

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



五礦資源有限公司

MINMETALS RESOURCES LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 1208)

CAPITAL REDUCTION

The Board of Directors of the Company announces that the Company proposes 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 from the Capital Reduction will be sufficient to eliminate the entire accumulated losses of the Company.

The Capital Reduction is conditional on the approval of the shareholders in general meeting, the confirmation of the High Court and the registration of the order of the High Court.

The Capital Reduction which will result in eliminating the entire accumulated losses is designed to ensure that the Company will have a capital structure that would permit the payment of dividends to the shareholders as and when the Board of Directors considers it appropriate in the future.

A circular containing further details concerning the Capital Reduction and a notice convening an extraordinary general meeting to approve the Capital Reduction will be despatched to the shareholders as soon as practicable.

Introduction

The Board of Directors of the Company announces that the Company proposes 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 from the Capital Reduction will be sufficient to eliminate the entire accumulated losses of the Company as at 31 October 2006. The Capital Reduction is expected to give rise to a credit of approximately HK\$890 million, which is equal to the entire accumulated losses of the Company as at 31 October 2006.

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 the share premium account.

Conditions

The Capital Reduction is conditional on the following:

- (i) the passing by the shareholders of a special resolution approving the Capital Reduction at a general meeting of the Company; 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, Chapter 32 of the Laws of Hong Kong.

Assuming that the above conditions are fulfilled, the Capital Reduction will become effective immediately on the registration of the order of the High Court referred to in (ii) above.

The effective date of the Capital Reduction is not certain at present. An application will be made to the High Court in respect of the Capital Reduction as soon as practicable after the approval of the Capital Reduction by the shareholders. Further announcement(s) will be made informing the shareholders of the expected effective date and, if appropriate, the progress and result of the application to the High Court.

Reason for the Capital Reduction

As at 31 October 2006, the Company had, on an unconsolidated basis, accumulated losses of approximately HK\$890 million. The Capital Reduction, which has the effect of setting off the accumulated losses of the Company against the credit arising on the Capital Reduction, is designed to ensure that the Company will have a capital structure that would permit the payment of dividends as and when the Board of Directors considers it appropriate in the future.

At this stage, there can be no assurance that a dividend will be declared or paid in future even if the Capital Reduction has become effective.

Impact 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 the payment of the expenses incurred by the Capital Reduction) or the share capital of the Company.

General

A circular containing further details of the Capital Reduction as well as a notice convening an extraordinary general meeting of the Company for the purpose of considering and, if thought fit, passing the special resolution to approve the Capital Reduction will be despatched to the shareholders as soon as practicable.

Definitions

In this announcement, the following expressions have the meanings set out below, 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
“Company”	Minmetals Resources Limited (五礦資源有限公司)
“High Court”	High Court of the Hong Kong Special Administrative Region of the People’s Republic of China

By order of the board
Xu Huizhong
Executive Director and President

Hong Kong, 29 November 2006

As at the date of this announcement, the Board of Directors of the Company comprises eleven directors, of which three are executive directors, namely Mr. Xu Huizhong, Mr. Wang Lixin and Mr. Ren Suotang; five are non-executive directors, namely Mr. Zhou Zhongshu (Chairman), Ms. Shen Ling, Mr. Zhang Shoulian, Mr. Li Linhu and Mr. Zong Qingsheng; and three are independent non-executive directors, namely Mr. Liu Hongru, Mr. Chan Wai Dune and Mr. Ting Leung Huel, Stephen.

“Please also refer to the published version of this announcement in The Standard.”