1. INTRODUCTION

The following financial information is extracted from the audited consolidated financial statements of the Group for each of the three years ended 31 December 2010, 2011 and 2012 and the unaudited consolidated financial information of the Group for the six months ended 30 June 2013 together with the relevant notes to the financial statements, which are incorporated by reference in this circular. They could be found in the annual reports of the Company published with the title "Annual Report 2010" dated 28 February 2011 from pages 28 to 115, "Annual Report 2011" dated 14 March 2012 from pages 38 to 139 "Annual Report 2012" dated 21 March 2013 from pages 40 to 143 and the "Announcement of Interim Results for the six months ended 30 June 2013" dated 23 August 2013 from pages 1 to 18, all of which have been published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (http://www.jinchuan-intl.com).

2. MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

(a) Six months ended 30 June 2013 compared to six months ended 30 June 2012

The Group's operating results for the six months ended 30 June 2013 were primarily contributed by the trading business of its Mineral and Metal products segment, and the business of its Cosmetics & Beauty segment which is operated by CMM International Limited and its subsidiaries (the "**CMM Group**"). However, since late June 2013, the Group has disposed of its Cosmetic and Beauty Business and therefore no longer engages in such business thereafter.

Since the Group has discontinued its Cosmetic and Beauty and Property Investment and Development businesses during the period, the following discussions focused on the performance of the Mineral and Metal business of the Group during the six months ended 30 June 2013 as compared with the corresponding period in 2012.

Revenue and gross profit

The Group's revenue for the continuing operations for the six months ended 30 June 2013 amounted to approximate HK$1,147.5 million, which represents an appropriate six times increase from the revenue of HK$165.9 million for the corresponding period in 2012. The lower revenue in the six months ended 30 June 2012 was because the Group did not begin trading in copper blister until April 2012 and did not begin trading in copper concentrates until July 2012. Therefore, the Group's trading volume in Mineral and Metal products has substantially increased in 2013.

For the same reason, the Group's gross profit for the continuing operations for the six months ended 30 June 2013 increased to approximately HK$33.9 million from HK$1.9 million for the same period in 2012, representing an increase by seventeen times.

The overall gross profit margin for the continuing operations increased to 2.9% for the six months ended 30 June 2013 from 1.2% for the corresponding period in 2012. The increase in gross profit margin was mainly because of the expansion of gross margin derived from the pricing mechanism concluded in the 2013 annual sales contracts as compared to those contracts effected during the same period in 2012.

* *For identification purposes*

Other income, other gain and losses

Other income for the continuing operations for the six months ended 30 June 2013 amounted to HK$0.9 million, which was a decrease of 84.1% from HK$5.6 million for the corresponding period in 2012. The decrease was primarily due to the decrease of interest income received from bank deposits as the Group utilised a majority of its available fund to support its trading business.

Other gains and losses for the continuing operations represent net exchange gains or losses. The Group recognized a net exchange gains of HK$14.3 million for the six months ended 30 June 2013 compared to a net exchange losses of HK$2.8 million for the corresponding period in 2012. The change was mainly due to the fact that most of the trade receivables of the Group are denominated in Renminbi and there was a gradual appreciation of Renminbi during the six months ended 30 June 2013, in contrast to recording a major exchange loss on converting a Renminbi bank deposit at a time of weakened Renminbi during the same period in 2012.

Selling and distribution costs

Selling and distribution costs for the continuing operations represent the expenses incurred for the trading of mineral and metal products, and the amount for the six months ended 30 June 2013 amounted to HK$1.4 million, which was a slight decrease of 7.3% from HK$1.5 million for the corresponding period in 2012. The higher amount of costs incurred for the six months ended 30 June 2012 was mainly due to the set up of the Group's trading business in 2012.

Administrative expenses

Administrative expenses for the continuing operations for the six months ended 30 June 2013 amounted to HK$7.5 million, representing an increase of 13.5% from HK$6.6 million for the corresponding period in 2012. The higher amount of costs incurred for the six months ended 30 June 2013 was mainly due to increase in staff costs to cater for the significant increase in trade volume during the period.

Other expenses

Other expenses for the continuing operations of HK$15.4 million incurred for the six months ended 30 June 2013 represented expenses incurred for the Group's efforts in studying potential acquisition and investment opportunities in mining related assets.

Finance costs

New finance costs incurred for the six months ended 30 June 2013 as the Group had started utilising bank borrowings to support its export sales business in 2013.

Profit for the period

As a result of the above matters, the Group's profit for the period from the continuing operations for the six months ended 30 June 2013 increased to HK$13.7 million from a loss of HK$3.3 million for the corresponding period in 2012.

The Group's profit for the period (after the discontinued operations) for the six months ended 30 June 2013 was HK$35.6 million, compared to a loss for the period (after the discontinued operations) of HK$5.6 million for the corresponding period in 2012. The profit is attributable to the increase in the profit for the continuing operations as discussed above, as well as the gain derived from the disposal of the Cosmetic and Beauty business of HK$21.9 million in late June 2013, of which HK$18.0 million was related to the release of cumulative exchange differences in respect of the net assets of Cosmetic and Beauty business reclassified from reserves to profit or loss upon disposal.

Liquidity, Financial Resources and Capital Structure

On 30 June 2013, the Group had bank balances and cash of HK$271.2 million (excluding restricted cash deposits) and interest-bearing bank borrowings of HK$651.3 million. The gearing ratio of the Group, which is determined by net debt over total equity, was 49.7%. All interest-bearing bank borrowings of the Group are due within one year with variable interest rates determined at the time of borrowing.

During the six months ended 30 June 2013, the Group has generally financed its operations with internally generated cash flows and trade finance facilities provided by banks. As the mineral and metal products trade volume of the Group increased, the Group required to utilise more of its banking facilities to support its operations. Accordingly, the Group was at a net debt position on 30 June 2013 as compared with a net cash position on 31 December 2012.

Material acquisitions and disposals of investments

In late June 2013, the Group completed the disposal of its Cosmetic and Beauty business, being its 100% equity interest in Carissa Bay and its subsidiaries, for a cash consideration of HK$24.8 million.

Save for the above, the Group did not have any other material acquisition or disposal of investment during the six months ended 30 June 2013.

Significant capital expenditures

During the six months ended 30 June 2013, the Group spent HK$1.6 million on purchase of property, plant and equipment. However, all of them were disposed of through the disposal of Carissa Bay in late June 2013.

Save for the above, the Group did not have any significant capital expenditure during the six months ended 30 June 2013.

Details of charges on the Group's assets

During the period under review, restricted cash deposits of HK$2.1 million was pledged to secure banking facilities granted to the Group.

Contingent liabilities

The Group had no material contingent liabilities as at 30 June 2013.

Foreign exchange risk management

The reporting currency of the Group is in HK$ and the functional currencies of the subsidiaries of the Group are in HK$ or US$. For the mineral and metal products trading business during the six months ended 30 June 2013, sales were made in Renminbi ("**RMB**") and purchases were made in US$. Given that HK$ is pegged to US$, the Group was not exposed to significant exchange rate risk for changes in the value of US$. However, the exchange rate fluctuation of RMB against HK$ could substantially affect the performance and financial position of the Group.

During the six months ended 30 June 2013, the value of RMB has in general gradually appreciated against HK$ which resulted in a significant exchange gain for the Group. Nevertheless, the Group has strictly adhered to its risk management policy to manage its foreign currency exchange risk arising from RMB by entering into specific foreign exchange forward contracts to fix the exchange rate in advance of RMB revenue receipt.

Employees

As at 30 June 2013, the Group only has a limited number of employees following the disposal of the Cosmetic and Beauty business. Employees receive competitive remuneration packages include salary and medical benefits. Key staff may also be entitled to performance bonus and share options.

(b) Year ended 31 December 2012 compared to year ended 31 December 2011

The Group's operating results for the year ended 31 December 2012 were primarily contributed by the trading business of its Mineral and Metal products segment, and the business of its Cosmetics & Beauty segment which is operated by CMM International Limited and its subsidiaries (the "**CMM Group**").

Revenue and gross profit

The revenue for the year ended 31 December 2012 was HK$1,842.7 million, representing an increase of 13.3 times compared with HK$129.4 million in the prior year. This substantial increase in revenue was due to the Group's commencement of mineral and metal trading business which comprised non-ferrous metals commodity sales with a value far greater than the value of sales generated from our cosmetic business.

For the same reason, our gross profit margin has dropped steeply from 67.5% in the prior year to 4.5% in the year under review. This is because the business nature of nonferrous metals trading is characterized by substantial value but lean margin.

Other income and gains

Other income and gains in 2012 decreased slightly compared with that in the prior year. Despite the utilisation of majority of funds to finance the growing mineral and metal trading activities, the Group still managed to earn bank interest income of HK$7.7 million in 2012, representing an increase of 14.9% as compared with HK$6.7 million in 2011. However, the decrease in the gain on foreign exchange, net by

HK$2.0 million for the year of 2012 as compared with 2011 has led to an overall decrease in other income and gain by HK$0.7 million for the year of 2012 as compared with the prior year.

Selling and distribution costs

Decrease in selling and distribution costs by HK$19.8 million, or 36.5%, from last year was resulted from further downsizing of CMM Group's sales staff. With the strategy to focus on the provision of beauty school and beauty training and services and the restructuring of distribution channel, less expenses were incurred by CMM Group for counter sales staff payroll, trademark licence fees and advertising display of cosmetic products.

Administrative expenses

Administrative expenses increased slightly from HK$59.7 million in 2011 to HK$59.8 million in 2012. It was noticeable that the Group did not incur substantial promotional expenses in 2012 as we did in the prior year when we organised a launching ceremony for the Group. CMM Group's administrative staff reduction has resulted in a decrease in salary expenses. But these decreases have been fully offset by a loss on disposal and writes off of book value of property, plant and equipment when CMM Group scaled down its cosmetic product operations.

Liquidity, Financial Resources and Capital Structure

As at 31 December 2012, the Group had cash and bank balances of approximately HK$341.9 million (of which HK$39.8 million was pledged) as compared to HK$713.7 million as at 31 December 2011. These cash and bank balances were held in HK$, US$ and RMB. The interest-bearing bank borrowings of the Group of HK$16.9 million were due within one year and were denominated in Hong Kong Dollar and Renminbi. None of the bank borrowings of the Group are at fixed interest rates. For the year under review, the Group had generally financed its operations with internally generated cash flows, and trade facilities provided by banks. The Group was in a net cash position and hence the Group has no net debt as at 31 December 2012 and accordingly, the net gearing ratio is not applicable to the Group.

Trade and bill receivables

Trade and bill receivables increased significantly from HK$15.7 million as at 31 December 2011 to HK$1,338.3 million as at 31 December 2012. This is due to the commencement of the Group's mineral and metal products trading operations with the Company's ultimate holding company, Jinchuan Group Co., Ltd in current year. As at 31 December 2012, 94% of trade and bill receivables was covered by letter of credit issued by the banks of Jinchuan Group.

Trade and bill payables

The commencement of trading operation also led to the significant increase in trade and bill payables from HK$13.1 million as at 31 December 2011 to HK$933.2 million as at 31 December 2012.

Material acquisitions and disposals of investments

In January 2012, the Group disposed of its remaining available-for-sale investment in Macau, being its 26.6% interest in a property interest in Macau, for a total cash consideration of HK$17.3 million.

Save for the above, the Group had no other material acquisitions or disposals of investments during the year under review.

Significant capital expenditures

Save for the purchase of property, plant and equipment of HK$3.1 million in the Cosmetic and Beauty segment, no significant capital expenditures were made for the year ended 31 December 2012.

Details of charges on the Group's assets

The Group's restricted cash deposits, buildings and prepaid land lease payments with net book values of HK$39.8 million, HK$13.9 million and HK$4.0 million, respectively, were pledged to secure general banking facilities granted to the Group.

Contingent liabilities

The Group had no material contingent liabilities as at 31 December 2012.

Foreign exchange exposure

The reporting currency of the Group is in HK$ and the functional currencies of the subsidiaries of the Group are in HK$, RMB or US$. With its international operations, the Group is exposed to foreign currency exchange risk in RMB and US$ which are predominantly the currencies the Group receives as its revenue. The Group monitors its exposure to foreign currency exchange risk on a continual basis.

Given the exchange rate peg between HK$ and US$, the Group is not exposed to significant exchange rate risk for transactions conducted in US$. On the other hand, the exchange rate fluctuation of RMB against HK$ could substantially affect the performance and financial position of the Group.

There had been moderate fluctuations in the exchange rate of RMB against US$ and HK$ in recent years. During the year, the Group managed its foreign currency exchange risk arising from RMB denominated transactions by entering into specific deliverable forward contracts to lock the exchange rate of future RMB revenue receipts against US$.

Employees

As at 31 December 2012, the Group had 315 (2011: 453) employees. Employees receive competitive remuneration packages including salary and medical benefits. Key staff may also be entitled to performance bonus and share options.

(c) Year ended 31 December 2011 compared to year ended 31 December 2010

Except for other income and gains of HK$9.8 million, costs associated with equity-settled share options of HK$1.0 million and administrative expenses of head office in Hong Kong amounting to HK$15.9 million, the Group's operating results for the year ended 31 December 2011 are primarily contributed by its Cosmetics & Beauty segment operated by the CMM Group.

Revenue and gross profit

The revenue for the year ended 31 December 2011 was HK$129 million, an increase of 2% as compared with HK$127 million in the prior year. The growth in revenue during the year was resulted from significant growth in service income from providing beauty tuition courses and cosmetic services but offset by decrease in sales of cosmetic products.

Improvement of gross profit margin from 57% in prior year to 68% in current year was also due to the increase in higher margin service income proportion in the total revenue mix.

Other income and gains

Other income and gains increased in 2011 compared to prior year mainly due to increase in bank interest income by HK$6.1 million and exchange gain by HK$2.2 million. Majority of the financial resources pending investment in mining assets were placed as bank deposits which thus gave rise to a higher interest income and exchange gains than those of prior year's.

Selling and distribution costs

The decrease in selling and distribution costs of HK$5.5 million is mainly due to cost cutting measures carried out by CMM Group upon rationalisation of its sales outlets during the year. Salaries of sales staff decreased as CMM group secured new distributor and thus reduced the headcount of sales staff. To align with the strategic focus on target market, some outlets were closed and resulted in a drop in depreciation on sales counter and rental expenses. The cost cutting measures also extended to the curtail of advertising fees.

Administrative expenses

The predominant reason for the increase in administrative expenses by 20.3% to HK$59.7 million from HK$49.6 million in prior year is mainly due to the increase in promotional expenses in launching a ceremony in Hong Kong in February 2011, the Group invited guests from the politics and business arena to witness the milestone upon its change of business focus and name of the Company. Other increases include the office salary and rental expenses, as well as redundancy payment for sales outlets cessation.

Liquidity, Financial Resources and Capital Structure

As at 31 December 2011, the Group had cash and bank balances of approximately HK$714 million as compared to HK$631 million as at 31 December 2010. These cash and bank balances were held in Hong Kong Dollar, U.S. Dollar and Renminbi. The interest-bearing bank borrowings of the Group of HK$23 million were due within one year and were denominated in Hong Kong Dollar and Renminbi. None of the bank borrowings of the Group are at fixed interest rates.

For the year under review, the Group generally finances its operation with internally generated cash flows and equity. The Company's issued share capital as at 31 December 2011 was HK$27,548,731 and the number of its issued ordinary shares was 2,754,873,051 shares of HK$0.01 each. During the year, the Company has issued 26,400,000 ordinary shares by means of full exercise of all outstanding share options which generated proceeds of HK$15.6 million. In May 2011, the disposal of its interest in one of its two Macau property projects and the related shareholder loan assignment generated HK$78.0 million (in aggregate). The Group was at a net cash position and hence the Group has no net debt as at 31 December 2011 and accordingly, the net gearing ratio is not applicable to the Group.

Material acquisitions and disposals of investments

In May 2011, the Group disposed of its available-for-sale investments, being its entire equity interest in a wholly-owned subsidiary which held interest in one of its two Macau property projects, together with the related shareholder loan assignment, for a total cash consideration of HK$78.0 million.

Save as the above, the Group had no other material acquisitions or disposals of investments during the year under review.

Significant capital expenditures

Save for the purchase of property, plant and equipment for HK$4.7 million in the Cosmetic and Beauty segment, there were no significant capital expenditures for the year ended 31 December 2011.

Details of charges on the Group's assets

The Group's buildings and prepaid land lease payments with net book values of HK$15.7 million and HK$4.7 million, respectively, were pledged to secure general banking facilities granted to the Group.

Contingent liabilities

The Group had no material contingent liabilities as at 31 December 2011.

Foreign exchange exposure

During the year under review, since the Group generated most of its revenue from sale of goods and provision of service in Hong Kong and the PRC, the proceeds of which were denominated either in Hong Kong dollars or Renminbi, and the Group's payments for purchases of materials and salaries were either made in Hong Kong dollars, Renminbi, or Hong Kong dollars pegged currencies, the Group has not entered into any transactions for hedging purposes and the Group's foreign currency exposure is minimal. The Group monitors its exposure to foreign currency risk and will consider hedging such risk if necessary.

Employees

As at 31 December 2011, the Group had 453 employees. Employees receive competitive remuneration packages including salary and medical benefits. Key staff may also be entitled to performance bonus and share options.

3. INDEBTEDNESS

As at the close of business on 30 June 2013, being the latest practicable date for this indebtedness statement prior to the printing of this circular, the Enlarged Group had (i) outstanding interest-bearing borrowings of approximately HK$1,435.3 million (of which HK$10.1 million and HK$70.2 million were loans due to Jinchuan Group and Jinchuan HK, respectively), HK$1,056.5 million out of which were secured and/or guaranteed; (ii) amount due to the Seller by the Target Company of approximately HK$7,221.0 million, being the Sale Loans; and (iii) finance lease payable of HK$0.1 million.

Save as disclosed aforesaid, and apart from the intra-group liabilities and normal trade debts payable, the Enlarged Group did not have any outstanding mortgages, charges, debentures, loan capital or overdraft, or other similar indebtedness, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities as at 30 June 2013.

4. WORKING CAPITAL STATEMENT

The Directors are of the opinion that, in the absence of unforeseeable circumstances and after taking into account the Enlarged Group's present internal resources and available banking facilities, the Enlarged Group has sufficient working capital for its present requirements for at least the next 12 months from the date of this circular.

5. FINANCIAL AND TRADING PROSPECTS

As we progress into 2013, the Enlarged Group will continue to follow the strategic path to become Jinchuan Group's flagship for undertaking overseas mining and mineral resources operations. We will focus on boosting our international trade business of the Minerals and Metals by cementing relationships with our existing network of overseas suppliers as well as expanding our customer portfolio by making strategic moves in the development and selection of suppliers and customers.

With the weakening of global demand for commodities, prices of mineral and metal commodities have experienced a declining trend since the beginning of 2013 and this has limited the Group's turnover and profit margin for the six months ended 30 June 2013. Notwithstanding the challenging environment, we were still able to generate a moderate profit from our continuing operations and our management believes that the outlook of the metal and mineral trading business remains positive going forward. The Group will continue to source new customers and suppliers to expand the portfolio of our trading business and to strengthen our revenue-generating ability.

The Enlarged Group's next move is to explore actively possible acquisitions of overseas mining and mineral resources assets, in particular matured assets, in order to further expand our global footprints and this includes completing the Acquisition. Jinchuan Group's worldwide network and experience in the field of non-ferrous metals give the Enlarged Group a competitive advantage in due diligence and price negotiation when it comes to executing acquisition projects. The Enlarged Group will deploy specific strategies in such development with a longer term goal to transform the Group to a major international base metals mining group with large, high quality resources and reserves. The Group will utilise appropriate means and channels to raise equity and/or debt funding to support the Group in its pursuit for expansion of business and geographic coverage. The Enlarged Group is always on the outlook for quality assets that are aligned with its corporate strategy. However, other than the Acquisition, the Enlarged Group currently has not identified any specific acquisition as of the Latest Practicable Date.

Upon Completion, the Metorex Group's financial performance and results will be consolidated with the Group's financial performance and results and therefore the Enlarged Group's financial and trading prospects will be influenced to a large extent by the results from the Ruashi Mine and the Chibuluma South Mine which are in turn determined by production volumes, commodity prices and operating costs. Since the commissioning of the leased diesel powered generators in February 2013, copper and cobalt production has improved significantly and can be expected to stabilise at these improved levels into the future although operating costs are expected to increase as a result of the use of diesel powered generators. Monthly copper production from the Chibuluma South Mine is expected to remain stable in 2013 and 2014. The Enlarged Group will target to complete the Lubembe Project and Musonoi Est Project feasibility studies during 2013 and 2014 which could add further production to the Enlarged Group's production profile if developed.