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五礦資源有限公司

MINMETALS RESOURCES LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 1208)

CONTINUING CONNECTED TRANSACTIONS

**Independent financial adviser to
the Independent Board Committee and the Independent Shareholders**



SOMERLEY LIMITED

A letter from the Board is set out on pages 4 to 9 of this circular. A letter from the Independent Board Committee is set out on pages 10 to 11 of this circular. A letter from Somerley Limited, the independent financial adviser of the Company, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 12 to 22 of this circular.

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

“2008 Transactions”	the purchase of alumina from Guangxi Huayin by MMA for the period from 30 April 2008 to 31 December 2008
“2009 Transactions”	the purchase of alumina from Guangxi Huayin by MMA for the period from 1 January 2009 to 30 November 2009
“Annual Caps”	the maximum amount of the Continuing Connected Transactions for the one month ending 31 December 2009 being RMB132,000,000 (approximately HK\$150,480,000) and the maximum annual amounts of the Continuing Connected Transactions for three financial years ending 31 December 2010, 2011 and 2012 being RMB1,611,000,000 (approximately HK\$1,836,540,000), RMB1,611,000,000 (approximately HK\$1,836,540,000) and RMB1,611,000,000 (approximately HK\$1,836,540,000), respectively
“Board”	the board of Directors
“Chalco”	中國鋁業股份有限公司 (Aluminium Corporation of China Limited), a joint stock limited company incorporated under the laws of the PRC, the shares of which are listed on the Stock Exchange (Stock Code: 2600)
“Chinalco”	中國鋁業公司 (Aluminium Corporation of China)
“connected person”	has the meaning ascribed to it under the Listing Rules
“Continuing Connected Transactions”	the purchase of alumina from Guangxi Huayin by MMA for the period from 1 December 2009 to 31 December 2012 pursuant to the Sale and Purchase Agreement
“Company”	Minmetals Resources Limited (五礦資源有限公司), a company incorporated on 29 July 1988 in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange

DEFINITIONS

“Coppermine Resources”	Coppermine Resources Limited, holder of approximately 2.22% of the issued share capital of the Company as at the Latest Practicable Date
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Guangxi Huayin”	廣西華銀鋁業有限公司 (Guangxi Huayin Aluminium Company Limited), a company established under the laws of the PRC on 18 February 2003 and is currently owned as to 33% by MMA, 33% by Chalco and 34% by Guangxi Investment
“Guangxi Investment”	廣西投資(集團)有限公司 (Guangxi Investment Group Co., Ltd.)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company comprising all the independent non-executive Directors
“Independent Shareholders”	Shareholders who are not required to abstain from voting in respect of the resolutions (i) approving and the ratifying the 2008 Transactions and the 2009 Transactions; and (ii) approving the Continuing Connected Transactions and the Annual Caps
“Latest Practicable Date”	21 December 2009, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“MMA”	五礦鋁業有限公司 (Minmetals Aluminium Company Limited), a company established under the laws of the PRC on 22 October 2004 and a wholly-owned subsidiary of the Company
“percentage ratios”	has the meaning ascribed to it under the Listing Rules

DEFINITIONS

“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Top Create Resources”	Top Create Resources Limited, holder of approximately 61.17% of the issued share capital of the Company as at the Latest Practicable Date
“Sale and Purchase Agreement”	the sale and purchase agreement entered into between MMA and Guangxi Huayin on 1 December 2009 in relation to the purchase of alumina by MMA from Guangxi Huayin for the period from 1 December 2009 to 31 December 2012
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	fully paid shares of HK\$0.05 each or such other nominal amount prevailing from time to time in the capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Sommerley”	Sommerley Limited, a licensed corporation under the SFO for carrying out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Transactions
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“Transactions”	collectively, the 2008 Transactions, the 2009 Transactions and the Continuing Connected Transactions
“%”	per cent.

Solely for convenience and except as otherwise noted, this circular contains translations of RMB amounts into HK\$ at a rate of RMB1.00 = HK\$1.12 for the 2008 Transactions and at a rate of RMB1.00 = HK\$1.14 for the 2009 Transactions and the Continuing Connected Transactions.

LETTER FROM THE BOARD



五礦資源有限公司

MINMETALS RESOURCES LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 1208)

Chairman:

LI Fuli (*Non-executive Director*)

Executive Directors:

HAO Chuanfu

ZHAN Wei

Non-executive Directors:

SHEN Ling

WANG Lixin

ZONG Qingsheng

XU Jiqing

LI Liangang

Independent Non-executive Directors:

LI Dongsheng

TING Leung Huel, Stephen

LOONG Ping Kwan

Registered Office:

12th Floor

China Minmetals Tower

79 Chatham Road South

Tsimshatsui

Kowloon

Hong Kong

24 December 2009

To the Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

1. INTRODUCTION

Reference is made to the announcement of the Company dated 4 December 2009 in relation to the Transactions.

The purpose of this circular is to provide you with (i) further information regarding the Transactions; (ii) a letter from the Independent Board Committee to the Independent Shareholders in relation to the Transactions; and (iii) a letter from Somerley to the Independent Board Committee and the Independent Shareholders in relation to the Transactions.

LETTER FROM THE BOARD

2. THE 2008 TRANSACTIONS AND THE 2009 TRANSACTIONS

On 30 April 2008 and on 1 January 2009, MMA started to enter into the 2008 Transactions and 2009 Transactions, respectively, with Guangxi Huayin. The principal terms of the 2008 Transactions and the 2009 Transactions are set out below:

Parties	:	MMA and Guangxi Huayin
Product purchased	:	Alumina
Pricing	:	The price of the alumina for the month during which the alumina was delivered was determined by reference to the weighted average of the three-month aluminium futures closing price of the preceding month quoted on the Shanghai Futures Exchange

The terms of the 2008 Transactions and the 2009 Transactions were arrived at after arm's length negotiations between MMA and Guangxi Huayin.

The aggregate values of the 2008 Transactions amounted to RMB571,486,495 (approximately HK\$640,064,874) and the aggregate values of the 2009 Transactions for the period from 1 January 2009 to 30 November 2009 amounted to RMB582,287,538 (approximately HK\$663,807,793), respectively.

3. THE SALE AND PURCHASE AGREEMENT

On 1 December 2009, MMA entered into the Sale and Purchase Agreement in relation to the Continuing Connected Transactions with Guangxi Huayin. The principal terms of the Sale and Purchase Agreement are set out below:

Date	:	1 December 2009
Parties	:	MMA and Guangxi Huayin
Product purchased/ to be purchased	:	Alumina

LETTER FROM THE BOARD

- Pricing : The price of the alumina for the month during which the alumina is delivered is to be determined by reference to the weighted average of the three-month aluminium futures closing price of the preceding month quoted on the Shanghai Futures Exchange
- Term : From 1 December 2009 to 31 December 2012
- Conditions precedent : The Sale and Purchase Agreement is conditional upon the Company obtaining the approval from the Independent Shareholders and complying with all the relevant requirements for continuing connected transactions under the Listing Rules

The terms of the Sale and Purchase Agreement were arrived at after arm's length negotiations between MMA and Guangxi Huayin.

The Company proposes that the maximum amount of the Continuing Connected Transactions for the one month ending 31 December 2009 will be RMB132,000,000 (approximately HK\$150,480,000) and the maximum annual amounts of the Continuing Connected Transactions for the three financial years ending 31 December 2010, 2011 and 2012 will be RMB1,611,000,000 (approximately HK\$1,836,540,000), RMB1,611,000,000 (approximately HK\$1,836,540,000) and RMB1,611,000,000 (approximately HK\$1,836,540,000), respectively.

The Annual Caps were determined by reference to the historical market price of alumina in the PRC market and the planned annual production capacity of Guangxi Huayin.

4. REASONS FOR AND BENEFITS OF THE 2008 TRANSACTIONS, 2009 TRANSACTIONS AND THE CONTINUING CONNECTED TRANSACTIONS

The Group is principally engaged in the trading of non-ferrous metals, with alumina as its main products. The 2008 Transactions, the 2009 Transactions and the Continuing Connected Transactions increased/will increase the Group's secured source of alumina for its trading business and represented/will represent a good opportunity for the Group to leverage on its existing market position to achieve further vertical integration.

The Directors are of the view that the terms of the 2008 Transactions, the 2009 Transactions and the Continuing Connected Transactions are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

5. INFORMATION ABOUT THE GROUP

The Group is engaged in the trading of non-ferrous metals, with alumina as its main product, and the investment in non-ferrous metals related industrial projects, including aluminium fabrication, alumina production, copper fabrication and plica tubes production in the PRC.

6. INFORMATION ABOUT GUANGXI HUAYIN

Guangxi Huayin is a company established under the laws of the PRC on 18 February 2003 and is currently owned as to 33% by MMA, 33% by Chalco and 34% by Guangxi Investment. Guangxi Huayin is principally engaged in the production and sale of alumina and related products. Guangxi Huayin commenced its full operation in May 2008 and has a planned annual production capacity of 1,600,000 tonnes of alumina.

The following financial information is extracted from the audited financial statements of Guangxi Huayin, which is prepared in accordance with the PRC generally accepted accounting principles:

	For the year ended	
	31 December	
	2008	2007
	<i>RMB</i>	<i>RMB</i>
Profit before taxation	1,986,822	0
Profit after taxation	1,986,822	0
	As at 31 December	
	2008	2007
	<i>RMB</i>	<i>RMB</i>
Net asset value	2,124,801,822	1,929,232,500

LETTER FROM THE BOARD

7. GENERAL

Chinalco is a substantial shareholder of a non wholly-owned subsidiary of the Company and hence a connected person of the Company. As Chalco is and during the relevant period had been owned as to over 30% by Chinalco, it is and during the relevant period had been an associate of Chinalco under the Listing Rules and hence a connected person of the Company. Further, since Chinalco and Chalco, taken together, are and during the relevant period had been directly or indirectly interested in over 30% of the equity interests in Guangxi Huayin, Guangxi Huayin is and during the relevant period had also been an associate of Chinalco under the Listing Rules and hence a connected person of the Company. Therefore, transactions between MMA and Guangxi Huayin constitute connected transactions of the Company under the Listing Rules.

As the relevant percentage ratios in respect of each of the 2008 Transactions, the 2009 Transactions and the Continuing Connected Transactions are more than 2.5%, they constitute non-exempt continuing connected transactions of the Company under the Listing Rules and are subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

The Company has obtained a written Shareholders' approval on 1 December 2009 from Coppermine Resources and Top Create Resources, a closely allied group of Shareholders (i) approving, and ratifying the entering into of, the 2008 Transactions and the 2009 Transactions and (ii) approving the Continuing Connected Transactions and the Annual Caps. As at the date of the Sale and Purchase Agreement, Coppermine Resources was interested in 45,000,000 Shares, representing approximately 2.22% of the issued share capital of the Company, and Top Create Resources was interested in 1,239,467,826 Shares, representing approximately 61.17% of the issued share capital of the Company. Coppermine Resources is a wholly-owned subsidiary of China Minmetals Corporation and Top Create Resources is a wholly-owned subsidiary of China Minmetals Non-ferrous Metals Company Limited, which in turn is owned as to 90.27% by China Minmetals Corporation. Coppermine Resources and Top Create Resources together hold more than 50% of the issued share capital of the Company giving the right to attend and vote at a general meeting of the Company. None of the Shareholders is required to abstain from voting if the Company were to convene a general meeting for the purpose of approving the Continuing Connected Transactions. The Company has applied for a waiver pursuant to Rule 14A.43 of the Listing Rules from the requirement under the Listing Rules for the Company to hold a general meeting to consider and approve the Continuing Connected Transactions and the Annual Caps and a waiver has been granted by the Stock Exchange pursuant to Rule 14A.43 of the Listing Rules.

LETTER FROM THE BOARD

8. INDEPENDENT ADVICE

The Directors (including the independent non-executive Directors, having considered the factors and analysis set out in the letter from Somerley set out on pages 12 to 22 of this circular) consider that the entering into of the Transactions is in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole, and the terms of the Transactions are on normal commercial terms and fair and reasonable as far as the Independent Shareholders are concerned.

The letter from the Independent Board Committee to the Independent Shareholders is set out on pages 10 to 11 of this circular and the letter from Somerley to the Independent Board Committee and the Independent Shareholders is set out on pages 12 to 22 of this circular.

9. ADDITIONAL INFORMATION

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

By order of the Board

Hao Chuanfu

Executive Director and President

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



五礦資源有限公司

MINMETALS RESOURCES LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 1208)

24 December 2009

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

We refer to the circular of the Company dated 24 December 2009 (the “Circular”), of which this letter forms part. Terms defined in the Circular shall have the same meanings herein unless the context otherwise requires.

We have been appointed to form the Independent Board Committee to consider and to advise the Independent Shareholders as to whether, in our opinion, the entering into of the Transactions is in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole and the terms of the Transactions are on normal commercial terms and fair and reasonable as far as the Independent Shareholders are concerned. Somerley has been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Transactions.

Please refer to the letter from the Board set out on pages 4 to 9 of the Circular which contains, inter alia, information in respect of the Transactions, and the letter from Somerley set out on pages 12 to 22 of the Circular which contains its advice in respect of the terms of the Transactions.

Having taken into account the advice from Somerley, we consider that the entering into of the Transactions is in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole and the terms of the Transactions are on normal commercial terms and fair and reasonable as far as the Independent Shareholders are concerned.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The Company has obtained a written Shareholders' approval on 1 December 2009 from Coppermine Resources and Top Create Resources, a closely allied group of Shareholders approving, among other things, the Continuing Connected Transactions and the Annual Caps. The Company has applied for a waiver pursuant to Rule 14A.43 of the Listing Rules from the requirement under the Listing Rules for the Company to hold a general meeting to consider and approve the Continuing Connected Transactions and the Annual Caps and a waiver has been granted by the Stock Exchange pursuant to Rule 14A.43 of the Listing Rules. Nevertheless, should a general meeting to be held, we would advise the Independent Shareholders to vote in favour of the resolution(s) in relation to the Continuing Connected Transactions and the Annual Caps.

Your faithfully,

For and on behalf of

the Independent Board Committee

Mr. Li Dongsheng

Mr. Ting Leung Huel, Stephen

Mr. Loong Ping Kwan

Independent non-executive Directors

LETTER FROM SOMERLEY

The following is the letter of advice from Somerley Limited to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.



SOMERLEY LIMITED

10th Floor
The Hong Kong Club Building
3A Chater Road
Central
Hong Kong

24 December 2009

*To: the Independent Board Committee and
the Independent Shareholders of Minmetals Resources Limited*

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in connection with the Transactions and the Annual Caps. Details of the Transactions and the Annual Caps are set out in the letter from the Board contained in the circular of the Company to the Shareholders dated 24 December 2009 (the “Circular”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

MMA had entered into the 2008 Transactions and 2009 Transactions since April 2008 and January 2009 respectively with Guangxi Huayin. On 1 December 2009, MMA entered into the Sale and Purchase Agreement with Guangxi Huayin in relation to the Continuing Connected Transactions for the period from 1 December 2009 to 31 December 2012.

LETTER FROM SOMERLEY

As stated in the letter from the Board, Chinalco is a substantial shareholder of a non wholly-owned subsidiary of the Company and hence a connected person of the Company. As Chalco is and during the relevant period had been owned as to over 30% by Chinalco, it is and during the relevant period had been an associate of Chinalco under the Listing Rules and hence a connected person of the Company. Further, since Chinalco and Chalco, taken together, are and during the relevant period had been directly or indirectly interested in over 30% of the equity interests in Guangxi Huayin, Guangxi Huayin is and during the relevant period had also been an associate of Chinalco under the Listing Rules and hence a connected person of the Company. Therefore, transactions between MMA and Guangxi Huayin constitute connected transactions of the Company under the Listing Rules.

As the relevant percentage ratios in respect of each of the 2008 Transactions, the 2009 Transactions and the Continuing Connected Transactions are more than 2.5%, they constitute non-exempt continuing connected transactions of the Company under the Listing Rules and are subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

The Company has obtained a written Shareholders' approval on 1 December 2009 from Coppermine Resources and Top Create Resources, a closely allied group of Shareholders (i) approving, and ratifying the entering into of, the 2008 Transactions and the 2009 Transactions and (ii) approving the Continuing Connected Transactions and the Annual Caps. As at the date of the Sale and Purchase Agreement, Coppermine Resources was interested in 45,000,000 Shares, representing approximately 2.22% of the issued share capital of the Company, and Top Create Resources was interested in 1,239,467,826 Shares, representing approximately 61.17% of the issued share capital of the Company. Coppermine Resources is a wholly-owned subsidiary of China Minmetals Corporation and Top Create Resources is a wholly-owned subsidiary of China Minmetals Non-ferrous Metals Company Limited, which in turn is owned as to 90.27% by China Minmetals Corporation. Coppermine Resources and Top Create Resources together hold more than 50% of the issued share capital of the Company giving the right to attend and vote at a general meeting of the Company. None of the Shareholders is required to abstain from voting if the Company were to convene a general meeting for the purpose of approving the Continuing Connected Transactions. The Company has applied for a waiver pursuant to Rule 14A.43 of the Listing Rules from the requirement under the Listing Rules for the Company to hold a general meeting to consider and approve the Continuing Connected Transactions and the Annual Caps and a waiver has been granted by the Stock Exchange pursuant to Rule 14A.43 of the Listing Rules.

The Independent Board Committee, comprising all of three independent non-executive Directors, namely Mr. Li Dongsheng, Mr. Ting Leung Huel, Stephen and Mr. Loong Ping Kwan, has been formed to make recommendations to the Independent Shareholders in respect of the terms of each of the Transactions and the Annual Caps. We, Somerley Limited, have been appointed to advise the Independent Board Committee and the Independent Shareholders in the same regard.

LETTER FROM SOMERLEY

Somerley Limited is not connected with the Company, Guangxi Huayin, their respective substantial shareholders or associates and accordingly is considered eligible to give independent advice on the terms of each of the Transactions and the Annual Caps. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company, Guangxi Huayin, their respective substantial shareholders and/or associates.

In formulating our opinion, we have reviewed, amongst others, the Sale and Purchase Agreement, the annual report of the Company for the year ended 31 December 2008, interim report of the Company for the six months ended 30 June 2009 and the information contained in the Circular.

We have relied on the information and facts supplied, and the opinions expressed, by the Directors and management of the Company and have assumed that the information and facts provided and opinions expressed to us are true, accurate and complete in all material aspects at the time they were made. We have also sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed to us. We have relied on such information and consider that the information we have received is sufficient for us to reach an informed view and have no reason to believe that any material information has been withheld, nor doubt the truth or accuracy of the information provided. We have not, however, conducted any independent investigation into the business and affairs of the Group, nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation with regard to the Transactions and the Annual Caps, we have taken into account the principal factors and reasons set out below:

1. Information on the Group

The Group is engaged in the trading of non-ferrous metals, with alumina as its main product, and the investment in non-ferrous metals related industrial projects, including aluminium fabrication, alumina production, copper fabrication and plica tubes production in the PRC. For the six months ended 30 June 2009 and the year ended 31 December 2008, trading of alumina and other non-ferrous metals accounted for approximately 62.3% and 74.7% of the Group's revenue respectively.

Aluminium metal is refined from alumina. The lightness, corrosion resistance and conductivity characteristics of aluminium make it a predominant material for use in construction, power, transportation, packaging and home appliances industries.

LETTER FROM SOMERLEY

Set out below is a summary of the consolidated revenue and profit attributable to the equity holders of the Company for the three financial years ended 31 December 2008 and six months ended 30 June 2009 as extracted from the annual and interim reports of the Company:

	Six months ended 30 June 2009	Year ended 31 December		
	Unaudited	2008	2007	2006
		Audited	Audited and restated	Audited and restated
	<i>HK\$' million</i>	<i>HK\$' million</i>	<i>HK\$' million</i>	<i>HK\$' million</i>
Revenue	2,140.0	8,450.3	7,337.2	10,627.8
Profit attributable to the equity holders of the Company	169.4	12.5	845.7	865.3

As set out in the 2009 interim report of the Company, the severe decline in downstream demand has resulted in suspended production of certain aluminium smelters and plunge in alumina demand since the fourth quarter of 2008. Aluminium price continued the downward trend in January and February 2009, and hit record low in mid-February 2009, almost returning to the same level as 10 years ago. Depressed aluminium price and drastic drop in demand led to extraordinarily difficult operating environment. Since March 2009, key aluminium consumption industries such as construction, real estate, automobile and other industrial production sectors in the PRC have been showing signs of recovery, and monthly consumption has been rising. Accordingly, the Board is cautiously optimistic about the future prospects, in view of various improving economic indicators.

2. Information on Guangxi Huayin

Guangxi Huayin is a company established under the laws of the PRC on 18 February 2003 and is currently owned as to 33% by MMA, 33% by Chalco and 34% by Guangxi Investment. The acquisition of the 33% interest in Guangxi Huayin by the Group was completed in April 2008.

LETTER FROM SOMERLEY

Guangxi Huayin is principally engaged in the production and sale of alumina and related products. Guangxi Huayin commenced its full operation in May 2008 and has a planned annual production capacity of 1,600,000 tonnes of alumina. Based on the Group's 33% interest in Guangxi Huayin, the Group's pro rata sharing in the production capacity of Guangxi Huayin is 528,000 tonnes per annum.

3. The 2008 Transactions and the 2009 Transactions

(i) Reasons for the entering into of the 2008 Transactions and the 2009 Transactions

As stated in the letter from the Board, the 2008 Transactions and the 2009 Transactions increased the Group's secured source of alumina for its trading business and represented a good opportunity for the Group to leverage on its existing market position to achieve further vertical integration.

Given the Group is engaged in the trading of non-ferrous metals, with alumina as its main product, we concur with the Directors' view in respect of the reasons for entering into the 2008 Transactions and the 2009 Transactions and we also consider that the entering into of the two transactions is in the ordinary and usual course of business of the Company and in the interests of the Company and its Shareholders as a whole.

(ii) Principal terms of the 2008 Transactions and the 2009 Transactions

The aggregate values of the 2008 Transactions (for the period from 30 April 2008 to 31 December 2008) amounted to approximately was RMB571.5 million (approximately HK\$640.1 million) and the aggregate value of the 2009 Transactions (for the period from 1 January 2009 to 30 November 2009) amounted to approximately RMB582.3 (approximately HK\$663.8 million), respectively.

As confirmed by the Directors, except during the period from 1 June 2009 to 30 September 2009 when Guangxi Investment had taken up a higher proportion of output, all alumina produced by Guangxi Huayin was sold to the three shareholders on a pro rata basis based on their respective shareholdings in Guangxi Huayin since the commencement of its full operation in May 2008 and up to November 2009. The Directors also confirmed the terms of the supply of alumina by Guangxi Huayin to each of its three shareholders are the same.

LETTER FROM SOMERLEY

Under the 2008 Transactions and 2009 Transactions, the price of the alumina for the month during which the alumina was delivered to the Group was determined by reference to the weighted average of the three-month aluminium futures closing price of the preceding month quoted on the Shanghai Futures Exchange. As mentioned above, this pricing mechanism of the supply of alumina by Guangxi Huayin was the same for all shareholders of Guangxi Huayin including the Group. Moreover, we have reviewed the unit price of the alumina of the 2008 Transactions and the 2009 Transactions and compared with that in the spot market and we noted that the pricings of the 2008 Transactions and the 2009 Transactions were lower than the then spot prices prevailing in the market.

As such, we are of the view that the pricing basis of the 2008 Transactions and the 2009 Transactions are on normal commercial terms and fair and reasonable as far as the Independent Shareholders are concerned.

4. The Continuing Connected Transactions

(i) Reasons for the entering into of the Continuing Connected Transactions

Same as the reasons for the entering into the 2008 Transactions and the 2009 Transactions, the Continuing Connected Transactions will increase the Group's secured source of alumina for its trading business and will represent a good opportunity for the Group to leverage on its existing market position to achieve further vertical integration.

Similarly, we concur with the Directors' view in respect of the reasons for entering into the Continuing Connected Transactions and we also consider that the entering into the Continuing Connected Transactions is in the ordinary and usual course of business of the Company and in the interests of the Company and its Shareholders as a whole.

(ii) Principal terms of the Continuing Connected Transactions

Pursuant to the Sale and Purchase Agreement, the Continuing Connected Transactions have a term of approximately three years and commencing from 1 December 2009 to 31 December 2012.

LETTER FROM SOMERLEY

We have reviewed a number of comparable transactions involving purchases of alumina and aluminium products (the “Comparable Transactions”). We noted that the terms of the Comparable Transactions are of duration ranging from three years to thirty years. Accordingly, the duration of the Sale and Purchase Agreement falls within that of the Comparable Transactions. On such basis, we confirm that it is normal business practice for contracts of the type of the Sales and Purchase Agreement (i.e. three years and one month) to be of such duration.

Moreover, having considered that (i) the Group is principally engaged in the trading of non-ferrous metals with alumina as its main product; (ii) the long-term nature of the Sale and Purchase Agreement will provide a secure supply of alumina to the Group; and (iii) the terms of the Sale and Purchase Agreement were determined at after arm’s length negotiations between the Group and Guangxi Huayin and are on normal commercial terms and fair and reasonable, we are of the view that a term of longer than three years is required. Moreover, the term of the Continuing Connected Transactions of slightly over three years is acceptable as the date of entering into of the Sale and Purchase Agreement by MMA was in early December 2009, which was just one month prior to the financial year end date of the Company.

Pursuant to the Sale and Purchase Agreement, the pricing mechanism of the alumina for the month during which the alumina to be delivered to the Group will be the same as that of the 2008 Transactions and the 2009 Transactions, i.e. to be determined by reference to the weighted average of the three-month aluminium futures closing price of the preceding month quoted on the Shanghai Futures Exchange. In any event, the pricing of the Continuing Connected Transactions will be no less favourable than those offered to the other shareholders of Guangxi Huayin or independent third parties, if any alumina to be sold to the independent third parties.

As agreed among the shareholders of Guangxi Huayin, the alumina produced by Guangxi Huayin would continue to be sold, based on the pre-determined pricing mechanism, to the three shareholders on a pro-rata basis based on their respective shareholdings in Guangxi Huayin. Accordingly, any notional gain or loss (when compared to the prevailing spot price of alumina) on supplying alumina to the shareholders of Guangxi Huayin will also be shared proportionately among themselves and such notional gain or loss will be offset by the corresponding notional loss or gain in Guangxi Huayin’s accounts.

LETTER FROM SOMERLEY

On the above basis and since the terms of the Sale and Purchase Agreement were arrived at after arm's length negotiations between the Group and Guangxi Huayin, we consider that the terms of the Continuing Connected Transactions are on normal commercial terms and fair and reasonable as far as the Independent Shareholders are concerned.

(iii) The Annual Caps

Set out below are (i) the historical purchase amounts and volume of the 2008 Transactions and the 2009 Transactions; and (ii) the proposed Annual Caps, together with the purchase volume under these proposed Annual Caps, for the one month ending 31 December 2009 and the three financial years ending 31 December 2012:

	Year ending/ended 31 December				
	2012	2011	2010	2009	2008
Historical purchase amounts <i>(RMB' million)</i>	–	–	–	582.3 <i>(Note 2)</i>	571.5 <i>(Note 1)</i>
Historical purchase volume <i>(thousand tonnes)</i>	–	–	–	332.9 <i>(Note 2)</i> (annualised: 363.2)	231.0 <i>(Note 1)</i>
Annual Caps <i>(RMB' million)</i>	1,611.0	1,611.0	1,611.0	132.0 <i>(Note 3)</i>	–
Purchase volume under the Annual Caps <i>(thousand tonnes)</i>	528.0	528.0	528.0	55.0 <i>(Note 3)</i>	–
Total amounts <i>(RMB' million)</i>	<u>1,611.0</u>	<u>1,611.0</u>	<u>1,611.0</u>	<u>714.3</u>	<u>571.5</u>

Notes:

1. The amount and volume represent the historical purchase amount and volume, respectively, under the 2008 Transactions during the period from 30 April 2008 to 31 December 2008.
2. The amount and volume represent the historical purchase amount and volume, respectively, under the 2009 Transactions during the period from 1 January 2009 to 30 November 2009.
3. The annual cap and the purchase volume are for the one month ending 31 December 2009.

LETTER FROM SOMERLEY

As stated in the letter from the Board, the Annual Caps were determined by reference to the historical market price of alumina in the PRC market and the planned annual production capacity of Guangxi Huayin.

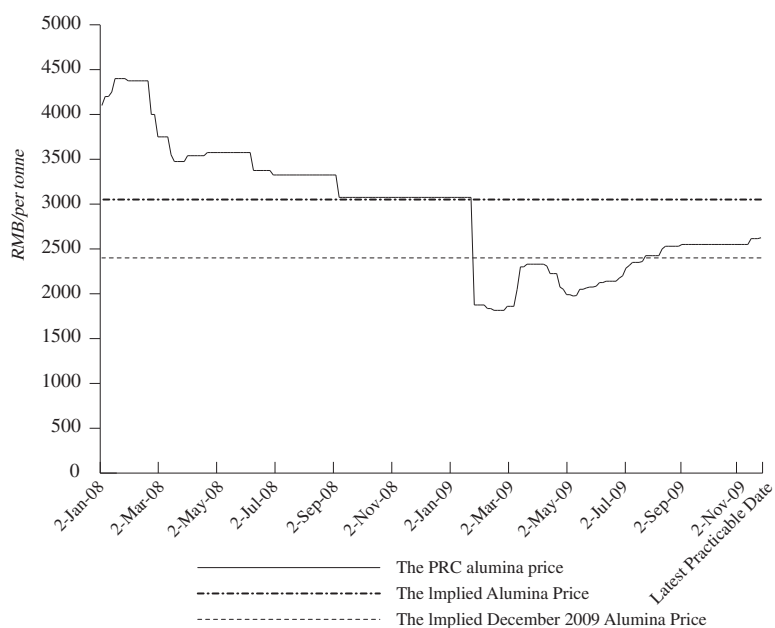
The expected maximum purchase volume of 55,000 tonnes for December 2009 is closed to the actual purchase volumes for October 2009 and November 2009. We therefore consider the estimate for December 2009 is reasonable.

As mentioned above, full production at Guangxi Huayin commenced in May 2008 and the Group purchased approximately 231,000 tonnes of alumina during the year. The purchase volume further increased to approximately 332,900 tonnes or an annualised approximately 363,200 tonnes despite (i) Guangxi Huayin reduced its alumina production for a few months due to severe decline in downstream demand in early 2009; and (ii) a higher proportion of alumina output by Guangxi Huayin was taken up by Guangxi Investment for a few months during 2009. As of September 2009, Guangxi Huayin had already reached its full production capacity. The Directors expect that the Group will take up its entitlement of 528,000 tonnes of alumina, being 33% of the annual planned production capacity of Guangxi Huayin of 1.6 million tonnes, in full in future.

In view of various improving economic indicators of the PRC, we concur with the Directors' view that the demand for alumina is likely to increase for the coming three years and therefore it is reasonable that the production by Guangxi Huayin may reach its planned annual capacity.

Based on the Group's pro rata share in the annual production capacity of Guangxi Huayin as discussed above, the Annual Caps of RMB132.0 million for the month ending 31 December 2009 and RMB1,611.0 million for each of the three financial years ending 31 December 2012 imply average alumina prices of RMB2,400 (equivalent to approximately HK\$2,736) per tonne (the "Implied December 2009 Alumina Price") and approximately RMB3,051 (equivalent to approximately HK\$3,478) per tonne (the "Implied Alumina Price") respectively. Set out in the chart below are the PRC alumina price since January 2008 up to and including the Latest Practicable Date, the Implied December 2009 Alumina Price and the Implied Alumina Price.

LETTER FROM SOMERLEY



Source: Bloomberg and the Company's information

As set out in the chart above, the Implied December 2009 Alumina Price is very close to the recent market prices. Furthermore, the Implied Alumina Price was below the PRC alumina price during most of the time in 2008 until the occurrence of the global financial crisis in late 2008. The PRC alumina spot price, similar to the prices of other materials, dropped dramatically in early 2009 and rebounded partially in recent months. As at the Latest Practicable Date, the PRC alumina price was around RMB2,625 (equivalent to approximately HK\$2,993) per tonne. As discussed with the Directors, the PRC alumina price is primarily tied to the demand of aluminium consumption industries, such as construction, real estate, automobile and other industrial production sectors in the PRC. Accordingly, once these sectors pick up again, both the demand for and the price of alumina will grow. Accordingly, it is reasonable that the average PRC alumina price will go as high as the Implied Alumina Price in the upcoming years.

Having considered the basis on which the Annual Caps were determined as described above, we are of the view that the Annual Caps are fair and reasonable.

LETTER FROM SOMERLEY

OPINION

Having taking into account the above principal factors and reasons, we consider that (i) the entering into of the Transactions is in the ordinary and usual course of business of the Company and in the interests of the Company and its Shareholders as a whole; and (ii) the terms of the Transactions are on normal commercial terms and fair and reasonable as far as the Independent Shareholders are concerned.

As set out in the “Introduction” section above, the Company has applied for, and the Stock Exchange has granted, a waiver pursuant to Rule 14A.43 of the Listing Rules from the requirement under the Listing Rules for the Company to hold a general meeting to consider and approve the Continuing Connected Transactions and the Annual Caps. Accordingly, the Company has obtained a Shareholders’ written approval in lieu of holding a general meeting and no general meeting will be convened to consider and approve the Continuing Connected Transactions and the Annual Caps. Nevertheless, should such a general meeting to be held, we would advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the resolution(s) in relation to the Continuing Connected Transactions and the Annual Caps.

Yours faithfully,
for and on behalf of
SOMERLEY LIMITED
Kenneth Chow
Director – Corporate Finance

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement contained herein misleading.

2. DIRECTORS' DISCLOSURE OF INTERESTS

None of the Directors or the chief executive of the Company or any of their associates had any interests or short positions in any Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required 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 are taken or deemed to have under such provisions of the SFO), the Model Code or which were required to be entered in the register required to be kept under section 352 of the SFO. In addition, save as disclosed above, none of the Directors or the chief executive of the Company nor their spouses or children under 18 years of age had been granted or had exercised any rights to subscribe for any equity or debt securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

As at the Latest Practicable Date:

- (a) none of the Directors had any direct or indirect interest in any assets which have been, since 31 December 2008 (being the date to which the latest published audited consolidated financial statements of the Group were made up), 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; and
- (b) none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group subsisting as at the Latest Practicable Date which was significant in relation to the business of the Group.

3. SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as is known to any Directors or chief executive of the Company, as at the Latest Practicable Date, the following persons (who are not a Director or chief executive of the Company) had an interest or short position in the Shares and 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:

Long position in the Shares

Name	Capacity	Number of Shares held	Approximate percentage of total number of issued Shares (Note (1))
China Minmetals Corporation ("China Minmetals")	Interest of controlled corporation (Notes (2) & (3))	1,284,467,826	63.39%
China Minmetals Non-ferrous Metals Company Limited ("CMN")	Interest of controlled corporation (Note (2))	1,239,467,826	61.17%
Top Create Resources Limited ("Top Create")	Beneficial owner (Note (2))	1,239,467,826	61.17%

Notes:

- (1) The calculation is based on the number of Shares held by each person (whether directly/indirectly interested or deemed to be interested) as a percentage of the total number of issued Shares (i.e. 2,026,216,799 Shares) as at the Latest Practicable Date.
- (2) Top Create is a wholly-owned subsidiary of CMN which in turn is owned as to approximately 90.27% by China Minmetals. Accordingly, CMN and China Minmetals were by virtue of the SFO deemed to be interested in the 1,239,467,826 Shares held by Top Create as at the Latest Practicable Date.
- (3) The interest in the 1,284,467,826 Shares held by China Minmetals also includes an interest in the 45,000,000 Shares held by Coppermine Resources Limited ("Coppermine"), representing approximately 2.22% in the issued shares capital of the Company as at the Latest Practicable Date. Coppermine is a wholly-owned subsidiary of China Minmetals. China Minmetals was therefore deemed, by virtue of the SFO, to have an interest in the Shares in which Coppermine was interested.

Save as disclosed above, so far as is known to any Directors or chief executive of the Company, as at the Latest Practicable Date, no other person (who is not a Director or chief executive of the Company) had an interest or short position in the Shares and 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.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had a service contract with any member of the Group which was not determinable by the Group within one year without payment of compensation other than statutory compensation.

5. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and his associates (as would be required to be disclosed under Rule 8.10 of the Listing Rules if any of them was a controlling shareholder) was interested in any business apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with that of the Group.

6. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2008, being the date up to which the latest published audited consolidated financial statements of the Group were made up.

7. EXPERT AND CONSENT

The following is the qualification of the expert who has given advice which is contained in this circular:

Name	Qualification
Somerley	Licensed corporation under the SFO for carrying out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities

As at the Latest Practicable Date, Somerley did not have:

- (a) any direct or indirect interest in any assets which have since 31 December 2008 (being the date to which the latest published audited consolidated accounts of the Company were made up) 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; or
- (b) any shareholding in any member of the Group 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.

Somerley has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and/or references to its name in the form and context in which it appears.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the registered office of the Company in Hong Kong at 12th Floor, China Minmetals Tower, 79 Chatham Road South, Tsimshatsui, Kowloon, Hong Kong during 9:00 a.m. – 12:30 p.m. and 1:30 p.m. – 5:30 p.m. from Monday to Friday (excluding public holidays) up to and including 18 January 2010:

- (a) the Sale and Purchase Agreement;
- (b) the letter from the Independent Board Committee dated 24 December 2009, the text of which is set out in the section headed “Letter from the Independent Board Committee” in this circular;
- (c) the letter from Somerley dated 24 December 2009, the text of which is set out in the section headed “Letter from Somerley” in this circular; and
- (d) the letter of consent from Somerley referred to in the paragraph headed “Expert and Consent” above.