold prices have generally been on the rise in the past decade. The average price of gold on the London Bullion Market Association (“**LBMA**”) market in 2010 reached US\$1,227 per ounce, representing an increase of 339.8% from 2000. Chinese domestic gold spot price in 2010 reached RMB265 per gram, an increase of 268.1% from 2001. The price increase in the PRC market is smaller than that in the international market mainly due to appreciation in the Renminbi. From January to July in 2011, Chinese domestic gold spot price averaged RMB310 per gram, an increase of 21.3% compared to the same period last year.

Towards the end of August 2011, gold price once rose to above US\$1,900 per ounce, an increase of 45% from the US\$1,310 per ounce level in January 2011. Domestic gold price also increased by over 37% from RMB284 per gram, at its lowest level in January 2011 (though still high by historical standards), to over RMB390 per gram in late August. From January to July in 2011, LBMA gold price averaged US\$1,463 per ounce, an increase of 26.3% compared to the same period last year.

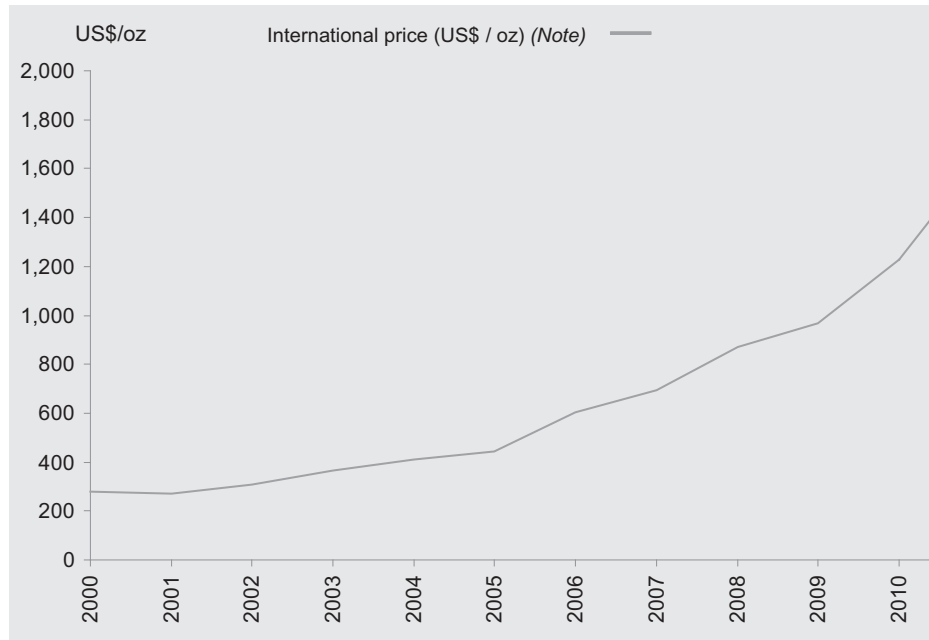
The Antaika Report forecasts that in the context of a sustained low interest rate environment in the US and global inflation, gold price will continue to rise steadily in the near term.

International and Domestic Annual Average Price of Gold (International price: US Dollar per ounce; Domestic price: RMB per gram)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
International price (US\$/oz)	279	271	310	364	410	445	604	696	872	972	1,227
Domestic price (RMB/g)	–	72	81	95	110	117	155	171	196	214	265

INDUSTRY OVERVIEW

2000 – 2010 international gold price (in US dollar per ounce)



Sources: Antaike, Bloomberg

The major factors influencing gold price include production, demand (including but not limited to demand from the jewellery industry and other industrial applications, investment and speculation demand), changes in state or central bank gold reserves, changes in monetary policies in major countries, fluctuations in exchange rates, inflation and outlook, international trade deficit, international political environment, war, terrorist events and fluctuations in oil prices.

SILVER

Introduction

Silver is a white and shiny metal. It is soft, flexible and ductile with a Mohs hardness of 3.25 degrees, and has excellent electric and thermal conductivity. Silver has relatively stable chemical properties and does not react with oxygen at normal temperature.

As its attributes is suitable for monetary use, silver served as a currency like gold for a long period in human history. In addition to coinage, silver is also widely applied in various industrial sectors such as electronic and electrical usage, photography, solar energy and medicine.

Silver is mainly produced from the smelting of non-ferrous metal such as copper, lead and zinc.

INDUSTRY OVERVIEW

Demand and supply of silver

During the period from 2000 to 2010, the total global silver supply remained basically stable within the range of 27,000 to 28,500 tonnes annually, reaching 28,537 tonnes in 2010. The output of mined silver has increased steadily and reached 23,524 tonnes in 2010, representing an increase of 28.0% from 2000. During the same period, the output of scrap silver decreased from 5,620 tonnes to 4,855 tonnes.

In 2010, global consumption of silver for industrial use was 11,605 tonnes, accounting for 40.7% of the total silver demand. In the same year, jewellery consumption reached 4,768 tonnes, accounting for 16.7% of the total demand, while coinage and photography accounted for 10.0% and 6.2% of the total demand, respectively. Demand for physical silver by global manufacturing totalled 22,889 tonnes, accounting for 80.2% of the total silver demand. Investment demand for silver reached 4,852 tonnes, accounting for 17.0% of total demand.

The 2000-2010 Global Silver Supply and Demand (Unit: tonne)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Total supply	28,587	27,088	26,534	27,038	27,004	28,500	28,217	27,642	27,629	27,651	28,537
Of the total:											
Mined silver	18,382	18,855	18,472	18,556	19,066	19,807	19,934	20,665	21,297	22,071	23,524
Scrap silver	5,620	5,683	5,832	5,720	5,714	5,785	5,847	5,655	5,474	5,154	4,855
Governmental net											
underselling amount	1,876	1,960	1,841	2,759	1,925	2,050	2,432	1,322	858	426	159
Other	2,709	590	389	3	299	858	4	-	-	-	-
Total demand	28,587	27,088	26,534	27,038	27,004	28,500	28,217	27,642	27,629	27,651	28,537
Of the total:											
Silver used for											
industrial purposes	11,639	10,438	10,578	10,911	11,434	12,659	13,281	14,186	13,791	10,955	11,605
Photography	6,790	6,628	6,354	6,000	5,561	4,986	4,429	3,882	3,263	2,578	1,782
Jewellery	5,306	5,421	5,253	5,574	5,437	5,406	5,173	5,085	4,924	4,871	4,768
Silverware	2,998	3,300	2,597	2,610	2,090	2,099	1,897	1,816	1,770	1,851	1,894
Silver coin and seal	998	949	983	1,110	1,319	1,244	1,238	1,235	2,028	2,448	2,840
Total amount for											
manufacturing usage	27,735	26,730	25,763	26,202	25,841	26,398	26,015	26,205	25,772	22,699	22,889
Other	852	3	771	649	-	-	211	753	358	694	796
Implied net investment											
demand	-	355	-	187	1,163	2,103	1,991	684	1,499	4,258	4,852

Source: GFMS

INDUSTRY OVERVIEW

Silver pricing and exchanges

During the period from 2000 to 2010, similar to gold, silver prices generally maintained a continuous upward trend. In particular, with the rise of investment demand in recent years, the price of silver has increased faster. The international trading markets for silver are mainly located in London, New York, Chicago and Tokyo, and the benchmarks are London (LBMA) and New York prices. Silver prices on LBMA in 2010 reached US\$20.19 per ounce, an increase of 307.7% from 2000. Domestic spot silver price in 2010 reached RMB4,547 per kilogram, an increase of 114.5% from 2005. From January to July in 2011, LBMA silver spot price and Chinese domestic silver spot price averaged US\$35.35 per ounce and RMB7,828 per kilogram, an increase of 100.1% and 90.1%, respectively compared to the same period last year.

International and Domestic Annual Average Price of Silver (International price: US dollar per ounce; Domestic price: RMB per kilogram)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
International price (\$/oz)	4.95	4.37	4.60	4.88	6.66	7.31	11.55	13.38	14.93	14.67	20.19
Chinese domestic price (RMB/kg)	-	-	-	-	-	2,120	3,266	3,544	3,560	3,269	4,547

Source: Antaike

2000 – 2010 international silver spot price (in US\$ dollar per ounce)



Sources: Antaike, Bloomberg

INDUSTRY OVERVIEW

SOURCES OF INFORMATION

Antaika

The Company has engaged Antaika, an experienced consultant in the metals and mining industry, to prepare the Antaika Report for use in whole or in part in this circular. Unless otherwise specified, the data presented in this Industry Overview was primarily based on, or derived from the Antaika Report.

Established in 1992, Antaika is owned as to 42.61% by the Information Center of China National Nonferrous Metals Industry (also known as the Nonferrous Metals Techno-Economic Research Institute), whose operations are overseen by the China Nonferrous Metals Industry Association. Antaika is the first company to receive recognition from the Beijing Science and Technology Consultant Association and was also awarded the title of “Advanced Youth Group” by the PRC central government. It is therefore a leading institution for research on the metals industry in the PRC. In compiling information to prepare the Antaika Report, a team of industry specialists and consultants was assembled to observe and analyze market trends and to conduct research

The Antaika Report was prepared based on Antaika’s internal database, research, study and analyses drawn from information obtained from both official and unofficial sources, among others, reports prepared by the Independent Third Parties and publicly available data from government agencies and reputable industry organizations. Where necessary, Antaika contacts companies operating in the industry to gather and synthesise information about market, prices and other relevant information. In preparation of the Antaika Report, Antaika has assumed the completeness and accuracy of the information or data that it has relied on. Antaika has confirmed that it is not aware of anything which could possibly lead it to believe that this assumption is unfair, unreasonable or incomplete.

Projected data in the Antaika Report was prepared based on historical data analysis plotted against macroeconomic data as well as specific industry-related drivers, assuming social, economic, political environment of the PRC is expected to remain stable in the forecasted period so as to contribute to increasing purchasing power and urbanization. Such forecasts and assumptions are inherently uncertain because of events or combinations of events that cannot reasonably be foreseen, including, without limitation, the actions of government, individuals, third parties and competitors. Specific factors that could cause actual results to differ materially include, among others, commodity prices, utility costs, risks inherent in the mining industry, financing risks, labour risks, uncertainty of mineral reserve and resource estimates, equipment and supply risks, regulatory risks and environmental concerns.

INDUSTRY OVERVIEW

Antaika has provided part of the statistical and graphical information contained in the Industry Overview. Antaika has advised that (i) some information in its database is derived from estimates from industry sources or subjective adjustments; and (ii) the information in the database of other metals and mining data collection agencies or of other industry consultants may differ from information in Antaika's database. The information contained herein has been obtained from sources believed by Antaika to be reliable, but there can be no assurance as to the accuracy or completeness of any such information.

Antaika received a total fee of HK\$500,000 for the research and preparation of the Antaika Report. Such payment was not contingent upon the approval of the new listing application made by the Company nor on the results delivered.

Others

Data prepared by, Bloomberg, China Gold Association, CNIA, GFMS, ICSG, LBMA, LME, RMG, SHFE, USGS and WBMS, all of whom are Independent Third Parties, and quoted in this Industry Overview was not commissioned by the Company, Antaika, China Times or the Parent Company.

- Bloomberg, Bloomberg L.P., is a leading provider of global business and financial information.
- China Gold Association (中國黃金協會) is a nation-wide, non-profit and autonomic organization in the PRC for the enterprises of gold exploration, operation, processing, logistics, research institutes and other institutions in relation to gold industry.
- CNIA (中國有色金屬工業協會) is a nation-wide, non-profit and industrial organization in the PRC for enterprises, institutions and other social entities in relation to the non-ferrous metals industry.
- GFMS is one of the world's leading economics consultancies in precious metals, specialising in research into the global gold, silver, platinum and palladium markets. It is also a leading provider of top quality research on base metals and steel.
- ICSG is an intergovernmental organization that serves to increase copper market transparency and promote international discussions and cooperation on issues related to copper.
- LBMA is the London-based trade association that represents the wholesale over-the-counter market for gold and silver in London.

INDUSTRY OVERVIEW

- LME is the world's premier non-ferrous metals market which offers futures and options contracts for aluminium, copper, tin, nickel, zinc, lead, aluminium alloy and North American special aluminium alloy contract, steel billet, cobalt and molybdenum.
- RMG is a global provider of compiled and analyzed data in relation to the mining industry.
- SHFE (上海期貨交易所), regulated by the China Securities Regulatory Commission (CSRC), serves as a trading platform for futures contracts of, among others, gold, copper, aluminum, lead, steel rebar, steel wire rod, natural rubber, fuel oil and zinc.
- USGS, the United States Geological Survey, is a science organization providing information in relation to ecosystems and environment.
- WBMS is an information provider in relation to the global metal industry.