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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Minmetals Resources Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee, or to the bank, a licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.



**五礦資源有限公司**

**MINMETALS RESOURCES LIMITED**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 1208)**

**CAPITAL REDUCTION  
AND  
RE-ELECTION OF RETIRING DIRECTOR**

A notice convening the Extraordinary General Meeting to be held at Kowloon Room I, M/F, Kowloon Shangri-La Hotel, 64 Mody Road, Tsimshatsui East, Kowloon, Kong Kong on Wednesday, 27 December 2006 at 2:30 p.m. is set out on pages 9 and 10 of this circular. Whether or not you are able to attend and vote at the meeting, you are requested to complete the enclosed form of proxy and return it to the Company's share registrar, Computershare Hong Kong Investor Services Limited at 46th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the Extraordinary General Meeting or any adjournment thereof if you so wish.

30 November 2006

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## DEFINITIONS

*In this circular, the following expressions shall have the meanings respectively set opposite them unless the context requires otherwise:*

“Capital Reduction”	the proposal to cancel the entire sum standing to the credit of the Company’s special capital reserve account and to reduce the amount standing to the credit of the Company’s share premium account to the extent that the credit arising will be sufficient to eliminate the entire accumulated losses of the Company
“Companies Ordinance”	Companies Ordinance, Chapter 32 of the laws of Hong Kong
“Company”	Minmetals Resources Limited (五礦資源有限公司)
“Extraordinary General Meeting”	the extraordinary general meeting of the Company convened to be held on Wednesday, 27 December 2006 for the purposes of approving the Capital Reduction and re-electing a director, notice of which is set out on pages 9 and 10 of this document, and any adjournment thereof
“High Court”	High Court of the Hong Kong Special Administrative Region of the PRC
“Latest Practicable Date”	27 November 2006, being the latest practicable date for ascertaining certain information for inclusion in this circular
“Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	People’s Republic of China
“HK\$”	Hong Kong dollars, being the lawful currency of Hong Kong

<b>EXPECTED TIMETABLE</b>
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Latest time for lodging instruments  
of transfer in order to qualify for attending  
the Extraordinary General Meeting . . . . . 4:00 p.m., on Wednesday, 20 December 2006

Latest time for the shareholders to  
lodge forms of proxy for  
the Extraordinary General Meeting . . . . . 2:30 p.m., on Monday, 25 December 2006

Extraordinary General Meeting . . . . . 2:30 p.m., on Wednesday, 27 December 2006

Announcement of the result of  
the Extraordinary General Meeting . . . . . Thursday, 28 December 2006

*The following events are conditional on the approval of the Capital Reduction at the Extraordinary General Meeting and the availability of the High Court to hear the proceedings for the confirmation of the Capital Reduction. The dates are, therefore, tentative:*

Hearing of petition for confirmation of  
the Capital Reduction by the High Court . . . . . Tuesday, 23 January 2007

Effective date of Capital Reduction . . . . . Wednesday, 24 January 2007

LETTER FROM THE BOARD OF DIRECTORS



**五礦資源有限公司**

**MINMETALS RESOURCES LIMITED**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 1208)**

*Executive Directors:*

Xu Huizhong  
Wang Lixin  
Ren Suotang

*Non-Executive Directors:*

Zhou Zhongshu (*Chairman*)  
Shen Ling  
Zhang Shoulian  
Li Linhu  
Zong Qingsheng

*Independent Non-Executive Directors:*

Liu Hongru  
Chan Wai Dune  
Ting Leung Huel, Stephen

*Principal place of business and  
registered office:*

9th Floor  
China Minmetals Tower  
79 Chatham Road South  
Tsimshatsui  
Kowloon  
Hong Kong

30 November 2006

*To the shareholders of the Company*

Dear Sir/Madam,

**CAPITAL REDUCTION  
AND  
RE-ELECTION OF RETIRING DIRECTOR**

**INTRODUCTION**

The Board of Directors of the Company announced on 29 November 2006 its intention to put forward to the shareholders the Capital Reduction, which involves the cancellation of the entire sum standing to the credit of the Company's special capital reserve account and the reduction of the amount standing to the credit of the Company's share premium account to the extent that the credit arising as a result of the Capital Reduction will be sufficient to eliminate the entire accumulated losses of the Company as at 31 October 2006.

## LETTER FROM THE BOARD OF DIRECTORS

### CAPITAL REDUCTION

As at the Latest Practicable Date, the Company's special capital reserve account stood at HK\$125,374,060.25 and the Company's share premium account stood at HK\$3,503,361,724.99. The special capital reserve account was created on 6 January 2004 when the High Court confirmed a reduction of the capital of the Company from HK\$300,000,000 divided into 300,000,000 ordinary shares of HK\$1.00 each to HK\$15,000,000 divided into 300,000,000 ordinary shares of HK\$0.05 each. The credit arising from that reduction of share capital, which amounted to HK\$125,374,060.25, was, pursuant to an undertaking given by the Company to the High Court, transferred to the special capital reserve account for the purpose of eliminating or reducing in future the accumulated losses of the Company which as at 31 October 2003 stood at approximately HK\$1,200,804,000. The amount standing to the credit of the share premium account arose as a result of various issues of shares by the Company at a premium. Under the provisions of the Companies Ordinance, it is permissible for a company to apply the share premium for the purpose of eliminating losses.

As at 31 October 2006, the accumulated losses of the Company, on an unconsolidated basis, stood at HK\$889,802,014.00. Such accumulated losses were attributable to the provisions made by the Company over the years primarily in respect of its investments in subsidiaries and, to a lesser extent, for bad and doubtful debts. The proposed Capital Reduction will be effected by cancelling the entire sum of HK\$125,374,060.25 standing to the credit of the Company's special capital reserve account and reducing the amount standing to the credit of the Company's share premium account by the sum of HK\$764,427,953.75. As a result of the Capital Reduction, an aggregate credit of HK\$889,802,014.00 arising will be applied in eliminating the entire accumulated losses of the Company.

The Capital Reduction does not involve any reduction in the authorised or issued share capital of the Company, nor does it involve either the diminution of any liability in respect of unpaid share capital or the payment to any shareholder of any paid up share capital or of any sum standing to the credit of the special capital reserve account or of the share premium account of the Company.

### Conditions

The Capital Reduction is conditional on the following matters:

- (i) the passing by the shareholders of a special resolution to approve the Capital Reduction to be proposed at the Extraordinary General Meeting; and
- (ii) the confirmation of the Capital Reduction by the High Court and the registration by the Registrar of Companies of a copy of the order of the High Court as required by Section 61 of the Companies Ordinance.

Assuming that the above conditions are fulfilled, the Capital Reduction will become effective immediately upon the registration of the order of the High Court referred to at (ii) above, which is expected to take place on the business day immediately following the day of the confirmation of the Capital Reduction by the High Court.

## LETTER FROM THE BOARD OF DIRECTORS

Although the section immediately preceding this letter headed "Expected Timetable" gives some guidance as to the relevant dates, the effective date of the Capital Reduction is not ascertainable at present as it is dependent on the approval of the Capital Reduction by the shareholders and the availability of the High Court to hear the proceedings for the confirmation of the Capital Reduction. An application will be made to the High Court in respect of the Capital Reduction as soon as practicable after the passing of the special resolution for the approval of the Capital Reduction by the shareholders at the Extraordinary General Meeting. Further announcement(s) will be made informing the shareholders of the anticipated effective date and, if appropriate, the progress and result of the application to the High Court.

### **Reasons for the Capital Reduction**

At an interim hearing which took place before the confirmation of the reduction of the share capital of the Company by the High Court on 6 January 2004 as mentioned above, the Company gave an undertaking to the High Court that, among other things, the amount in the special capital reserve account would in future be applied for the sole purpose of eliminating or reducing the accumulated losses of the Company.

In addition to fulfilling the undertaking to the High Court, the application of the credit arising from the Capital Reduction for the purpose of eliminating the accumulated losses of the Company in the same amount is designed to bring forward the time when the Company will be in a position to pay dividends to its shareholders and also bring the Company's accounts more nearly into line with its available assets.

**The shareholders, however, should note that there can be no assurance that a dividend will be declared or paid in future even if the Capital Reduction has become effective.**

### **Effect of the Capital Reduction**

Implementation of the Capital Reduction will not, of itself, alter the underlying assets, business, operations, management, financial position (other than as regards payment of the expenses incurred in the Capital Reduction) or the share capital of the Company.

## LETTER FROM THE BOARD OF DIRECTORS

The effect of the Capital Reduction on the Company's shareholders' funds would be as follows:

	<b>Unaudited balances before Capital Reduction, as at 31 October 2006</b>	<b>Unaudited balances after Capital Reduction</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Shareholders' Funds</b>		
Issued share capital		
– 1,714,440,521 ordinary shares of HK\$0.05 each	85,722	85,722
Share premium	3,503,362	2,738,934
Capital reserve	48,380	48,380
Special capital reserve	125,374	–
General reserve	15,600	15,600
Share options reserve	21,558	21,558
Accumulated losses	(889,802)	–
	<u>2,910,194</u>	<u>2,910,194</u>

### RE-ELECTION OF RETIRING DIRECTOR

Further, under Article 85 of the Articles of Association of the Company, the Board of Directors is vested with power to appoint at any time any person as a director of the Company either to fill a casual vacancy or as an addition to the Board. Any director so appointed shall hold office until the next following general meeting of the Company (in case of filling a casual vacancy) or until the next annual general meeting of the Company (in case of an addition to the Board) and, in any event, shall then be eligible for re-election at that meeting. Mr. Ren Suotang, who was appointed as a director by the Board on 18 September 2006 to fill a casual vacancy of the Board, will, in compliance with Article 95, retire at the Extraordinary General Meeting and, being eligible, will offer himself for re-election at the same meeting. Information required to be disclosed under the Listing Rules in relation to Mr. Ren Suotang as a retiring director seeking re-election is set out below.

#### Mr. Ren Suotang

Mr. Ren, aged 42, was appointed as an executive director and a vice-president of the Company by the Board of Directors on 18 September 2006. He also serves as a director of First Harvest Limited, a subsidiary of the Company. Mr. Ren holds a Bachelor of Engineering degree in Metallurgy of Non-ferrous Metals from the Hebei Institute of Mining and Metallurgy in the PRC and a Master of Science degree in Chemical Metallurgy from the Institute of Chemical Metallurgy, Chinese Academy of Sciences in the PRC. He also obtained a Certificate for Senior Economist in International Business from the Ministry of Foreign Trade and Economics Cooperation in the PRC in 1996. Mr. Ren joined China Minmetals Corporation ("China Minmetals"), the ultimate controlling shareholder of the Company, in 1987 and worked for a number of subsidiaries of China Minmetals both in



## LETTER FROM THE BOARD OF DIRECTORS

the PRC and overseas. From 1995 to 1999, he was the deputy general manager of Division 2 of General Import Department of China Minmetals. From 1999 to 2005, he held senior management positions in China Minmetals's overseas subsidiaries in Brazil. Thus Mr. Ren has extensive experience in international metals trading and corporate management.

Mr. Ren has not held any directorship in any listed public companies in the three years prior to the date of this circular. He has not previously held any position with the Company or any of its subsidiaries. Save as disclosed above, Mr. Ren does not have any relationship with any directors, senior management or substantial or controlling shareholders of the Company. As at the date of this circular, Mr. Ren does not have any interest in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong.

Mr. Ren has entered into a service agreement with the Company as an executive director for a term of three years commencing on 18 September 2006. The amount of director's emolument of Mr. Ren is HK\$1,600,000 per annum, including an accommodation benefit of HK\$300,000 per annum. The emolument of an executive director is determined by reference to the management function of the individual director, the Company's performance and profitability as well as remuneration benchmark in the industry and the prevailing market conditions. In addition, on or before 30 April of each year, Mr. Ren is also entitled to a management bonus to be determined by the Board, in its absolute discretion, by reference to the net profits after taxation (but before extraordinary items and non-recurring items as to be determined by the Board) of the group comprising the Company and its subsidiaries in respect of any financial year ending 31 December. The service agreement, however, is subject to Article 85 of the Articles of Association of the Company as well as the Listing Rules which contain provisions for early retirement of directors.

Save as disclosed above, there is no information in relation to the appointment of Mr. Ren which is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules, and there are no other matters which need to be brought to the attention of the holders of the securities of the Company.

### **EXTRAORDINARY GENERAL MEETING**

The notice convening the Extraordinary General Meeting, at which an ordinary resolution for the re-election of Mr. Ren as a director of the Company and a special resolution for the approval of the Capital Reduction will be proposed, is set out on pages 9 and 10 of this circular.

A form of proxy for use at the Extraordinary General Meeting is enclosed. Whether or not you are able to attend and vote at the Extraordinary General Meeting, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's share registrar, Computershare Hong Kong Investor Services Limited at 46th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, as soon as possible and, in any event, not less than 48 hours before

## LETTER FROM THE BOARD OF DIRECTORS

the time appointed for the holding of the Extraordinary General Meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the Extraordinary General Meeting if you so wish.

In accordance with the Company's Articles of Association, certain categories of members may demand that the vote in respect of any of the resolutions to be put at the Extraordinary General Meeting should be taken on a poll. Details of those categories of members who may demand a poll are set out in note 4 at the foot of the notice of the Extraordinary General Meeting.

### RECOMMENDATION

The Board of Directors considers that the re-election of the retiring director and the Capital Reduction are in the best interests of the Company and the shareholders as a whole. Accordingly, the Board recommends all the shareholders to vote in favour of the ordinary resolution and the special resolution to be proposed at the Extraordinary General Meeting.

Yours faithfully  
For and on behalf of the Board  
**Xu Huizhong**  
*Executive Director and President*

## NOTICE OF EXTRAORDINARY GENERAL MEETING



# 五礦資源有限公司

**MINMETALS RESOURCES LIMITED**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 1208)**

**NOTICE IS HEREBY GIVEN** that an Extraordinary General Meeting of Minmetals Resources Limited will be held at Kowloon Room I, M/F, Kowloon Shangri-La Hotel, 64 Mody Road, Tsimshatsui East, Kowloon, Hong Kong on Wednesday, 27 December 2006 at 2:30 p.m. for the purpose of considering and, if thought fit, passing the following resolutions the first of which will be proposed as an Ordinary Resolution and the remainder will be proposed as a Special Resolution:

### ORDINARY RESOLUTION

**“THAT** Ren Suotang be and is hereby re-elected as a director of the Company.”

### SPECIAL RESOLUTION

**“THAT** the Special Capital Reserve Account of the Company be and the same is hereby cancelled and the Share Premium Account of the Company be and the same is hereby reduced from HK\$3,503,361,724.99 to HK\$2,738,933,771.24.”

By Order of the Board

**Xu Huizhong**

*Executive Director and President*

Hong Kong, 30 November 2006

*Notes:*

1. Any member entitled to attend and vote at the Extraordinary General Meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company.
2. To be valid, the form of proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney or authority must be deposited with the Company's share registrar, Computershare Hong Kong Investor Services Limited at 46th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not less than 48 hours before the time for holding the Extraordinary General Meeting or any adjournment thereof.
3. The Register of Members will be closed from 21 December 2006 to 27 December 2006, both days inclusive, during which period no transfer of shares will be effected. In order to be entitled to attend and vote at the Extraordinary General Meeting, all completed transfer forms accompanied by the relevant share certificates must be lodged with the share registrar of the Company mentioned in Note 2 above.

## NOTICE OF EXTRAORDINARY GENERAL MEETING

4. In accordance with Article 65 of the Company's Articles of Association, a resolution to be put to the Extraordinary General Meeting shall be decided by a show of hands unless, before or on the declaration of the result of the show of hands or the withdrawal of any other demand for a poll, a poll is demanded by:
- (i) the chairman of the Extraordinary General Meeting; or
  - (ii) at least three members present in person or by proxy for the time being entitled to vote at the Extraordinary General Meeting; or
  - (iii) any member or members present in person or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the Extraordinary General Meeting; or
  - (iv) any member or members present in person or by proxy and holding shares in the Company conferring a right to vote at the Extraordinary General Meeting, being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.