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If you have sold or transferred all your shares in **Wanguo International Mining Group Limited**, you should at once hand this circular to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was affected for transmission to the purchaser or transferee.

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Wanguo International Mining Group Limited

萬國國際礦業集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3939)

**DISCLOSEABLE AND CONNECTED TRANSACTION
ACQUISITION OF 51% EQUITY INTEREST IN XIZANG CHANGDU
COUNTY DADI MINING COMPANY LIMITED**

Independent financial advisor to

The Independent Board Committee and the Independent Shareholders



South China Capital Limited

Terms defined in the section headed “Definitions” of this circular have the same meanings when used in this cover page, unless the context otherwise requires.

A letter from the Board is set out on pages 5 to 19 of this circular. A letter from the Independent Board Committee is set out on pages 20 to 21 of this circular. A letter from South China Capital Limited containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 22 to 38 of this circular.

This circular is published on the HKExnews website at <http://www.hkexnews.hk> and on the website of the Company at <http://www.wgmine.com>.

29 August 2014

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DEFINITIONS

In this circular, the following expressions have the meanings set out below unless the context requires otherwise:

“Achieve Ample”	Achieve Ample Investments Limited, a company incorporated in the BVI as a limited liability company on 10 March 2011, which is wholly-owned by Ms. Gao Jinzhu. It is interested in 148,500,000 Shares, representing 24.75% of the total issued share capital of the Company
“Acquisition”	Acquisition of 51% equity interest in Xizang Changdu
“Acquisition Agreement(s)”	the equity transfer agreement(s) dated 16 May 2014 entered into between the Purchaser and the Vendors in relation to the Acquisition
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors of the Company
“BVI”	the British Virgin Islands
“Business Day(s)”	a day (other than a Saturday or any day on which a tropical cyclone warning no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“Company”	Wanguo International Mining Group Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the main board of the Stock Exchange
“Completion”	completion of the Acquisition
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Consideration”	the aggregate consideration of RMB239.7 million for the sale and purchase of 51% equity interest in Xizang Changdu under the equity transfer agreements
“Date of Acquisition Agreements”	16 May 2014, being date of Acquisition Agreements signed
“Director(s)”	director(s) of the Company

DEFINITIONS

“EGM”	the extraordinary general meeting of the Company to be held to consider and if thought fit, to approve the Acquisition Agreements and the transactions contemplated thereunder
“Group”	the Company and its subsidiaries
“HK Taylor”	Taylor Investment International Limited, a company incorporated in Hong Kong on 14 August 2006 with limited liability, which is our indirectly wholly-owned subsidiary
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board comprising all independent non-executive Directors established to provide recommendation to the Independent Shareholders in relation to the Acquisition Agreements and the transactions contemplated thereunder
“Independent Shareholders”	the Shareholders other than the Vendors and its associates and those who have no material interest in the Acquisition Agreements
“JORC Code”	The 2012 Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves
“kg”	kilogram
“Latest Practicable Date”	26 August 2014, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, and for the purposes of this circular, excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.1 in the share capital of the Company

DEFINITIONS

“Shareholder(s)”	holder(s) of the Shares
“SKNI”	SKR New Investment Pty Limited, a firm of professional geologists in Australia, to undertake an independent technical assessment on Walege lead-mine
“South China” or “Independent Financial Adviser”	South China Capital Limited, a licensed corporation under the SFO permitted to carry out Type 6 (advising on corporate finance) regulated activity for the purpose of the SFO and the independent financial adviser to the Independent Board Committee and the Independent Shareholders regarding the Acquisition Agreement(s) and the transactions contemplated thereunder
“sq. km.”	square kilometre
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“VALMIN code”	the Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports (2005 edition), as prepared by the VALMIN Committee, a joint committee of The Australasian Institute of Mining and Metallurgy, the Australian Institute of Geoscientists and the Mineral Industry Consultants Association as amended from time to time
“Vendors”	Mr. Liu Dingbo, Mr. Yang Zhi and Mr. Wen Baolin
“Victor Soar”	Victor Soar Investments Limited, a company incorporated in the BVI as a limited liability company on 10 March 2011, which is wholly-owned by Mr. Gao Mingqing. It is a controlling shareholder, and is interested in 301,500,000 Shares, representing approximately 50.25% of the total issued share capital of the Company
“tpa”	tonnes per annum
“US\$”	US dollars, the lawful currency of the United States
“Xizang Changdu”	Xizang Changdu County Dadi Mining Company Limited* (西藏昌都縣爛地礦業有限公司), a company established in the PRC on 20 November 2008 with limited liability

* *for identification purpose only*

DEFINITIONS

“Yifeng Wanguo”

Jiangxi Province Yifeng Wanguo Mining Co., Limited* (江西省宜豐萬國礦業有限公司), a limited liability company established in the PRC on 26 November 2003, which is our indirectly wholly-owned subsidiary

“%”

Per cent

LETTER FROM THE BOARD



Wanguo International Mining Group Limited

萬國國際礦業集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3939)

Executive Directors:

Mr. Gao Mingqing
Ms. Gao Jinzhu
Mr. Liu Zhichun
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Registered Office:

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Non-executive Directors:

Mr. Li Kwong Ping
Mr. Lee Hung Yuen
Mr. Wen Baolin

Place of Business in Hong Kong:

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144–151 Connaught Road West
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Independent non-executive Directors:

Mr. Shen Peng
Mr. Qi Yang
Dr. Lu Jianzhong
Mr. Li Hongchang

29 August 2014

To the Shareholders

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION
ACQUISITION OF 51% EQUITY INTEREST IN XIZANG CHANGDU
COUNTY DADI MINING COMPANY LIMITED**

INTRODUCTION

On 16 May 2014, the Company announced that Yifeng Wanguo and HK Taylor, both being the wholly-owned subsidiaries of the Company, entered into two Acquisition Agreements with Vendors pursuant to which Yifeng Wanguo and HK Taylor have conditionally agreed to acquire and the Vendors have conditionally agreed to dispose of 51% equity interests in Xizang Changdu at a consideration of RMB239.7 million in aggregate.

LETTER FROM THE BOARD

Upon completion of the Acquisition, Xizang Changdu will become an indirect subsidiary of the Company with equity interest of 51%. Xizang Changdu is mainly engaged in exploration of lead ore resources and owns the Walege lead-mine of Changdu exploration right (certificate number T54120080802013385) issued by the Land Resources Bureau of Xizang Autonomous Region, the PRC.

As the relevant percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Acquisition exceed 5% but are less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules. In addition, given that Mr. Wen Baolin, one of the Vendors, is a non-executive Director of the Company, the Acquisition would constitute a connected transaction as defined in the Listing Rules. The Acquisition is therefore subject to the approval by the Independent Shareholders.

The purpose of this Circular is to provide you with further information regarding, among other things, (i) details of the Acquisition Agreements; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders; (iii) the letter of advice from South China to the Independent Board Committee and the Independent Shareholders; and (iv) other information as required under the Listing Rules.

The Acquisition is separated into two agreements with HK Taylor and Yifeng Wanguo respectively after taking into account the following consideration:

HK Taylor is a company incorporated in Hong Kong that can enjoy various funding methods (e.g. placements, convertible bonds etc) by the Company. It is convenient for the Company to provide finance without any restrictions. Yifeng Wanguo is the Group's operating entity. It generates stable income and owns substantial assets of the Group. As a result, Yifeng Wanguo can easily get bank loan(s) from the domestic PRC local banker. The Group can enjoy both onshore and offshore finances by separating the agreements with two purchasers.

Acquisition Agreement (1)

Date: 16 May 2014

Parties:

Vendors: Mr. Liu Dingbo, Mr. Yang Zhi and Mr. Wen Baolin own the equity interests in Xizang Changdu of 30.3460%, 55.0079% and 14.6461% respectively.

At the Latest Practicable Date, Mr. Wen Baolin is a non-executive Director of the Company and is regarded as a connected person under the Listing Rules.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Mr. Liu Dingbo and Mr. Yang Zhi are third parties independent of the Company and connected persons of the Company.

Purchaser: Yifeng Wanguo

LETTER FROM THE BOARD

Assets involved: Mr. Liu Dingbo, Mr. Yang Zhi and Mr. Wen Baolin agreed to transfer the equity interests in Xizang Changdu in the percentage of 8.8929%, 4.0809% and 3.0262% respectively to Yifeng Wanguo.

Consideration: The consideration is RMB75.2 million (or 31.37% of total consideration) and will be funded by internal resources and/or bank borrowings.

The consideration shall be payable by cash by Yifeng Wanguo within 10 Business Days after the fulfilment of the conditions precedent.

The deposit of RMB9.6 million paid will be refunded to Yifeng Wanguo for settlement of the said consideration.

Acquisition Agreement (2)

Date: 16 May 2014

Parties:

Vendors: Mr. Liu Dingbo, Mr. Yang Zhi and Mr. Wen Baolin own the equity interests in Xizang Changdu of 30.3460%, 55.0079% and 14.6461% respectively.

At the Latest Practicable Date, Mr. Wen Baolin is a non-executive Director of the Company and is regarded as a connected person under the Listing Rules.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Mr. Liu Dingbo and Mr. Yang Zhi are third parties independent of the Company and connected persons of the Company.

Purchaser: HK Taylor

Assets involved: Mr. Liu Dingbo, Mr. Yang Zhi and Mr. Wen Baolin agreed to transfer the equity interests in Xizang Changdu in the percentage of 21.4531%, 5.9270% and 7.6199% respectively to HK Taylor.

Consideration: The consideration is RMB164.5 million (or 68.63% of total consideration) and will be funded by internal resources, bank borrowings.

LETTER FROM THE BOARD

The Group is in the process of negotiating with various PRC bankers regarding a loan with principal of RMB200 million to RMB300 million, interest rate will be set with reference to the RMB Benchmark Loan Rate issued by the People's Bank of China, for a terms of 2–3 years and assets of Yifeng Wanguo as security. The Group expects to obtain the bank loan before mid of September 2014.

Consideration will be funded by bank borrowings of RMB200 million to RMB240 million and internal resources up to RMB40 million.

The Group will not issue convertible bonds in respect of this transaction.

The consideration shall be payable by HK Taylor as follows:

1. RMB90.475 million shall be payable within one month after the fulfilment of the conditions precedent; and
2. RMB74.025 million shall be payable within two months after the fulfilment of the conditions precedent or on 30 September 2014 the latest.

The total Consideration of RMB239.7 million was determined between the Company and the Vendors on an arm's length basis with reference to (i) the market value of minerals available of approximately RMB18.5 billion (multiply average prices of lead at RMB13,913.93 per tonne and silver at RMB4,143.44 per kg during the periods from date of framework agreement to date of Acquisition Agreement by resources of contained lead and contained silver at 1,000,000 tonnes and 1,100 tonnes respectively) for 100% shareholding pursuant to Chinese Mining Resources and Reserve Standard, prepared by an advanced exploration report from Hubei Provincial Northeast Geological Brigade (湖北鄂東北地質大隊), an independent third party, and (ii) negotiated appropriate discount factors of 2.55% in aggregate associated with various future risks and uncertainties such as building processing plants, life cycle of the mine and further exploration work etc. The Group has engaged an independent professional geological consulting firm, A1 Maynard & Associates Pty Ltd ("AM&A"), to provide an Independent Technical Valuation of Xizang Changdu by use of an empirical method to derive a range of values under the VALMIN code (2005) Guidelines. The preliminary valuation was US\$55.1 million (or approximately RMB341.6 million) for the purpose of transfer 51% equity interest in Xizang Changdu. The Consideration has not been determined based on AM&A's valuation.

AM&A is a firm of consulting geologists located in Australia. AM&A has more than ten years of relevant general mining experience, more than five years of relevant experience in the assessment and/or valuation of mineral assets, and is a member of Australasian Institute of Mining and Metallurgy (MAusIMM), as well as a member of the Australian Institute of Geoscientists (MAIG).

LETTER FROM THE BOARD

AM&A prepared a valuation of Xizang Changdu in accordance with the requirements of the VALMIN code (2005) as adopted by the Australian Institute of Geoscientists ('AIG') and the Australasian Institute of Mining and Metallurgy ('AusIMM').

Basis of valuation

The VALMIN Code defines fair value as "The estimated amount of money, or the cash equivalent of some other consideration, for which, in the opinion of the Expert reached in accordance with the provisions of the VALMIN Code, the mineral asset or security shall change hands on the Valuation date between a willing buyer and a willing seller in an arms' length transaction, wherein each party had acted knowledgeably, prudently and without compulsion".

The inferred resources are excluded from the valuation.

Major Assumptions

AM&A have adopted certain specific assumptions in valuation and the major ones are as follows:

- Information to date indicates that the project area contains no fauna or flora species regarded as being rare, threatened or endangered.
- The tenements may be subject of Indigenous Claims and would be dealt with through the local normal administrative process. Indigenous Claims refers to possible future claims on rights to the ground by Indigenous Groups. SKNI confirms that the possibility of social disturbance is low and the Board of Directors considers this will not have material impact on future development and operation of Xizang Changdu.
- Where appropriate current metal prices are sourced from the usual metal market publications — Kitco.com and others.
- A 2014 JORC compliant resource/reserve has been identified.
- No encumbrances or royalty payments are applicable in Xizang Changdu.

LETTER FROM THE BOARD

Valuation method

The VALMIN Code identified various methods of valuing mineral assets, including:—

- Discounted cash flow;
- Joint Venture and farm-in terms for arms' length transactions;
- Precedents from similar asset sales/valuations;
- Multiples of exploration expenditure;
- Ratings systems related to perceived prospectivity; and
- Empirical method.

In view of current status of Xizang Changdu, AM&A considers the empirical method as the most appropriate method for the valuation. It is utilised to better provide a logical approach by allowing for the many forms of risk attached to this and any other mineral exploration asset.

Risk factors may include commodity price fluctuation, currency exchange rate variability, geological, mining, treatment, geotechnical and seismic factors, power outages, labour disruptions, flooding, explosions, fires, cave-ins, land-slides and the availability of suitable or adequate machinery. Other factors that may also be considered include labour, industrial and mechanical accidents, environmental hazards (including discharge of metals, pollutants or hazardous chemicals), competitor activity and political and social instability.

Empirical method

A table of value ranges was compiled as shown below using the discounts from above of the lead and silver prices (US\$2055 per tonne and US\$674.4 per kg respectively) as at 13 May 2014 to allow for the multitude of risk factors described above that can impinge upon the project.

By using the stated discounts the range in the dollar values for insitu mineralisation is effectively priced for a 100% shareholding at a range from US\$97.2 million (approximately RMB599.0 million) to US\$118.8 million (approximately RMB732.1 million) with the preferred value at US\$108.0 million (approximately RMB665.6 million) shown below.

LETTER FROM THE BOARD

A 51% of shareholding ranges from a low of US\$49.6 million to a high of US\$60.6 million with a preferred value of US\$55.1 million.

Shareholding %	Preferred <i>US\$ million</i>	Low <i>US\$ million</i>	High <i>US\$ million</i>
100	108.0	97.2	118.8
51	55.1	49.6	60.6

The relevant equity interest in Xizang Changdu held by Mr. Wen Baolin is 14.6461% and the original investment cost of relevant equity interest was approximately RMB4.4 million in 2011. At the date of investment by Mr. Wen Baolin, the geology information available was very limited. The reliability of resources was not certain. Such investment was a risk prospecting. The Vendors estimated approximately RMB38.3 million for exploration work in order to upgrade the confidence level and resources level.

In view of various due diligences in review on hand, including geology report, pre-feasibility report and valuation report, the Company considers that the consideration is fair and reasonable in terms of confidence level of resources available and its value.

No guarantee or other security was given or required as part of or in connection with the transaction. There are no restrictions which apply to the subsequent sale of the acquired equity interests in Xizang Changdu.

Conditions precedent

Completion shall be conditional upon:

- (a) The completion and execution of all documents as required by applicable laws in respect of this Acquisition;
- (b) All other necessary consent(s) from third parties (including governmental or official or regulatory authorities) and all other necessary consents and approvals required pursuant to any legal or regulatory requirement in respect of the transactions contemplated under the Acquisition Agreements having been obtained;
- (c) The passing of the necessary resolution(s) by the Independent Shareholders (Note: No EGM is needed) to approve the Acquisition Agreements and the transactions contemplated thereunder;
- (d) The Company being satisfied with the results of the due diligence review, including but not limited to the geology report, valuation report and other relevant reports to be conducted on Xizang Changdu;
- (e) Appointment of new directors of Xizang Changdu pursuant to its new articles, and completion of registration with competent authorities of Ministry of Commerce and Administration For Industry and Commerce;

LETTER FROM THE BOARD

- (f) The Company being satisfied with the results of audit of Xizang Changdu for the year ended 31 December 2013;
- (g) Notification to the Company by the Vendors of the completion of assets realisation account opening, including the account information, pursuant to the applicable laws;
- (h) The warranties as set out in the Acquisition Agreements remaining true and accurate and not misleading in any respect as at the Date of Acquisition Agreements and the date of Completion and fulfilment of the duties as stipulated in the articles of Xizang Changdu; and
- (i) No material adverse events occurred or may be occurred on or before Completion.

The due diligence review has almost finished and there are no irregularities noted.

At the Latest Practicable Date, the conditions precedent have been completed except for (b), (e), and (g). No parties could waive the conditions precedent except if agreed by both parties by writing.

There is no long stop date for the Acquisition in the Acquisition Agreements.

Completion

Completion shall take place on the Business Day after the fulfilment of the conditions precedent or such other date as the Company may agree.

Upon Completion, Xizang Changdu will become an indirect subsidiary of the Company owning 51% of its equity interests.

INFORMATION ABOUT XIZANG CHANGDU

Based on the information provided by the Vendors, Xizang Changdu, is a company established in the PRC on 20 November 2008 with limited liability. As of the date of this circular, it has a registered capital of RMB30 million which is fully contributed by cash. Xizang Changdu is engaged in exploration of lead ore resources and owns the Walege lead-mine of Changdu exploration right (certificate number T54120080802013385) issued by the Land Resources Bureau of Xizang Autonomous Region, the PRC. Walege Pb-Ag Deposit is located at 183 kilometres north of Changdu (Qamdo) County town in Xizang Autonomous Region, PRC. The geographic location of the Walege Pb-Ag mine is defined by the longitudes from 97°16'00"E-97°18'30"E, 31°53'00"N-31°56'00"N.

The product which will be produced from the mine is lead concentrates with silver as by product. Several smelting plants or companies located in Sichuan Province, are the target customers of the products. Xizang Changdu is expected to commence development and production after one year and three years respectively.

LETTER FROM THE BOARD

The Group has engaged SKNI, a firm of professional geologists in Australia, to undertake an independent technical assessment of the exploration, geology, resources/reserves estimate, mining, metallurgical, environmental permits and approvals for the Walege Pb-Ag projects pursuant to the standards of the 2012 Edition of the JORC code.

SKNI views the project as having good exploration potential for resource upgrade and addition. There is about 11 million tonnes in the inferred category that can be potentially upgraded by infill drilling. Additionally there are zones of down dip and along strike continuation of existing orebody that can be further explored for potential new additions to existing resources.

Exploration work started in the region in 1965 as part of regional mapping program by government. Initially the program was mainly 1:1,000,000 scale mapping. By 1972 it completed 1:500,000 Scale mapping of the region. Based on the above geochemical surveys and heavy mineral surveys of the area were completed around 1990, leading to discoveries of several areas of Pb anomalies including the Walege. Slowly through the 1990s to 2009 more detailed mapping and mineral identification works were completed, leading to the preliminary report of discovery of Pb-Ag mineralization at Walege.

Detailed exploration of the region began in December 2009 and continued until the end of December 2012. The main work completed includes: (i) a geological map of 1:5,000 scale covering a 13.87 km² area, (ii) a topographical map of 1:2,000 scale, (iii) a geological survey (resurvey) covering a 8.44 km² area, (iv) trenching of 5411.9 m³, (v) adit development of 2204.66 m, (vi) drilling of 13672.78 m, and (vii) 21.4 km² of geological sectional exploration at 1:1,000 scale.

Mining is a relatively high risk industry. In general, the risk should decrease from exploration, development, to production stage. The Company's project is currently at the advanced exploration stage and risks exist in different areas. SKNI has considered various technical aspects that may affect the viability of the project. Risk assessment included areas of geology, resources, mining, environment, approval, processing, marketing and cost. As an advanced exploration project at its current stage, there are always certain levels of risk associated in each of the above areas. Overall, SKNI views that the project has low to medium technical risk.

LETTER FROM THE BOARD

The exploration right of Xizang Changdu covers an area for exploration of approximately 21.87 square kilometres. As at the date of the Acquisition Agreement, it had completed the advanced exploration stage. The following table shows the estimated resources of Xizang Changdu under the guidance of the 2012 edition of the JORC code by SKNI.

2014 Mineral Resources estimate					
Grade Tonnage Reported above a Cut-off Grade of 2.5% Pb					
Category	Tonnes	Grade	Ag	Lead	Silver
	<i>(Mt)</i>	<i>(Pb %)</i>	<i>(g/t)</i>	<i>(1,000t)</i>	<i>(1,000Kg)</i>
Indicated	6.70	4.64	63.34	311	424
Inferred	<u>10.62</u>	<u>4.15</u>	<u>45.32</u>	<u>440</u>	<u>481</u>
Totals	<u>17.32</u>	<u>4.34</u>	<u>52.29</u>	<u>751</u>	<u>905</u>

The project is in the advanced exploration stage, SKNI has completed the independent Resource Estimate. Additional work must be completed before the Resource can be converted to Reserve under the JORC code.

The project needs to conduct a feasibility study to finalize the mine planning. It is expected that the mine planning will be completed in October 2015. Once the mining plan is completed, part of the resources within the mining plan will be declared as Reserves. Measured Resources converts into Proved Reserves, and Indicated to Probable Reserves.

SKNI has conducted Mineral Resource estimates (MRE) for the Walege Project. The MRE is based on 72 diamond drill holes completed up until 2013. Geological and mineralisation interpretations were completed by SKNI. The wireframes were generated based on cross sectional widths of 100m–100m spacing. This was based on exploration drilling patterns. Mineralisation cut-off grades of 0.5% Pb combined with the geological logging were used to define the mineralised envelopes.

Based on the density data provided by Xizang Changdu, SKNI has investigated the correlation of density value against lead grade, lithology and reconciliation with resource model and has comprised an algorithm that considers a base density plus a multiplier for lead grade. The density is assigned into the blocks as an algorithm of $0.086 \times \text{Pb\%} + 3.11$.

Statistical, visual and plot assessment of the block model was undertaken to ensure that as far as the data allowed all blocks within lodes were estimated and the model estimates were acceptable.

The Mineral Resources have been classified and reported in accordance with the JORC Code. Resource classification is based on confidence in the mapping, geological interpretation, drill spacing and geostatistical measures. It is SKNI's opinion that the current resource models provide robust global estimates of the in situ mineralisation of Pb and Ag. SKNI's current Mineral Resources have been reported above cut-off of 2.5% Pb.

LETTER FROM THE BOARD

As Xizang Changdu is at the advanced exploration stage, it only has a valid exploration license and business license with expiry dates of October 2014 and November 2018 respectively. Mining license, safety production permit, land use permit and water permit will be applied after Xizang Changdu starts development. The Board confirms that there is no impediment in renewal of the existing licenses and application for the aforesaid licenses for production purpose.

The expected dates for application and granting the aforesaid permits are as follows:

	Expected date for application	Expected date for granting
Mining License	4th quarter of 2015	4th quarter of 2016
Safety production permit	July 2014	October 2014
Land use permit	1st quarter of 2016	4th quarter of 2016
Water permit	1st quarter of 2016	4th quarter of 2016

The expected timetable of the development of Xizang Changdu is from April 2015 to December 2016. Xizang Changdu is in the process of renewing the exploration license in July 2014 and expects to obtain the renewal of the exploration license in October 2014.

Pursuant to the Acquisition Agreements, the Vendors warranted that the exploration license is legal, valid and good standing. There are no reasons to believe that the exploration license will result in lapse, withdrawal or non-renewal as at the Date of Completion. If Vendors violate the aforesaid clause, both Yifeng Wanguo and HK Taylor have rights to:

- (i) Dissolve the Acquisition Agreements;
- (ii) Request the Vendors to repurchase the interest of Xizang Changdu at the same Consideration; and
- (iii) Request the Vendors to compensate to Yifeng Wanguo and HK Taylor for any losses incurred in respect of the breach of the clause.

The Board confirms that there is no legal impediment or obstacle in converting the exploration license to mining license because:

- (i) Current exploration license is valid and good standing;
- (ii) Walege lead-mine is not located in protected area;
- (iii) Expected products to be mined are lead and silver, which are permitted and allowable; and
- (iv) Resources are available and have been confirmed by third parties, Hubei Provincial Northeast Geological Brigade and SKNI.

LETTER FROM THE BOARD

The consideration has already taken into account there is no guarantee of a mining license, but given that as of now, there is no legal impediment in obtaining one, the Company takes that view that the Acquisition would still be in the interests of the Company and Shareholders as a whole. In the event that the mining license cannot be obtained, an announcement will be made accordingly.

The production-related permits and licenses in Xizang Changdu such as mining license, safety production permit, land use permit and water permit etc., are required to obtain or renew from relevant PRC authorities in the future. There is no assurance that the Group will be able to obtain the aforesaid licenses or permits in the future. If the Group is unable to obtain any of such licenses or permits, the business of Xizang Changdu and its results of operations will be materially and adversely affected. The cost of Consideration paid and other relevant costs incurred will be impaired and reflected in the Group's financial statements accordingly.

As at the Latest Practicable Date, Xizang Changdu has not yet commenced any production. Pursuant to pre-feasibility report performed by Geology and Mineral Resource Company of Jiangxi Province (江西省地礦資源勘察開發有限公司), an independent professional mining consulting firm, it is expected to complete processing plants and commence production at Xizang Changdu within three years. Set out below is the financial information of Xizang Changdu based on its unaudited management accounts, which have been prepared in accordance with the PRC accounting standard, for the two years ended 31 December 2013.

There are no material differences between PRC accounting standards and HKFRs which is the Group's accounting standards.

	Year ended 31 December	
	2012	2013
	RMB'000	RMB'000
Loss for the year before and after tax	1,404	404
Net assets	35,155	70,551

The net assets of the Xizang Changdu as at 31 December 2013 had increased by approximately RMB35.4 million which is mainly attributable to the increase in work in progress of approximately RMB48.0 million due to continuation of exploration work in 2013.

The expected capacity of the processing plants of Xizang Changdu is 1,200,000 tpa. Pursuant to pre-feasibility report, the estimated capital commitment and expenditure of Xizang Changdu is approximately RMB588 million, of which the Group is responsible for approximately RMB300 million and expects to pay it between April 2015 and December 2016. It is expected to be financed by internal resources, share placement or issuance of convertible bonds. Xizang Changdu is expected to commence production in April 2017 (i.e. completion of processing plants).

LETTER FROM THE BOARD

Further announcement(s) will be made by the Company regarding the aforesaid share placement or issuance of convertible bonds as and when appropriate in compliance with the Listing Rules.

INFORMATION ABOUT OUR GROUP AND REASONS FOR THE ACQUISITION AND EXPECTED BENEFITS TO THE GROUP

Our Group is principally engaged in the business of mining, ore processing and sales of concentrates in the PRC. As disclosed in our prospectus dated 28 June 2012, one of our growth strategies is to expand our mineral resources and ore reserves through acquisition of new mines.

Lead is a soft, dullish grey coloured metal. It is highly ductile and malleable and easy to smelt. Lead is a main component in the manufacturing of automotive batteries, which occupies over 85% demand of lead. Lead is also commonly used as protective materials in radioactive plants.

Like other non-ferrous metals, the price of lead is also in a downturn cycle. Affected by global economic instability, together with the abolishment of domestic preferential policy in auto purchases, the demand and price of lead are in downturn.

Silver is one of the most commonly known precious metals, like gold. Other than application in jewellery, silver has been an investment asset and store of value, and was a currency in the past. Silver is also widely used in industrial application, such electronic industry.

In 2013, due to concerns over the tapering measures taken by the US Federal Reserve, silver prices retreated from RMB6,440 per kg (VAT inclusive) by the end of January 2013 to RMB3,770 per kg (VAT inclusive) by the end of June 2013, representing a decrease of 41.5%. As the financial market showed signs of recovery in the second half of 2013, silver prices subsequently stabilised at around RMB4,000 per kg (VAT inclusive). Data is extracted from Shanghai White Platinum & Silver Exchange, China's officially designated silver exchange.

The Board believes that the downturn of lead and silver is temporary under the current economic cycle. The demand and pricing will rebound in the coming years after the global economy becomes stable.

The reasons why the Company chose to acquire a lead and silver mine with no track record and has not yet commenced production are as follows:

- (a) The core value of a mining company is the resources. We believe the validity of the resources after various investigations conducted by local and overseas experts as well as our team members.
- (b) The Group has knowledge and experience in exploration and mine development as the Group has successfully developed currently owned Xinzhuang mine from its Greenfield stage.

LETTER FROM THE BOARD

- (c) The pricing of various non-ferrous metals is at a downturn under the current economic cycle. The prices of lead and silver have decreased by 14.8% and 45.4% from 2011 to 2014. The average prices of lead and silver were RMB13,914 per tonne and RMB4,180 per Kilogram for seven months ended 31 July 2014. As a result, the valuation of mine was relatively low and it became more attractive. The Company believed it was the appropriate time to acquire the mine.

The Company has considered possibility in alternative acquisition. However, the information available is so limited and doubted, the risk on availability in resources and reserves are too high for further consideration.

Since Xizang Changdu has substantial resources of lead and silver, it is expected to be further exploited, and processing plants built upon Completion by the Company and to contribute sales revenue and profits to the Group. At this moment, the Company has no intention to acquire additional interest in Xizang Changdu as at the Latest Practicable Date.

The Company has carefully performed a balanced assessment of the Acquisition and believes that the Acquisition, through Yifeng Wanguo and HK Taylor (both are indirect wholly-owned subsidiaries of the Company), will further expand our business and maximise returns to our Shareholders.

The acquisition will result in an increase in the gearing ratio of the Group as the Group requires debt finance for the acquisition. As the Walege mine is located at a high altitude in the Xizang Autonomous Region, the cost of transportation is relatively high compared with other mines. Due to the abundant amount of resources available, the Group expects to resolve it by increasing the scale of production at 1,200,000 tpa which is double to our expected production capacity in our current mine, to reduce the unit cost of production. The Group will attain production capacity of 600,000 tpa by the end of 2014 in our current mine upon completion of the expansion plan.

LISTING RULES IMPLICATIONS ON THE ACQUISITION

As the relevant percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Acquisition exceed 5% but are less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules. In addition, given that Mr. Wen Baolin, one of the Vendors, is a non-executive Director of the Company, the Acquisition would constitute a connected transaction as defined in the Listing Rules. The Acquisition is therefore subject to the approval by the Independent Shareholders. As Mr. Wen Baolin has a material interest in the Acquisition, Mr. Wen has abstained from voting the board resolution to approve the Acquisition Agreements and transactions contemplated thereunder.

The Independent Board Committee has been formed to provide recommendation to the Independent Shareholders in relation to the Acquisition Agreement and the transactions contemplated thereunder. South China Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

LETTER FROM THE BOARD

RECOMMENDATION

The Directors consider that the terms and conditions of the Acquisition and the transactions contemplated thereunder are fair and reasonable and in the best interest of the Shareholders as a whole. The Acquisition is in the ordinary and usual course of business of the Company. Accordingly, the Board recommends the Shareholders to approve the Acquisition.

The Independent Board Committee has been established to advise the Independent Shareholders as to the fairness and reasonableness of the terms of the Acquisition Agreements and the transactions contemplated thereunder are in the interest of the Company and the Shareholders as a whole.

The Independent Board Committee, having taken into account the advice of South China, considers that the Acquisition is in the ordinary and usual course of business of the Group and the terms of the Acquisition Agreements have been negotiated on an arm's length basis and on normal commercial terms which are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Shareholders as a whole and recommends that the Independent Shareholders to approve the Acquisition Agreements and the transactions contemplated thereunder.

SHAREHOLDERS' MEETING WAIVER

No Shareholder has any material interest in the Acquisition, no Shareholder would be required to abstain from voting at EGM of the Company (if one was convened) convened to approve the Acquisition. Pursuant to the Rule 14A.43 of the Listing Rules, the Company has obtained a written approval (in lieu of holding a general meeting of the Company) regarding the Acquisition from Victor Soar and Achieve Ample, collectively being the holders of 450,000,000 Shares, representing 75% of the issued share capital of the Company as at the Latest Practicable Date. Victor Soar is a company wholly-owned and controlled by Mr. Gao Mingqing, owns 50.25% of the equity interest of the Company. Achieve Ample is a company wholly-owned and controlled by Ms. Gao Jinzhu, owns 24.75% of the equity interest of the Company. Both Mr. Gao Mingqing and Ms Gao Jinzhu are Directors of the Company. The Company has applied for the Shareholders' meeting waiver under Rule 14A.43 and the waiver has been granted by the Stock Exchange on 27 May 2014.

Accordingly, no EGM of the Company will be convened for the purposes of considering and approving the Acquisition.

ADDITIONAL INFORMATION

The letter from the Independent Board Committee containing its advice and recommendation is set out on pages 20 to 21 of this circular. The letter from South China Capital Limited containing its advice and recommendation is set out on pages 22 to 38 of this circular.

Your attention is also drawn to the additional information set out in the appendix to this circular.

Yours faithfully,
For and on behalf of the Board
Wanguo International Mining Group Limited
Gao Mingqing
Chairman



Wanguo International Mining Group Limited

萬國國際礦業集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3939)

29 August 2014

To the Independent Shareholders

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION
ACQUISITION OF 51% EQUITY INTEREST IN
XIZANG CHANGDU COUNTY DADI MINING COMPANY LIMITED**

We refer to the circular issued by the Company to its Shareholders and dated 29 August 2014 (“Circular”) of which this letter forms part. Terms defined in this Circular have the same meanings when used in this letter, unless the context otherwise requires.

Under Chapter 14A of the Listing Rules, the transactions contemplated under the Acquisition Agreements constitute a connected transaction for the Company and is thus subject to the approval of the Independent Shareholders.

We have been appointed by the Board to consider the terms of the two Acquisition Agreements and the transactions contemplated thereunder and whether the Acquisition is in the interest of the Company and the Shareholder as a whole, and to advise the Independent Shareholders as to whether, in our opinion, the terms of the Acquisition Agreements and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and in the best interests of the Company and its Shareholders as a whole. South China has been appointed as the independent financial adviser to advise us and the Independent Shareholders in this respect.

We wish to draw your attention to the letter from the Board and the letter from South China as set out in the Circular. Having considered the principal factors and reasons considered by, and the advice of South China as set out in its letter of advice, we consider that the Acquisition Agreements and the transactions contemplated thereunder are on normal commercial terms, and that the Acquisition is in the best interest of the Company and the Shareholders as a whole. The Acquisition is in the ordinary and usual course of business of the Company. We also consider that the terms of the Acquisition Agreements and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

concerned and in the best interests of the Company and its Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to approve the Acquisition Agreements and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Independent Board Committee

Shen Peng

Qi Yang

Lu Jianzhong

Li Hongchang

Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter of advice from South China to the Independent Board Committee and the Independent Shareholders for incorporation in this circular.



South China Capital Limited
28/F, Bank of China Tower
1 Garden Road, Central
Hong Kong

29 August 2014

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

DISCLOSABLE AND CONNECTED TRANSACTION ACQUISITION OF 51% EQUITY INTEREST IN XIZANG CHANGDU COUNTY DADI MINING COMPANY LIMITED

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders regarding the acquisition of 51% equity interest in Xizang Changdu (the “**Acquisition**”), details of which are set out in the letter from the board (the “**Letter from the Board**”) of the Circular issued by the Company dated 29 August 2014 (the “**Circular**”), of which this letter forms part. This letter contains our advice to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition. Unless otherwise stated, defined terms used herein shall have the same meanings as those defined in the Circular.

The Board announces that on 16 May 2014, Yifeng Wanguo and HK Taylor, both being the wholly-owned subsidiaries of the Company, entered into two Acquisition Agreements with Vendors pursuant to which Yifeng Wanguo and HK Taylor have conditionally agreed to acquire and the Vendors have conditionally agreed to dispose of 51% equity interests in Xizang Changdu in the consideration of RMB239.7 million in aggregate (the “**Consideration**”).

As the relevant percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Acquisition exceed 5% but are less than 25%, the Acquisition constitutes a disclosable transaction for the Company under Chapter 14 of the Listing Rules. In addition, given that Mr. Wen Baolin, one of the Vendors, is a non-executive Director of the Company, the Acquisition would constitute a connected transaction as defined in the Listing Rules. The Acquisition is therefore subject to the approval by the Independent Shareholders.

No Shareholder has any material interest in the Acquisition, no Shareholder would be required to abstain from voting at EGM of the Company (if one was convened) convened to approve the Acquisition. Pursuant to the Rule 14A.43 of the Listing Rules, the Company has obtained a written approval (in lieu of holding a general meeting of the Company) regarding the Acquisition from Victor Soar and Achieve Ample, collectively being the holders of

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

450,000,000 Shares, representing 75% of the issued share capital of the Company as at the Latest Practicable Date. Victor Soar is a company wholly-owned and controlled by Mr. Gao Mingqing, owns 50.25% interest of the Company. Achieve Ample is a company wholly-owned and controlled by Ms. Gao Jinzhu, owns 24.75% interest of the Company. Both Mr. Gao Mingqing and Ms. Gao Jinzhu are Directors.

We, South China Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee, which comprises all the Independent non-executive Directors, namely Mr. Shen Peng, Mr. Qi Yang, Dr. Lu Jianzhong, Mr. Li Hongchang, and Independent Shareholders as to whether the terms of the Acquisition Agreements and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and the Acquisition is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

BASIS OF OUR OPINION

In formulating our opinion, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us by the Company, the Directors and the management. We have assumed that all statements, information, opinions and representations contained or referred to in the Circular and/or provided to us were true, accurate and complete at the time they were made and continued to be so as at the date of the Circular.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

We have no reason to believe that any statements, information, opinions or representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the statements, information, opinions or representation provided to us untrue, inaccurate or misleading. We have assumed that all the statements, information, opinions and representations for matters relating to the Group contained or referred to in the Circular and/or provided to us by the Company, the Directors and the management have been reasonably made after due and careful enquiry. We have relied on such statements, information, opinions and representations and have not conducted any independent investigation into the business, financial conditions and affairs or the future prospects of the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation and giving our advice to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition Agreements and the transactions contemplated thereunder, we have considered the following principal factors and reasons:

1 Information of the Group, Yifeng Wanguo and HK Taylor

The Group is principally engaged in the business of mining, ore processing and sales of concentrates in the PRC. As disclosed in the prospectus of the Company dated 28 June 2012 (the “**Prospectus**”), one of the growth strategies is to expand the mineral resources and ore reserves through acquisition of new mines.

Yifeng Wanguo is a limited liability company established in the PRC and is an indirectly wholly-owned subsidiary of the Company as at the Latest Practicable Date. It is principally engaged in mining and processing of ores and sales of processed concentrates in the PRC.

HK Taylor is a limited company incorporated in Hong Kong and is an indirectly wholly-owned subsidiary of the Company as at the Latest Practicable Date. It is principally engaged in investment holding.

Set out below is a summary of the Group’s financial information for the two years ended 31 December 2012 and 31 December 2013 prepared in accordance with the Hong Kong Financial Reporting Standards extracted from the annual report of the Company for the year ended 31 December 2013 (the “**Annual Report 2013**”):

	For the year ended	
	31 December	
	2013	2012
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	261,438	293,634
Gross profit	132,499	139,180
Profit and total comprehensive income for the year	66,321	63,998
Attributable to:		
Owners of the Company	66,321	60,229
Non-controlling interests	—	3,769
Bank balances and cash	133,447	192,024
Secured bank borrowings — current	9,000	9,000
Secured bank borrowings — non current	18,000	27,000

We note from the Annual Report 2013 that the decrease in revenue in 2013 was primarily attributable to the decrease in the average prices of copper in copper concentrates and sulfur concentrates under the slowing down in domestic economic growth, which is partially offset by the increase in volume of sales. In addition, there were no sales of other commodities incurred for the year ended 31 December 2013 as the Group has ceased such business by the end of 2012.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The profit after taxation increased by approximately 3.6%, or approximately RMB2.3 million, from approximately RMB64.0 million for the year ended 31 December 2012 to approximately RMB66.3 million for the year ended 31 December 2013. The net profit margin increased from approximately 21.8% for the year ended 31 December 2012 to approximately 25.4% for the year ended 31 December 2013 as a result of the decrease in listing expenses.

We note that the Group had secured bank borrowings of RMB27.0 million in aggregate with maturity from three years to five years and effective interest rate of 6.67%. Taking into account the Group's cash reserves and recurring cash flows from its operation, the Group's financial position is stable and healthy.

2 Information regarding the Xizang Changdu

Business

According to the Letter from the Board, Xizang Changdu, is a company incorporated in PRC on 20 November 2008 with limited liability. As at the Latest Practicable Date, it had a registered capital of RMB30 million which was fully contributed by cash. Xizang Changdu is engaged in exploration of lead ore resources and owns the Walege leadmine of Changdu exploration right (certificate number T54120080802013385) issued by the Land Resources Bureau of Xizang Autonomous Region, the PRC.

The exploration right of Xizang Changdu covers an area for exploration of approximately 21.87 sq.km. As of the date of Acquisition Agreement, it had completed the advanced exploration stage. The following table shows the estimated resources of Xizang Changdu under the guidance of the 2012 edition of the JORC code.

2014 Mineral Resources estimate Grade Tonnage Reported above a Cut-off Grade of 2.5% Pb

Category	Tonnes (Mt)	Grade (Pb %)	Ag (g/t)	Lead Metal (1,000t)	Silver Metal (1,000Kg)
Indicated	6.70	4.64	63.34	311	424
Inferred	<u>10.62</u>	<u>4.15</u>	<u>45.32</u>	<u>440</u>	<u>481</u>
Total	<u><u>17.32</u></u>	<u><u>4.34</u></u>	<u><u>52.29</u></u>	<u><u>751</u></u>	<u><u>905</u></u>

Financial information

As at the Latest Practicable Date, Xizang Changdu has not yet commenced any production. Pursuant to the pre-feasibility report performed by Geology and Mineral Resource Company of Jiangxi Province (江西省地礦資源勘察開發有限公司), an independent professional mining consulting firm, it is expected to complete processing plants and commence production at Xizang Changdu within three years. The Company has confirmed to us that it is optimistic on the processing schedule of Xizang Changdu.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have reviewed the unaudited management accounts prepared by Xizang Changdu, based on which the loss and net assets for the two financial years ended 31 December 2012 and 31 December 2013 are as follows:

	Year ended	
	31 December	
	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Loss for the year	1,404	404
Net assets	35,155	70,551

According to our discussion with and the information provided by the Company, the Company advises us that the net assets of the Group as at 31 December 2013 had been increased by approximately RMB35.4 million mainly as a result of the increase in work in progress of approximately RMB48.0 million due to the continuation of exploration work for the year ended 31 December 2013. The Company advises us that the Company did not identify any material outstanding contingent liabilities of Xizang Changdu as at the Last Practicable Date.

3 Principal terms of the Acquisition Agreements

	Acquisition Agreement (1)	Acquisition Agreement (2)
Date:	16 May 2014	16 May 2014
Parties:		
— Vendors	Mr. Liu Dingbo, Mr. Yang Zhi and Mr. Wen Baolin	Mr. Liu Dingbo, Mr. Yang Zhi and Mr. Wen Baolin
— Purchaser	Yifeng Wanguo	HK Taylor
Assets involved:	16% of Xizang Changdu	35% of Xizang Changdu
Consideration:	RMB75.2 million	RMB164.5 million

Mr. Wen Baolin is a non-executive Director. Please refer to the Letter from the Board for further information of the Acquisition Agreements.

As stated above, Yifeng Wanguo is a limited liability company established in the PRC and HK Taylor is a limited company incorporated in Hong Kong. As advised, the entering into of the two Acquisition Agreements allows the Company to have more flexibility in terms of financing in Hong Kong as well as the PRC.

Upon Completion, Xizang Changdu will become an indirect subsidiary of the Company owning 51% of its equity interests.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Consideration

According to the Letter from the Board, the total Consideration of RMB239.7 million was determined (i) by reference to the market value of minerals available of approximately RMB18.4 billion (multiply average prices of lead at RMB13,913.93 per tonne and silver at RMB4,143.44 per kg during the periods from date of framework agreement to date of Acquisition Agreement by resources of contained lead and contained silver at 1,000,000 tonnes and 1,100 tonnes respectively) for 100% shareholding pursuant to Chinese Mining Resources and Reserve Standard, prepared by an advanced exploration report from Hubei Provincial Northeast Geological Brigade (湖北鄂東北地質大隊), an independent third party, and (ii) negotiated appropriate discount factors of 2.55% in aggregate associated with various future risks and uncertainties such as building processing plants, life cycle of the mine and further exploration work etc. between the Company and the Vendors on an arm's length basis. We have reviewed and discussed with the Company regarding the advanced exploration report from Hubei Provincial Northeast Geological Brigade (湖北鄂東北地質大隊) and have reviewed the relevant market prices of lead price and silver. Based on our discussion, the Company has confirmed to us that it is a normal practice in the PRC to take reference to certain discount rates in relation to the acquisition of mining assets. We have been informed that the discount factor used in this type of acquisition would normally be ranging from 3% to 5%. We consider the basis for determining the Consideration fair and reasonable given the Company and the Vendors have negotiated the discount factors at 2.55%, which is lower than the market practice in the PRC ranging from 3% to 5%. We understand the Group has engaged an independent professional geological consulting firm (the “**Valuer**”), to provide an Independent Technical Valuation of Xizang Changdu by use of an empirical method to derive a range of values under the VALMIN code (2005) Guidelines. The preliminary valuation was US\$55.1 million (or approximately RMB341.6 million) (the “**Value Amount**”) for the purpose of transfer 51% equity interest of Xizang Changdu.

According to the Letter from the Board, we understand the Group has also engaged SKR New Investment Pty Limited (“**SKNI**”), a firm of professional geologists in Australia, to undertake an independent technical assessment of the exploration, geology, resources/reserves estimate, mining, metallurgical, environmental permits and approvals for the Walege Pb-Ag projects pursuant to the standards of the 2012 Edition of the JORC code. SKNI believes the project has good exploration potential for resource upgrade and addition. There is about 11mt in the inferred category that can be potentially upgraded by infill drilling. Additionally, there are zones of down dip and along strike continuation of existing orebody that can be further explored for potential new additions to existing resources.

We have reviewed and enquired into (i) the terms of engagement of the Valuer with the Company; (ii) the Valuer's qualification and experience in relation to the performance of the valuation; and (iii) the steps taken by the Valuer when conducting the valuation. From the information provided by the Valuer and/or the Company and based on our enquiry, we are satisfied with the terms of engagement of the Valuer as well as their qualification and experience for performing the valuation, and the Valuer have also confirmed that they are independent to the Group and the Vendors. To form a better

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

understanding on the Valuation, we have further discussed with the Valuer regarding the methodology of, and basis and assumptions adopted for the Valuation. We have been advised that the methodology and parameters used in assessing the fair market value of the Acquisition, including the assumptions adopted, are in alignment with market practice. Furthermore, we note that the Value Amount was prepared in accordance with the VALMIN Code, a recognised code under Chapter 18 of the Listing Rules. As such, we consider the valuation method adopted to derive the Value Amount to be fair and reasonable.

As stated in the Letter from the Board, Mr. Wen Baolin had limited geology information available at the time when he made the investment decision. The confidence level of the availability of resources was not certain. We understand from the Company that the Vendors have incurred substantial costs for exploration work in order to upgrade the confidence level and resources level. Given the Consideration represents approximately 30% discount to the Value Amount and market value of minerals available, we consider the Consideration fair and reasonable.

After entering into the aforementioned agreements, Yifeng Wanguo and HK Taylor will be responsible for paying the consideration with an amount of approximately RMB239.7 million in aggregate.

According to the Letter from the Board, the consideration of Acquisition Agreement (1) is RMB75.2 million (or 31.37% of total Consideration) and will be funded by internal resources and/or bank borrowings. The consideration shall be payable by cash by Yifeng Wanguo within 10 Business Days after the fulfilment of the conditions precedent. The deposit of RMB9.6 million paid will be refunded to Yifeng Wanguo for settlement of the said consideration.

According to the Letter from the Board, the consideration of Acquisition Agreement (2) is RMB164.5 million (or 68.63% of total Consideration) and will be funded by internal resources, bank borrowings or issuance of convertible bonds. The consideration shall be payable by HK Taylor as follows: (i) RMB90.475 million shall be payable within one month after the fulfilment of the conditions precedent; and (ii) RMB74.025 million shall be payable within two months after the fulfilment of the conditions precedent or on 30 September 2014 the latest.

We have been advised by the Company that a major PRC bank (the “**Bank**”) agreed to provide a loan facility of RMB400.0 million for the Acquisition (the “**Loan Facility**”). The Loan Facility is valid for a term of one year. We have reviewed the said loan facility letter issued by the Bank and are of the view that the Company has sufficient resources to fulfil its payment obligation under the Acquisition Agreements. We understand the Group is also negotiating with other PRC bankers for principal of RMB200 million to RMB300 million (the “**Possible Loan**”). The Group will then decide the loan amount to be borrowed after considering and comparing the terms and conditions of the Loan Facility and the Possible Loan. As advised by the Company, the Possible Loan will be for a terms of 2–3 years. Although the interest rates of the above mentioned loans (the Loan Facility and the Possible Loan if granted) are yet to be fixed, it is expected that those interest rates

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

will be in line with the RMB benchmark loan rate issued by the People's Bank of China (currently at 6.4% per annum). In this regard, we consider the terms of the possible loans to be fair and reasonable.

We have reviewed the Acquisition Agreements and are of the view that the Acquisition Agreements are on normal commercial terms and is in the interest of the Company and the Shareholders as a whole.

Having considered the above factors, in particular, (i) the Consideration represents approximately 30% discount to the Value Amount (prepared by an independent professional geological consulting firm by use of an empirical method to derive a range of values under the VALMIN code (2005) Guidelines); and (ii) we note that the empirical method is a common methodology used in assessing valuation of assets in mergers and acquisitions transactions that involve companies engaged in mining operations, we are of the view that the Consideration is fair and reasonable and are of the view that the terms of the Acquisition Agreements are acceptable and are fair and reasonable insofar as the Company and the Shareholders are concerned.

4 Reasons and the benefits of the Acquisition

Corporate strategy of the Group

The Group is principally engaged in the business of mining, ore processing and sale of concentrates products in the PRC. As disclosed in the Annual Report 2013, the Group, through its wholly-owned subsidiaries, owns the entire equity interest in Jiangxi Province Yifeng Wanguo Mining Company Limited which in turn owns the Xinzhuang Mine in which the Group conducts underground mining. The Xinzhuang Mine has a substantial volume of non-ferrous polymetallic mineral resources. Products of the Group primarily include copper concentrates, iron concentrates, zinc concentrates, sulfur concentrates as well as by-products of gold and silver.

According to the Prospectus and the Annual Report 2013, the Group has the strategy of horizontal expansion through future acquisitions of new mines. The Acquisition will be beneficial to the Company's expansion strategy into lead and silver reserves.

Overview of the PRC economy

Set out below is the gross domestic product ("GDP") of the PRC from 2007 to 2012:

	2007	2008	2009	2010	2011	2012
	(RMB billion)	(RMB billion)	(RMB billion)	(RMB billion)	(RMB billion)	(RMB billion)
GDP	26,642.2	31,603.0	34,032.0	39,975.9	46,856.2	51,628.2

Source: *China Statistical Yearbook 2013*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As shown out in the above table, GDP of the PRC grew from approximately RMB26,642.2 billion in 2007 to approximately RMB51,628.2 billion in 2012, representing a compounded annual growth rate of approximately 14%.

Overview of lead

Lead is a soft, dullish grey coloured metal. It is highly ductile and malleable and easy to smelt. Lead is a main component in the manufacturing of automotive batteries, which occupies over 85% demand of lead. Lead is also commonly used as protective materials in radioactive plants.

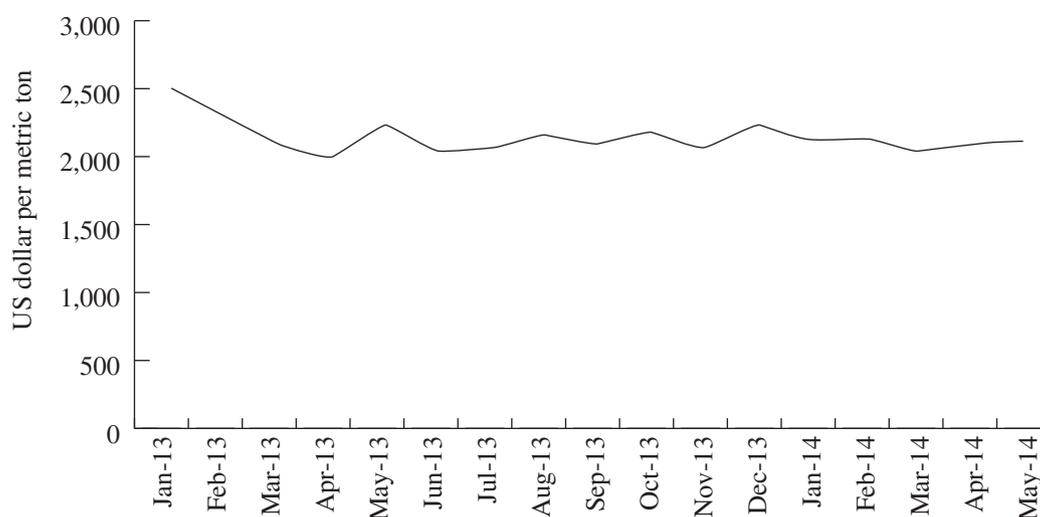
Set out below is the possession of civil vehicles in the PRC from 2007 to 2012:

	2007	2008	2009	2010	2011	2012
	<i>(Units million)</i>	<i>(Units million)</i>	<i>(Units million)</i>	<i>(Units million)</i>	<i>(Units million)</i>	<i>(Units million)</i>
Number of civil vehicles	43.58	50.99	62.80	78.01	93.56	109.33

Source: China Statistical Yearbook 2013

As shown out in the above table, number of civil vehicles in the PRC grew from approximately 43.58 million units in 2007 to approximately 109.33 million units in 2012, representing a compounded annual growth rate of approximately 20%.

Set out below is the diagram illustrating the historical trend in lead price from January 2013 to 16 May 2014 (being the date of the Acquisition Agreements):



Source: Bloomberg

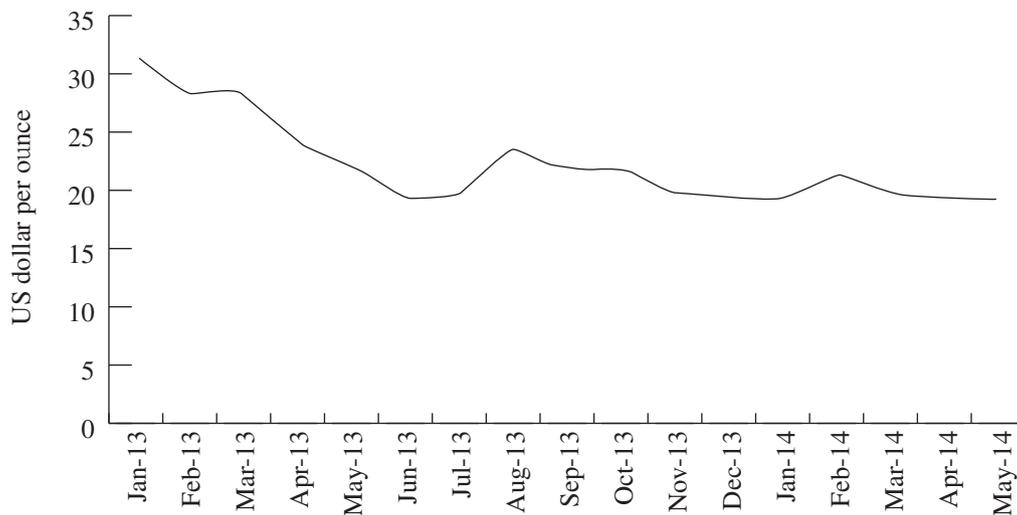
Based on the diagram above, the prices of lead have stabilized since June 2013. In view of the growth in the possession of civil vehicles in the PRC, we are of the view that it will continue to boost the demand for automotive batteries, and hence the demand for lead as lead is a main component in the manufacturing of automotive batteries.

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Overview of silver

Silver is one of commonly known precious metals, like gold. Other than application in jewellery, silver has been an investment asset and store of value, and was a currency in the past. Silver is also widely used in industrial application, such as electronic industry. Silver is mostly mined as a by-product of base metal mines such as zinc, lead and gold and copper although there are also mines which achieve most of their revenue from the sale of silver. As disclosed in the paragraph headed “Market Review” under the section headed “Management Discussion and Analysis” in the Annual Report 2013, the price of silver kept falling after opening high at the beginning of 2013.

Set out below is the diagram illustrating the historical trend in silver price from January 2013 to 16 May 2014 (being the date of the Acquisition Agreements):



Source: Bloomberg

Based on the diagram above, we noted the prices of silver had dropped considerably since the beginning of year 2013. Although the prices of silver are still at a comparatively low level, it has stabilized since the end of year 2013 as the financial market showed signs of recovery. It is reasonable to anticipate that the prices of silver will be supported and improved in coming years after the global economy turns stable.

We consider the Acquisition is consistent with the Group’s strategy to expand its mineral resources and ore reserves through the acquisition of new mines. As stated above, the prices of lead and silver have decreased since the beginning of year 2013 and the values of mines containing such resources have become more attractive. We consider and believe that the Acquisition represents a valuable opportunity for the Company to acquire a mining project with development potential to drive future revenue and profit at a lower and attractive cost given the decreased in prices of lead and silver. Pursuant to the pre-feasibility report, Xizang Changdu is expected to generate revenue after three years (i.e. completion of processing plants) and the expected capacity of the processing plants of Xizang Changdu is 1,200,000 tpa. As stated in the Letter from the Board, Xizang

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Changdu holds valid exploration and business licenses with expiry dates of October 2014 and November 2018 respectively. Mining license, safety production permit, land use permit and water permit will be applied after Xizang Changdu starts development. The expected dates for application and granting the aforesaid permits are stated in the Letter from the Board. The expected timetable of the development of Xizang Changdu is from April 2015 to December 2016. Xizang Changdu is in the progress of renewing its exploration license in July 2014 and expects to obtain the renewal exploration license in October 2014. The Company has confirmed to us that there is no impediment in the renewal of the existing licenses and application for the aforesaid licenses for production purpose.

Although Xizang Changdu has not yet commenced any production, we are of the view that the reserves of lead and silver, which is expected to be further exploited, and processing plants built upon Completion by the Company will contribute to the Group's sales revenue and profits.

We have been advised by the Company that it has exercised considerable care in selecting the potential sellers of lead and silver reserves, and has considered many different factors including price, reserve and location. According to our discussion with and the information provided by the Company, the Company advises us that, based on their assessment on the potential targets at the very preliminary stage, the Company noted that most of the potential targets were still at the very beginning of exploration stage with very low level of confidence in the availability of resources. Therefore, the Company advises us that they did not conduct any further assessment nor detailed due diligence on other potential targets which were at the very preliminary stage and the respective counterparties had been rejected by the Company or had not approached the Company thereafter. In this regards, the Company are of the view that Xizang Changdu has completed the advanced exploration stage. In addition, as stated in the Letter from the Board, Xizang Changdu has substantial reserves of lead and silver (the indicated mineral resources and the inferred mineral resources of Xizang Changdu reached approximately 6.70 million tonnes and 10.62 million tonnes respectively). The exploration license of Xizang Changdu covers an area for exploration of approximately 21.87 sq. km. According to the Annual Report 2013, in accordance with resources and reserves under Chinese Mining Resources and Reserve, there are more than 1,000,000 tons of contained lead and more than 1,100 tons of contained silver. We concur with the Company's view that the Acquisition, if proceeding to Completion, will improve the Group's future operational capacity and revenue.

Based on the above, we are of the view that the Acquisition is in the ordinary and usual course of business of the Group and the transactions contemplated under the Acquisition Agreements are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

5 Analysis on the fairness and reasonableness of the Consideration

As stated in the Letter from the Board, the total Consideration of RMB239.7 million was determined between the Company and the Vendors on an arm's length basis with reference to the anticipated level of mineral reserves, production and life of Xizang Changdu. We note from the Annual Report 2013 that the Group mined 537,369 tonnes of ores, of which it sold copper in copper concentrates of 2,749 tonnes, iron concentrates of 101,669 tonnes, zinc in zinc concentrates of 2,865 tonnes, sulfur concentrates of 108,092 tonnes, gold of 58 kg and silver of 7,913 kg for the year ended 31 December 2013. Given Xizang Changdu has more than 1,000,000 tons of contained lead and more than 1,100 tons of contained silver in accordance with resources and reserves under Chinese Mining Resources and Reserve. We are of the view that Xizang Changdu has substantial reserves of lead and silver which is expected to be further exploited, and processing plants built upon Completion by the Company and will contribute to the sales revenue and profits of the Group. The Group has engaged an independent professional geological consulting firm to provide an Independent Technical Valuation of Xizang Changdu by use of an empirical method to derive a range of values under the VALMIN code (2005) Guidelines. The preliminary valuation was US\$55.1 million (or approximately RMB341.6 million) for the purpose of transfer 51% equity interest of Xizang Changdu.

In assessing the fairness and reasonableness of the Consideration, we have considered the following:

Selection of peer companies

As at the Latest Practical Date, the market capitalisation of the Company was approximately HK\$1.7 billion. With a view to identify comparable companies for comparison purposes, based on the existing principal activities of the Group, we have set out the following parameters, principally engaged in the mining operations with a market capitalisation of no more than HK\$4.0 billion as at the Latest Practicable Date. To the best of our knowledge, we have identified 9 listed issuers on the Main Board of the Stock Exchange which fall within the abovementioned category (based on their respective latest published annual reports), namely CAA Resources Ltd. (the "**CAA Resources**"), China Daye Non-Ferrous Metals Mining Ltd. (the "**China Daye**"), China Hanking Holdings Limited (the "**China Hanking**"), China Polymetallic Mining Ltd. (the "**China Polymetallic**"), China Vanadium Titano-Magnetite Mining Co. Ltd. (the "**China Vanadium**"), China Zhongsheng Resources Holdings Limited (the "**China Zhongsheng Resources**"), CST Mining Group Ltd. (the "**CST Mining**"), Hengshi Mining Investments Ltd. (the "**Hengshi Mining**") and Newton Resources Ltd. (the "**Newton Resources**") (altogether the "**Peer Companies**"). In our view, the Peer Companies as set out below represent an exhaustive list of entities that we were able to identify from the Stock Exchange's website and satisfied the above selection criteria.

5.1 Analysis of price-to-earnings ratio of Peer Companies

Further to the analysis set out above, we have also considered common approaches for the evaluation of the Consideration, including (i) the historical price to earnings ratio (the "**P/E ratio**") of the Peer Companies; and (ii) the historical price to net book value ratio (the "**P/**

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NAV ratio”) of the Peer Companies, each of the above being an appropriate and representative method for comparison purposes. Given that Xizang Changdu has not yet commenced any production, we do not consider the P/E ratio as an objective value benchmark.

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

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

Table 5.1.1: Analysis of price-to-book value ratio of Peer Companies

Name of the Peer Companies	Stock code	Market Capitalization (HK\$ million) (note 5)	Principal activities	P/NAV ratio (note 1)
CAA Resources (note 3)	2112.HK	2,505	Iron ore exploration, mining, crushing and beneficiation; sale of iron ore products in the form of iron ore concentrates and iron ore fines.	3.08
China Daye (note 2)	661.HK	2,253	Mining and processing of mineral ores and trading of metal products.	0.45
China Hanking (note 2)	3788.HK	2,489	Exploration, mining, processing and sale of iron ore; exploration, mining, smelting and sale of nickel ore; and exploration, mining, processing and sale of gold.	1.33
China Polymetallic (note 2)	2133.HK	925	Exploration, pure mining and primary processing of non-ferrous metal mineral resources, mainly including lead, zinc and silver, as well as the sales of non-ferrous metal concentrates.	0.42
China Vanadium (note 2)	893.HK	1,909	Mining, ore processing, iron pelletising, sale of vanadium-bearing iron concentrates, ordinary iron concentrates, iron pellets and titanium concentrates and management of strategic investments.	0.42

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Name of the Peer Companies	Stock code	Market Capitalization (HK\$ million) (note 5)	Principal activities	P/NAV ratio (note 1)
China Zhongsheng Resources (note 2)	2623.HK	916	Iron ore mining and processing, ilmenite ore mining and processing, sales of iron concentrate and titanium concentrate in the PRC and exploration of metal reserves in Australia.	1.04
CST Mining (note 3)	985.HK	1,436	Acquisition, exploration, development and mining of copper and other mineral resources minerals; property investment and investments in financial instruments.	0.18
Hengshi Mining (note 2)	1370.HK	3,951	Mining, processing and trading of iron ore products.	2.09
Newton Resources (note 2)	1231.HK	2,960	Mining, ore processing and sale of iron concentrates and mining, processing and sale of gabbro-diabase products in the PRC.	2.22
Average				1.25
Maximum				3.08
Minimum				0.18
Acquisition (note 4)				6.66

Source: Stock Exchange's website, Bloomberg and published annual reports of the Peer Companies

Notes:

- (1) Calculated by the respective share price as at the date of the Acquisition Agreements divided by the respective latest published audited net asset value (excluding non-controlling interests) per share.
- (2) Conversion of RMB into Hong Kong dollars is based on the exchange rate of RMB1.00 = HK\$1.25.
- (3) Conversion of US Dollar ("US\$") into Hong Kong dollars is based on the exchange rate of US\$1.00 = HK\$7.80.
- (4) Calculated based on the Consideration divided by the net assets value attributable to 51% equity interests in Xizang Changdu.
- (5) Calculated based on the market capitalisation of the Peer Companies as at 16 May 2014 (being the date of the Acquisition Agreements).

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As shown in the table above, the P/NAV ratio of the Acquisition is at approximately 6.66 times, which is also notably above the average P/NAV ratio of the Peer Companies of approximately 1.25 times. Given Xizang Changdu has not yet commenced any production, the P/NAV ratio may not be directly comparable to those of the Peer Companies. We have performed additional analysis by referencing to the Price-to-book value ratio of transactions conducted by the Peer Companies and the valuation of Xizang Changdu as prepared by AM&A.

5.2 Price-to-book value ratio of transactions conducted by Peer Companies

In addition to the above analysis, we have also compared the Acquisition P/NAV ratio with the P/NAV ratio of acquisition transactions conducted by the Peer Companies, of which the relevant announcement was dated during the period commenced on 1 January 2013 up to and including the Latest Practicable Date (the “**Transaction Comparables**”). To the best of our knowledge and belief, the Transaction Comparables as set out below represent an exhaustive list that we were able to identify from the Stock Exchange’s website. Details of which are set out below:

Table 5.2.1: Transaction Comparables comparison

Date of Announcement	Company name (stock code)	Description of transaction	Consideration (HK\$'million)	Net asset value ("NAV") attributable to the respective target company (HK\$'million)	Transaction P/NAV Ratio
16-May-2014	CAA Resources (2112.HK)	Disclosable transaction in relation to the acquisition of 14.2857% in Fortune Union Financial Holdings (Asia Pacific) Limited	77.5	563.9	0.96
31-March-2014	Hengshi Mining (1370.HK)	Disclosable and connected transaction acquisition of 10% equity interests in Laiyuan County Jiheng Mining Co., Ltd.	147.5	671.2	2.20
				Average	1.58
				Maximum	2.20
				Minimum	0.96
16-May-2014	the Company	Acquisition of the Target Company	299.6	88.2	6.66

Source: Stock Exchange’s website and the announcement(s) of the Transaction Comparables

As set out in Table 5.2.1 above, the Transaction Comparables P/NAV ratios ranged from approximately 0.96 times to approximately 2.20 times, with an average of approximately 1.58 times. The Acquisition P/E Ratio of approximately 6.66 times is out of the range of the

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Transaction Comparables P/NAV ratios. Given the Transaction Comparables were all for equity interests below 50% and the acquisition target of CAA Resources is engaged in the equipment leasing business in Chongqing, the PRC, we have performed additional analysis by referencing to the valuation of Xizang Changdu as prepared by AM&A.

5.3 Valuation of Xizang Changdu as prepared by AM&A

Details of valuation of Xizang Changdu as prepared by AM&A are out below:

	Preferred <i>million</i>	Low <i>million</i>	High <i>million</i>
Valuation on 51% equity interest of Xizang Changdu	US\$55.1 RMB341.6	US\$49.6 RMB307.5	US\$60.6 RMB375.7
Consideration	RMB239.7	RMB239.7	RMB239.7
Implied P/NAV ratio	0.70	0.78	0.64

The implied P/NAV ratio for the Acquisition would be approximately 0.70 times, which is within the range of the Peer Companies P/NAV ratios which ranged from approximately 0.18 times to approximately 3.08 times and lower than the Transaction Comparables P/NAV ratios which ranged from approximately 0.96 times to approximately 2.20 times.

6 Possible financial effects of the Acquisition on the Group

Effect on net assets value

The Company shall effectively hold 51% equity interest in Xizang Changdu, immediately upon the Completion. According to the Annual Report 2013, the net assets attributable to owners of the Company was approximately RMB292.2 million as at 31 December 2013. According to the unaudited combined management account of the Xizang Changdu, the net asset value was approximately RMB70.6 million as at 31 December 2013. The Company considers that the Acquisition will not have any material negative impacts on the net assets position of the Group upon the completion of Acquisition.

Effect on earnings

As stated in the Letter from the Board, Xizang Changdu recorded an unaudited loss for each of the two years ended 31 December 2013 of approximately RMB1.4 million and RMB0.4 million, respectively. According to Letter from the Board, as at the date of the Circular, Xizang Changdu has not yet commenced any production. Apart from the costs arising from the operating of Xizang Changdu, the Acquisition is not expected to have any material impact on the Group's financial results for the year ending 31 December 2014.

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Effect on gearing and working capital

As stated in the Letter from the Board, the Consideration of RMB239.7 million will be settled entirely by internal resources, bank borrowings or issuance of convertible bonds. As disclosed in the Annual Report 2013, the bank balance and cash of the Group as at 31 December 2013 was approximately RMB133.4 million. Part of the consideration will be settled by the bank borrowings. We have been advised by the Company that a major PRC bank agreed to provide a loan of RMB400.0 million for the Acquisition. As disclosed in the Annual Report 2013, the Group's gearing ratio (representing total bank borrowings and payables to former non-controlling shareholder of a subsidiary divided by total assets) amounted to approximately 33.8%. Subsequent to the Completion of the Acquisition, assuming all the consideration would be settled by the bank borrowings, the Group's gearing ratio would be approximately 77.3%. It is expected that the gearing ratio of the Group would increase subsequent to the Completion.

In light of the above, we consider the Acquisition will not have any material adverse impact on the financial position of the Group.

RECOMMENDATION

Having taking into account the principal factors and reasons as discussed above, we consider that the Acquisition Agreements and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable and the Acquisition is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

Accordingly, we would advise the Independent Shareholders, and the Independent Board Committee to recommend the Independent Shareholders, to approve the Acquisition Agreements and the transactions contemplated thereunder should the EGM were to convene.

Yours faithfully,
For and on behalf of
South China Capital Limited
Francis Yeung
Managing Director

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and is not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES

Directors' interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Model Code for Securities Transactions by Directors of Listed Issuers contained in Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

(a) Long positions in the Shares in the Company

Name of Director	Capacity/nature of interest	Number of issued ordinary shares held	Approximate percentage of shareholding in the Company
Gao Mingqing	Interest in controlled corporation	301,500,000 ⁽¹⁾	50.25%
Gao Jinzhu	Interest in controlled corporation	148,500,000 ⁽²⁾	24.75%

Notes:

- The 301,500,000 shares were owned by Victor Soar Investments Limited which is wholly owned and controlled by Mr. Gao Mingqing.
- The 148,500,000 shares were owned by Achieve Ample Investments Limited which is wholly owned and controlled by Ms. Gao Jinzhu.

(b) Long positions in associated corporations

Name of Director	Name of associated corporation	Percentage of shareholding
Gao Mingqing	Victor Soar Investments Limited (<i>Note</i>)	100%

Note: Victor Soar Investments Limited holds more than 50% of the Shares in the Company and, therefore, is an associated corporation of the Company.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Model Code for Securities Transactions by Directors of Listed Issuers contained in Listing Rules, to be notified to the Company and the Stock Exchange.

3. INTERESTS OF SUBSTANTIAL SHAREHOLDERS

(a) Persons who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial Shareholders

As at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company, the persons (other than the Directors or the chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other members of the Group, or had any options in respect of such capital are set out below:

Long positions in the Shares in the Company

Name of shareholder	Capacity/nature of interest	Number of issued ordinary shares held	Approximate percentage of shareholding in the Company
Victor Soar Investments Limited	Beneficial owner	301,500,000 ⁽¹⁾	50.25%
Ms. Lin Yinyin	Interest of spouse	301,500,000 ⁽²⁾	50.25%

Name of shareholder	Capacity/nature of interest	Number of issued ordinary shares held	Approximate percentage of shareholding in the Company
Achieve Ample Investments Limited	Beneficial owner	148,500,000 ⁽³⁾	24.75%
Mr. Wang Weimian	Interest of spouse	148,500,000 ⁽⁴⁾	24.75%

Notes:

1. Victor Soar Investments Limited is wholly owned and controlled by Mr. Gao Mingqing.
2. Ms. Lin Yinyin is the wife of Mr. Gao Mingqing and is deemed to be interested in the 301,500,000 shares of the Company held by Victor Soar Investments Limited, a company controlled by Mr. Gao Mingqing.
3. Achieve Ample Investments Limited is wholly owned and controlled by Ms. Gao Jinzhu.
4. Mr. Wang Weimian is the husband of Ms. Gao Jinzhu and is deemed to be interested in the 148,500,000 shares of the Company held by Achieve Ample Investments Limited, a company controlled by Ms. Gao Jinzhu.

Save as disclosed above, as at the Latest Practicable Date, the Directors and the chief executive of the Company are not aware of any other persons who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other members of the Group, or had any options in respect of such capital.

4. DIRECTORS' INTERESTS IN ASSETS OF THE GROUP

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which had been acquired or disposed of by or leased to any member of the Group or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2013, the date to which the latest published audited consolidated financial statements of the Company were made up.

5. DIRECTORS' SERVICE AGREEMENT

As at the Latest Practicable Date, there was no existing or proposed service contract, excluding contract expiring or terminable by the employer within one year, without payment of compensation (other than statutory compensation) between any of the Directors with any member of the Group.

6. EXPERT AND CONSENT

The following is the qualification of the expert or professional adviser who has given opinion or advice which are contained in this circular:

Name	Qualification
South China Capital Limited	A licensed corporation under the SFO permitted to carry out Type 6 (advising on corporate finance) regulated activity for the purpose of the SFO

South China has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and references to its name in the form and context in which it appears. As at the Latest Practicable Date, South China Capital Limited:

- (a) did not have any shareholding in or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and
- (b) was not interested, directly or indirectly, in any assets which has been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2013, being the date to which the latest published audited consolidated financial statements of the Company were made up.

7. LITIGATION

As at the Latest Practicable Date, there were no litigations or claims of material importance pending or threatened against any member of the Group which was known to the Directors.

8. MATERIAL ADVERSE CHANGE

The Directors confirm that there has been no material adverse change in the financial or trading position of the Group since 31 December 2013, being the date to which the latest audited consolidated financial statements of the Group were made up.

9. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors, management shareholders and their respective associates was interested in any business apart from the business of the Group, which competed or was likely to compete, either directly or indirectly, with that of the Group.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the principal place of business of the Company in Hong Kong at Unit 1, 28/F., Singa Commercial Centre, 144–151 Connaught Road West, Hong Kong up to and including the date which is 14 days from the date of this circular.

- (a) the two sets of Acquisition Agreements;
- (b) the letter of recommendation from the Independent Board Committee, the text of which is set out on pages 20 to 21 of this circular;
- (c) the letter of advice from South China Capital Limited, the text of which is set out on pages 22 to 38 of this circular; and
- (d) the written consent from South China Capital Limited referred to in the paragraph headed “Expert and Consent” in this appendix.

11. MISCELLANEOUS

The English text of this circular shall prevail over the Chinese text in the case of any inconsistency.