

*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)**

## **DISCLOSEABLE TRANSACTION**

### **INVESTMENT IN QINGHAI PROVINCE INVESTMENT GROUP LIMITED**

The board of Directors is pleased to announce that on 25 September 2007, the Group, together with the other Purchasers, the other Option Grantors, the Vendors and the Co-Warrantors entered into the Agreement. Pursuant to the Agreement, Shining and Wise Plenty, both being wholly-owned subsidiaries of the Company, have conditionally agreed to purchase from the Vendors 300 ACE Sale Shares and 100 Pearl Bright Sale Shares, representing 50% of the issued share capital in ACE and approximately 16.67% of the issued share capital in Pearl Bright, respectively. ACE and Pearl Bright each hold 30% of the equity interest in Qinghai Investment and each of ACE and Pearl Bright is required to contribute RMB1.0205 billion (equivalent to approximately HK\$1.0511 billion) to Qinghai Investment pursuant to the Capital Increase Agreement.

Pursuant to the Agreement, Shareholder Loans in the total amount of RMB510.25 million (equivalent to approximately HK\$525.56 million) will be provided respectively and in equal proportion by the Option Grantors to the Call Option SPVs, which shall be used by the Call Option SPVs respectively to fund Pearl Bright for the sole purpose of meeting Pearl Bright's equity contribution obligations toward Qinghai Investment.

Further, in consideration of the Vendors' agreement to sell the Sale Shares to the Purchasers, each of the Option Grantors irrevocably grants to each of the Vendors the right to require each of the Option Grantors to sell to the Vendors all the Call Option Shares at the Call Option Exercise Price on and subject to the terms and conditions set out in the Agreement. The Vendors shall purchase the Call Option Shares in equal share upon the Vendors exercising the Call Option at any time during the Call Option Period.

The Agreement and the transactions contemplated thereunder were approved by the Board on 10 October 2007, and Completion took place on the same date.

The acquisition of 300 ACE Sale Shares and 100 Pearl Bright Sale Shares by Shining and Wise Plenty, respectively, which at Completion triggered the formation of a joint venture with Patcham and another joint venture with Rankhigh, Chief Solar and Marysky, respectively, and the granting of a call option by Topstart to the Vendors constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules and are therefore subject to the reporting and announcement requirements thereof. A circular containing, among others, details of the Agreement will be despatched to the shareholders of the Company as soon as practicable.

## **BACKGROUND**

The board of Directors is pleased to announce that on 25 September 2007, Shining and Wise Plenty, as Purchasers, and Topstart, as an Option Grantor, entered into the Agreement with the other Purchasers, the other Option Grantors, the Vendors and the Co-Warrantors for the acquisition of interests in ACE and Pearl Bright, which in turn together hold 60% of the equity interest in Qinghai Investment.

## **THE AGREEMENT**

### **Date**

25 September 2007

### **Parties**

ACE Purchasers:	Shining and Patcham
Pearl Bright Purchasers:	Rankhigh, Chief Solar, Wise Plenty and Marysky
Option Grantors:	Chief Solar Shareholders, Topstart and Drakefell
Vendors:	Bright Island and Global Will
Co-Warrantors:	Simon Xinming Mu, Ying Xia and Bing Zhao

### **Subject matters of the Agreement**

Subject to the terms and conditions of the Agreement, the parties to the Agreement have agreed, among others:

- (1) Bright Island shall sell 300 ACE Sale Shares (representing 50% of the issued share capital in ACE) to Shining and 300 ACE Sale Shares to Patcham;
- (2) Global Will shall sell 300 Pearl Bright Sale Shares (representing 50% of the equity interest in Pearl Bright) to Rankhigh, 100 Pearl Bright Sale Shares (representing approximately 16.67% of the equity interest in Pearl Bright) to Chief Solar, 100 Pearl Bright Sale Shares to Wise Plenty, and 100 Pearl Bright Sale Shares to Marysky;
- (3) in consideration of the Vendors' agreement to sell the Sale Shares to the Purchasers, the Option Grantors shall grant the Call Option to the Vendors;

- (4) the Option Grantors will provide in equal proportion Shareholder Loans in the total amount of RMB510.25 million (equivalent to approximately HK\$525.56 million) to the Call Option SPVs, which shall be used by the Call Option SPVs respectively to fund Pearl Bright for the sole purpose of meeting Pearl Bright's equity contribution obligations towards Qinghai Investment; and
- (5) each of the Vendors and Co-Warrantors has given certain warranties and undertakings to the Purchasers in the terms specified in the Agreement.

Under the Agreement, all warranties, representations, indemnities, covenants, agreements and obligations given or entered into by more than one person are given or entered into independently and separately except for those made by Bing Zhao and Ying Xia, as shareholders of Global Will.

### **Consideration**

The aggregate cash consideration for the Sale Shares shall be US\$1,200 (equivalent to HK\$9,360), out of which:

- (1) Shining and Patcham shall each pay US\$300 (equivalent to HK\$2,340) to Bright Island for the purchase of 300 ACE Sale Shares each;
- (2) Rankhigh shall pay US\$300 (equivalent to HK\$2,340) to Global Will for the purchase of 300 Pearl Bright Sale Shares; and
- (3) Chief Solar, Wise Plenty and Marysky shall each pay US\$100 (equivalent to HK\$780) to Global Will for the purchase of 100 Pearl Bright Sale Shares each.

### **Basis of Consideration**

The amounts payable by the Group under and in connection with the Agreement are:

- (1) US\$300 (equivalent to HK\$2,340), being the consideration payable by Shining to Bright Island for the acquisition of 300 ACE Sale Shares;
- (2) US\$100 (equivalent to HK\$780), being the consideration payable by Wise Plenty to Global Will for the acquisition of 100 Pearl Bright Sale Shares;
- (3) RMB510.25 million (equivalent to approximately HK\$525.56 million), being the equity contribution towards Qinghai Investment payable by Shining through ACE; and
- (4) approximately RMB170.08 million (equivalent to approximately HK\$175.18 million), being the equity contribution towards Qinghai Investment payable by Wise Plenty through Pearl Bright, which shall be funded by the Shareholder Loan from Topstart to Wise Plenty.

The consideration payable by Shining and Wise Plenty for the acquisition of 300 ACE Sale Shares and 100 Pearl Bright Sale Shares, respectively, was determined based on the par value of the shares in the capital of ACE and Pearl Bright of US\$1 each.

The amount of the equity contribution towards Qinghai Investment payable by the Group through Shining and Wise Plenty was determined based on the equity contribution required to be made to Qinghai Investment by ACE and Pearl Bright under the Capital Increase Agreement.

The total amount of US\$400 (equivalent to HK\$3,120) and appropriately RMB680.33 million (equivalent to approximately HK\$700.74 million) will be financed via internal resources or external financing of the Group and part of the proceeds from the issue of the HK\$1,000,000,000 zero coupon guarantee convertible bonds due 2011 by the Group in 2006.

### **Terms of the Shareholder Loans**

The Shareholder Loans are unsecured and interest-free, and shall be drawn down in multiple instalments prior to the Equity Contribution Completion Date.

The Shareholder Loans shall be used for the sole purpose of funding the capital contribution to Qinghai Investment pursuant to the equity joint venture contract and articles of association of Qinghai Investment both dated 15 June 2005 and the Capital Increase Agreement or as agreed between all the investors of Qinghai Investment.

Any portion of the Shareholder Loans shall be repaid on the earliest occurrence of any one of the following event:

- (1) upon presentation of a petition for winding up of one or more of the Call Option SPVs and the Option Grantors or the passing of a resolution to wind up such company or companies; and
- (2) five Business Days after the Option Grantor's receipt of the notice from the Vendors that the Vendors have elected to exercise the Call Option.

A promissory note will be issued and delivered by (i) Chief Solar to Chief Solar Shareholders, (ii) Wise Plenty to Topstart, and (iii) Marysky to Drakefell for each release of any part of the Shareholder Loans.

### **Conditions precedent**

Completion shall be subject to:

- (i) the board approval respectively by ACE Purchasers and Rankhigh, and
- (ii) signing of an escrow agent agreement on the escrow arrangement with respect to the share certificates of the Call Option Shares and other related documents.

The respective boards of directors of the Company and Shining approved the Agreement and the transactions contemplated thereunder on 10 October 2007. Completion took place on the same date.

## **Call Option**

Pursuant to the Agreement, in consideration of the Vendors' agreement to sell the Sale Shares to the Purchasers and payment of US\$50 to each of the Option Grantors, each of the Option Grantors irrevocably grants to each of the Vendors the right to require each of the Option Grantors to sell to the Vendors all the Call Option Shares at the Call Option Exercise Price on and subject to the terms and conditions set out in the Agreement. Each of the Vendors shall purchase 50% of the Call Option Shares in respect of each Call Option SPV upon the Vendors exercising the Call Option at any time during the Call Option Period. The terms and conditions relating to the Call Option will come into effect on the Equity Contribution Completion Date.

Based on the amount of the Shareholder Loan to be advanced by Topstart to Pearl Bright through Wise Plenty under the Agreement and assuming that no part of the Shareholder Loan will be repaid by Wise Plenty to Topstart prior to the completion of the Call Option, the Call Option Exercise Price will amount to US\$200 (equivalent to HK\$1,560) and approximately RMB170.08 million (equivalent to approximately HK\$175.18 million).

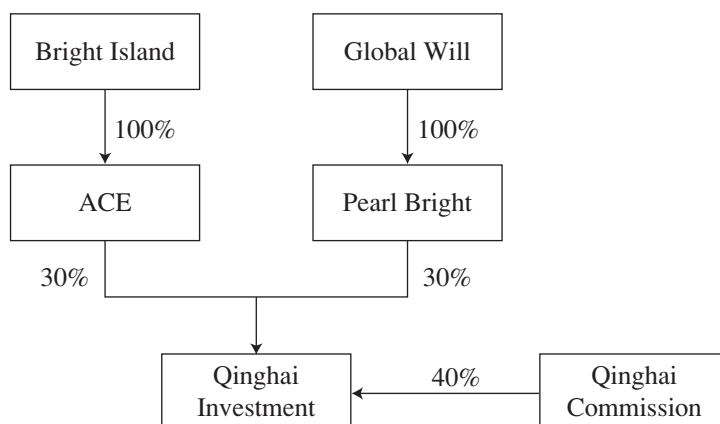
## **Equity contribution and exit**

The equity contributions to be made by ACE and/or Pearl Bright to Qinghai Investment shall be subject to, among others, the obtaining of the board approval respectively by ACE Purchasers and Rankhigh; and/or the satisfactory completion of the due diligence on Qinghai Investment and its subsidiaries. During the period starting from the date of Completion and ending on the Equity Contribution Completion Date, ACE Purchasers may jointly elect to exit their investment in Qinghai Investment by delivering a written notice to Qinghai Commission and Qinghai Investment, in which circumstances Qinghai Investment may be dissolved or the shares that ACE and Pearl Bright respectively own in Qinghai Investment be bought by Qinghai Commission or any other third parties. Each of Rankhigh, Chief Solar and Chief Solar Shareholders has granted an irrevocable consent to any shareholder actions or board actions (at all levels) that might be required to effect such investment exit.

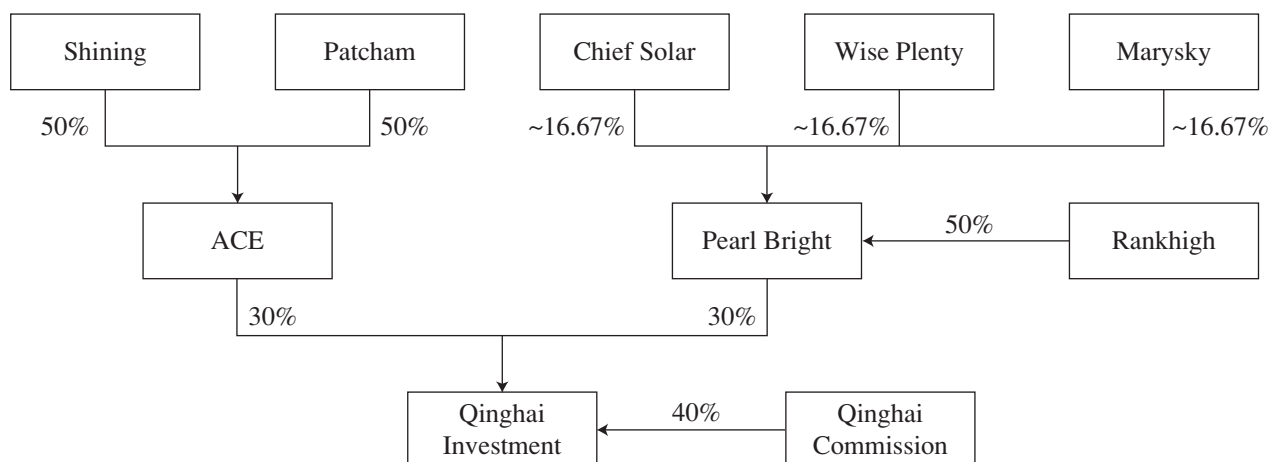
## Corporate Structure before and after Completion

The following diagrams depict the shareholding structure of Qinghai Investment before and immediately after the Completion, respectively:

### Before the Completion



### Immediately after the Completion



## INFORMATION ABOUT ACE, PEARL BRIGHT AND QINGHAI INVESTMENT

### Overview

Based on the due diligence conducted on ACE and Pearl Bright and the on-going due diligence on Qinghai Investment:

- (1) ACE is an investment holding company and it has no material asset other than its 30% equity interest in Qinghai Investment or material liabilities. No financial statements have been prepared for this company;
- (2) Pearl Bright is also an investment holding company and it has no material asset other than its 30% equity interest in Qinghai Investment or material liabilities. No financial statements have been prepared for this company; and

- (3) Qinghai Investment is a Sino-foreign equity joint venture established under the laws of the PRC on 24 May 2006 and its principal business activities are investment in industrial, energy resources, infrastructure and agricultural businesses. Its major assets include (i) aluminium smelters with an annual production capacity of 350,000 tonnes; (ii) hydro power plants with an annual capacity of 284,000 KW; (iii) 130 million tonnes of coal reserves; and (iv) aluminium fabrication plant under construction with an estimated annual production capacity of 200,000 tonnes. Qinghai Investment has a total registered capital of approximately RMB3.4 billion (equivalent to approximately HK\$3.5 billion), the registered capital (by way of assets injection) contributed by Qinghai Commission for its 40% equity interest was approximately RMB1.359 billion (equivalent to approximately HK\$1.400 billion). Each of ACE and Pearl Bright, is required to contribute in cash approximately RMB1.0205 billion (equivalent to approximately HK\$1.0511 billion) for its 30% equity interest in Qinghai Investment.

### Financial information on Qinghai Investment

The following financial information is extracted from the audited consolidated financial statements of Qinghai Investment prepared in accordance with the PRC generally accepted accounting principles:

	<b>As at 31 December</b>	
	<b>2005</b>	<b>2006</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Total asset value	10,056,984	10,362,921
Net asset value	1,449,927	1,157,171

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2005</b>	<b>2006</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Turnover	3,898,429	5,249,894
Profit before taxation and minority interest	330,616	408,229
Profit after taxation and minority interest	94,358	120,497

Upon Completion, Shining and Wise Plenty became the owners of 50% and approximately 16.67% of the equity interests in ACE and Pearl Bright, respectively. The Group's interest in Qinghai Investment will be accounted for as an interest in an associated company in the Group's consolidated financial statements. Shining and Wise Plenty in aggregate now have an indirect effective interest of 20% in Qinghai Investment. Based on the above, the net asset value for the year ended 31 December 2006 attributable to a 20% interest in Qinghai Investment is RMB231,434,200; the profit before taxation and minority interest for the years ended 31 December 2005 and 2006 attributable to a 20% interest in Qinghai Investment are RMB66,123,200 and RMB81,645,800 respectively; and the profit after taxation and minority interest for the years ended 31 December 2005 and 2006 attributable to a 20% interest in Qinghai Investment are RMB18,871,600 and RMB24,099,400 respectively.

## **Use of investment**

Qinghai Investment will use the capital to be contributed by ACE and Pearl Bright for expanding its production scale, improving its production facilities, optimising its investment structure, increasing its production level and other projects and other uses approved by its board of directors.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE AGREEMENT**

The Group is engaged in the trading of alumina and other non-ferrous metals, aluminium fabrication, copper fabrication and plica tubes production and port logistics services and other industrial operations. The Group's strategy is to develop into a conglomerate with an integrated supply-chain covering resources, trading and fabrication of non-ferrous metals. The Directors believe that the Group's investment in Qinghai Investment is a step forward for its integrated supply chain for aluminium business. It will help establish a long term and stable supply relationship with Qinghai Investment's aluminium smelting business for the Group's alumina sales. This investment is expected to also open the door for the Group's future resources and business development opportunities in the Qinghai Province, PRC.

The terms of the Agreement have been determined through arm's length negotiations between the parties and reflect normal commercial terms. The Directors (including the independent non-executive Directors) consider that the terms of the Agreement are fair and reasonable and in the interests of the Company and its shareholders as a whole.

## **PRINCIPAL BUSINESS ACTIVITIES OF THE OTHER PARTIES TO THE AGREEMENT**

The principal business activity of each of Patcham, Rankhigh, Chief Solar, Marysky, Drakefell, Bright Island, and Global Will is investment holding.

## **LISTING RULES IMPLICATIONS**

The applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of (a) the acquisition of 300 ACE Sale Shares and 100 Pearl Bright Sale Shares by Shining and Wise Plenty, respectively, which at Completion triggered the formation of a joint venture with Patcham and another joint venture with Rankhigh, Chief Solar and Marysky, respectively, and (b) the granting of the call option by Topstart to the Vendors, exceed 5% (but not more than 25%). As such, the entering into of the Agreement constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements thereof. A circular containing, among others, details of the Agreement will be despatched to the shareholders of the Company as soon as practicable.



## DEFINITIONS

“ACE”	ACE Honest Group Limited, a company incorporated in the British Virgin Islands, which was wholly-owned by Bright Island before the Completion
“ACE Purchasers”	collectively, Shining and Patcham, and each of them, an “ACE Purchaser”
“ACE Sale Shares”	600 shares in ACE, representing the entire issued share capital of ACE, which were registered in the name of and owned by Bright Island before the Completion
“Agreement”	the agreement for the acquisition of the entire issued share capital of each of ACE and Pearl Bright entered into between the ACE Purchasers, the Pearl Bright Purchasers, the Option Grantors, the Vendors and the Co-Warrantors and dated 25 September 2007
“Bright Island”	Bright Island Industries Limited, a company incorporated in the British Virgin Islands, which is wholly-owned by Simon Xinming Mu, an Independent Third Party
“Business Day”	a day on which banks in Hong Kong, Beijing, Zurich and New York are open for business
“Call Option”	the irrevocable option granted by the Option Grantors to the Vendors entitling the Vendors to purchase from the Option Grantors all the Call Option Shares
“Call Option Exercise Price”	the price payable by the Vendors to the Option Grantors consisting of (i) US\$600 (equivalent to HK\$4,680) in total, US\$200 (equivalent to HK\$1,560) to each Option Grantor, as the price for the purchase from the Option Grantors of all the Call Option Shares on exercise of the Call Option, and (ii) an amount in US dollars equal to the total amount of the Shareholder Loans (i.e. RMB510.25 million (equivalent to approximately HK\$525.56 million)) to be calculated using the middle exchange rate applied by Bank of China on the date when the Call Option is exercised, as the price for the purchase of the Shareholder Loans
“Call Option Period”	the period commencing on the Equity Contribution Completion Date and ending on the earlier of the following dates: (i) the 15th day of the date when Qinghai Commission or Qinghai Investment receives a written confirmation from China Securities Regulatory Commission (“CSRC”) that Qinghai Investment’s application for an initial public offering has been approved by CSRC’s Review Committee of Public Offering (發行審核委員會); and (ii) 31 December 2009

“Call Option Shares”	the entire issued share capital of each of the Call Option SPVs, which in turn together own 50% of the entire issued share capital of Pearl Bright
“Call Option SPVs”	collectively, Chief Solar, Wise Plenty and Marysky, and each of them, a “Call Option SPV”
“Capital Increase Agreement”	the capital increase agreement dated 15 June 2005 and executed between Qinghai Commission, ACE and Pearl Bright in respect of the increase in capital in Qinghai Investment
“Chief Solar”	Chief Solar International Limited, a company incorporated in the British Virgin Islands, which is a subsidiary of the Chief Solar Shareholders
“Chief Solar Shareholders”	Ms. Dai Lian and Ms. Yu Pui Pui Brenda, each being an Independent Third Party
“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 of Hong Kong Limited
“Completion”	completion of the sale and purchase of the Sale Shares in accordance with the Agreement
“Co-Warrantors”	collectively, Simon Xinming Mu, Ying Xia and Bing Zhao, all being Independent Third Parties
“Director(s)”	the director(s) of the Company
“Drakefell”	Drakefell International Limited, a company incorporated in the British Virgin Islands, which is an Independent Third Party, and the ultimate beneficial owner of which is also an Independent Third Party
“Equity Contribution Completion Date”	the date when all of the equity contributions required to be made to Qinghai Investment by ACE and Pearl Bright under the Capital Increase Agreement, precisely RMB2.041 billion (equivalent to approximately HK\$2.102 billion), have been completed, no later than 31 December 2007 but subject to procurement of the approval by the Ministry of Commerce on extension of the equity contribution deadline from 25 May 2007 to 25 November 2007 or a later date
“Global Will”	Global Will Properties Limited, a company incorporated in the British Virgin Islands, which is wholly-owned by Ying Xia and Bing Zhao, each being an Independent Third Party

“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	a party who is a third party independent of the Company and connected persons of the Company and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Marysky”	Marysky International Ltd, a company incorporated in the British Virgin Islands, which is an Independent Third Party and wholly-owned by Drakefell
“Option Grantors”	collectively, Chief Solar Shareholders, Topstart and Drakefell, and each of them, an “Option Grantor”
“Patcham”	Patcham United Corp, a company incorporated in the British Virgin Islands, which is an Independent Third Party and wholly-owned by Drakefell
“Pearl Bright”	Pearl Bright Holdings Limited, a company incorporated in the British Virgin Islands, which was 100%-owned by Global Will before the Completion
“Pearl Bright Purchasers”	Rankhigh, Chief Solar, Wise Plenty and Marksky
“Pearl Bright Sale Shares”	600 shares in Pearl Bright, representing the entire issued share capital of Pearl Bright, which were registered in the name of and owned by Global Will before the Completion
“PRC”	the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, Taiwan and the Macau Special Administrative Region of the PRC)
“Purchasers”	collectively, Shining, Patcham, Rankhigh, Chief Solar, Wise Plenty and Marysky, and each of them, a “Purchaser”
“Qinghai Commission”	青海省政府國有資產監督管理委員會 (Qinghai Province State-owned Asset Supervision and Administration Commission), an Independent Third Party
“Qinghai Investment”	青海省投資集團有限公司 (Qinghai Province Investment Group Limited), a Sino-foreign equity joint venture established under the laws of the PRC on 24 May 2006 and owned as to 40% by Qinghai Commission, 30% by ACE and 30% by Pearl Bright

“Rankhigh”	Rankhigh International Limited, a company incorporated in the British Virgin Islands, which is an Independent Third Party, and the ultimate beneficial owner of which is also an Independent Third Party
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	the ACE Sale Shares and Pearl Bright Sale Shares
“Shareholder Loans”	the loans to be provided respectively and in equal proportion by (i) Chief Solar Shareholders to Chief Solar, (ii) Topstart to Wise Plenty, and (iii) Drakefell to Marysky, in a total amount equivalent to RMB510.25 million (equivalent to approximately HK\$525.56 million), which shall be used by the Call Option SPVs respectively to fund Pearl Bright for the sole purpose of meeting Pearl Bright’s equity contribution obligations toward Qinghai Investment; each of them, a “Shareholder Loan”
“Shining”	Shining Boom Limited, a company incorporated in the British Virgin Islands, which is a wholly-owned subsidiary of the Company
“Topstart”	Topstart Limited, a company incorporated in the British Virgin Islands, which is a wholly-owned subsidiary of the Company
“US\$”	United States dollar(s), the lawful currency of the United States of America
“Vendors”	collectively, Bright Island and Global Will, and each of them, a “Vendor”
“Wise Plenty”	Wise Plenty Limited, a company incorporated in the British Virgin Islands, which is wholly-owned by Topstart and an indirect wholly-owned subsidiary of the Company

Solely for convenience and except as otherwise noted, this announcement contains translation of US\$ amounts into Hong Kong dollars at a rate of US\$1.00 = HK\$7.80 and RMB amounts into Hong Kong dollars at a rate of RMB1.00 = HK\$1.03

By order of the Board  
**Minmetals Resources Limited**  
**Xu Huizhong**  
*Executive Director and President*

Hong Kong, 12 October 2007

*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. Zong Qingsheng and Mr. Cui Hushan; and three are independent non-executive directors, namely Mr. Liu Hongru, Mr. Chan Wai Dune and Mr. Ting Leung Huel, Stephen.*