CHINA MINMETALS NON-FERROUS METALS COMPANY LIMITED

(A joint stock limited company incorporated in the PRC)

五礦資源有限公司
MINMETALS RESOURCES LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 1208)

JOINT ANNOUNCEMENT
VERY SUBSTANTIAL ACQUISITION, CONNECTED TRANSACTION AND REVERSE TAKEOVER INVOLVING A NEW LISTING APPLICATION, AND CONTINUING CONNECTED TRANSACTIONS

INFORMATION CIRCULAR

This joint announcement is made pursuant to Rule 13.09(1) of the Listing Rules. As previously announced by the Company and CMN, completion of the Acquisition is subject to, among others, appropriate arrangements in relation to the Placing having been made to the satisfaction of the Vendor and the Company to ensure that not less than 25% of the issued Shares will be held in public hands upon Completion and such Placing becoming unconditional in all respects (save for any conditions requiring the Completion to take place).

In relation to the Placing, the Company will issue and distribute to potential professional, institutional and other investors the Preliminary Offering Circular. The Preliminary Offering Circular will contain details of the Placing, financial information relating to the MMR Group, the Peak Strategic Group and the Enlarged Group adopting the new HKFRSs which became effective since 1 January 2005 and other information not previously presented in a similar fashion as in the Circular. It will also contain information relating to the Enlarged Group ascertained after the Latest Practicable Date not otherwise in the public domain. Pursuant to the requirements under Rule 13.09(1) of the Listing Rules, the Company will despatch to the Shareholders the Information Circular on 20 September 2005 setting out such information from the Preliminary Offering Circular mentioned above (except for details of the Placing).

As Completion is subject to the fulfillment of a number of conditions precedent, the Acquisition may or may not be completed. No binding agreement has been entered into in relation to the Placing. The Placing may or may not proceed. Further announcement will be made by the Company as and when necessary. Shareholders and potential investors should exercise caution when dealing in the Shares.

INTRODUCTION

Reference is made to the joint announcements of Minmetals Resources Limited (formerly known as Oriental Metals (Holdings) Company Limited) (the "**Company**") (the Company, together with its subsidiaries referred to as the "**MMR Group**") and China Minmetals Non-ferrous Metals Company Limited ("**CMN**") dated 30 December 2004, 19 January 2005, 29 June 2005, 30 June 2005 and 25 July 2005, respectively, the announcement of the Company dated 9 August 2005 and the circular of the Company dated 30 June 2005 (the "**Circular**") regarding the proposed acquisition by the Company of the entire interest of Top Create Resources Limited ("**Top Create Resources**") in Peak Strategic Industries Limited ("**Peak Strategic**", together with its subsidiaries referred to as the "**Peak Strategic Group**"). Unless the context otherwise requires, terms used in this announcement shall have the same respective meanings as those defined in the Circular.

PLACING AND INFORMATION CIRCULAR

The Company and CMN have indicated in the joint announcements and the Circular that completion of the Acquisition is subject to, among others, appropriate arrangements in relation to the Placing having been made to the satisfaction of the Vendor and the Company to ensure that not less than 25% of the issued Shares will be held in public hands upon Completion and such Placing becoming unconditional in all respects (save for any conditions requiring the Completion to take place).

In relation to the Placing, the Company will issue and distribute to potential professional, institutional and other investors a preliminary offering circular (the "**Preliminary Offering Circular**"). The Preliminary Offering Circular will contain details of the Placing, financial information relating to the MMR Group, the Peak Strategic Group and the Enlarged Group adopting the Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (including all Hong Kong Accounting Standards and interpretations) (the "new HKFRSs") which became effective since 1 January 2005 and other information not previously presented in a similar fashion as in the Circular. It will also contain information relating to the Enlarged Group ascertained after the Latest Practicable Date not otherwise in the public domain. Pursuant to the requirements under Rule 13.09(1) of the Listing

Rules, the Company will despatch to the Shareholders an information circular (the "**Information Circular**") setting out such information from the Preliminary Offering Circular mentioned above (except for details of the Placing). Set out below are certain new information in, and extracts from, the Information Circular.

Unaudited consolidated financial statements of the Peak Strategic Group for the six months ended 30 June 2005

(i) Condensed consolidated profit and loss account

	Six months ended 30 June 2005 (Unaudited) *RMB'000*	Six months ended 30 June 2004 (Unaudited) *RMB'000*
Sales	4,624,064	3,648,685
Cost of goods sold	(4,114,650)	(3,231,251)
Gross profit	509,414	417,434
Other revenue	5,512	3,045
Selling and marketing costs	(45,915)	(40,933)
Administrative expenses	(14,517)	(15,814)
Other operating income	28,408	–
Other operating expenses	(184)	(1,408)
Operating profit	482,718	362,324
Finance costs	(8,859)	(39,632)
Share of results of associated company	4,511	–
Profit before income tax	478,370	322,692
Income tax expense	(113,878)	(80,452)
Profit for the period	364,492	242,240
Attributable to:		
Equity holders/owners of the Company	364,270	222,380
Minority interest	222	19,860
	364,492	242,240

During the period, none of the legal entities now comprising the Peak Strategic Group had declared/paid dividends to their shareholders/investors except for the payment of a dividend of RMB607,000 by Minmetals Non-ferrous Lianyungang Company Limited, a subsidiary, to its minority investor.

(ii) Condensed consolidated balance sheet

	As at 30 June 2005 (Unaudited) *RMB'000*	As at 31 December 2004 (Restated) *RMB'000*
ASSETS		
Non-current assets		
Property, plant and equipment	1,360	1,559
Upfront payment for alumina purchasing rights	1,456,515	1,489,637
Intangible assets	7,253	7,253
Interest in associated company	8,459	4,089
Available-for-sale financial assets	183,415	–
Investment securities	–	32,196
Long-term receivables	3,772	7,863
Derivative financial instruments	7,110	–
	1,667,884	1,542,597
Current assets		
Inventories	428,982	697,113
Trade and other receivables	151,741	502,379
Bills receivables	640	22,548
Deferred losses	–	12,282
Derivative financial instruments	5,206	–
Pledged bank deposits	37,244	37,245
Cash and bank balances	840,299	176,061
	1,464,112	1,447,628
Total assets	3,131,996	2,990,225

	As at 30 June 2005 (Unaudited) RMB'000	As at 31 December 2004 (Restated) RMB'000
EQUITY		
Capital and reserves attributable to the equity holders/owners	1,355,194	751,708
Minority interest	429	814
Total equity	1,355,623	752,522
LIABILITIES		
Non-current liabilities		
Borrowings	629,014	653,844
Deferred income	–	8,442
Derivative financial instruments	42,525	6,665
	671,539	668,951
Current liabilities		
Trade and other payables	703,651	793,153
Bill payables	204,757	189,267
Current income tax liabilities	82,325	839
Borrowings	72,880	578,949
Deferred income	931	2,351
Derivative financial instruments	40,290	4,193
	1,104,834	1,568,752
Total liabilities	1,776,373	2,237,703
Total equity and liabilities	3,131,996	2,990,225
Net current assets/(liabilities)	359,278	(121,124)
Total assets less current liabilities	2,027,162	1,421,473

(iii) ***Condensed consolidated cash flow statement***

	Six months ended 30 June 2005 (Unaudited) RMB'000	Six months ended 30 June 2004 (Unaudited) RMB'000
Net cash generated from operating activities	1,236,286	173,530
Net cash used in investing activities	–	(474,888)
Net cash (used in)/generated from financing activities	(570,162)	365,109
Net increase in cash and cash equivalents	666,124	63,751
Cash and cash equivalents at 1 January	176,061	164,000
Exchange losses on cash and cash equivalents	(1,886)	(890)
Cash and cash equivalents at 30 June	840,299	226,861
Analysis of balances of cash and cash equivalents		
Cash and bank balances	840,299	226,861

(iv) ***Notes to the condensed consolidated financial information of the Peak Strategic Group***

1. **Accounting policies**

This financial information has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

This financial information should be read in conjunction with the Accountants' Report set out in the Shareholders' Circular and reproduced in F-2 to F-33 of this Offering Circular.

The accounting policies used in the preparation of this financial information are consistent with those used in the Accountants' Report for the three years ended 31 December 2004 except that the Peak Strategic Group has changed certain of its accounting policies following its adoption of new/revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("HKFRS") which are effective for accounting periods commencing on or after 1 January 2005.

This financial information has been prepared in accordance with those HKFRS standards and interpretations issued and effective as at the time of preparing this information (September 2005). The HKFRS standards and interpretations that will be applicable at 31 December 2005, including those that will be applicable on an optional basis, are not known with certainty at the time of preparing this interim financial information.

The changes to the Peak Strategic Group's accounting policies and the effect of adopting these new policies are set out in note 2 below.

2. Changes in accounting policies

(a) Effect of adopting new HKFRS

In 2005, the Peak Strategic Group adopted the new/revised standards of HKFRS below, which are relevant to its operations. The 2004 comparatives have been amended as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 36	Impairment of Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HK(SIC)-Int 15	Operating Leases – Incentives
HKFRS 3	Business Combinations

The adoption of new/revised HKASs 1, 2, 7, 8, 10, 16, 17, 21, 23, 24, 27, 28 and HK(SIC)-Int 15 did not result in substantial changes to the Peak Strategic Group's accounting policies. In summary:

- HKAS 1 has affected the presentation of minority interest, share of net after-tax results of associates and other disclosures.
- HKASs 2, 7, 8, 10, 16, 17, 23, 27, 28 and HK(SIC)-Int 15 had no material effect on the Peak Strategic Group's policies.
- HKAS 21 had no material effect on the Peak Strategic Group's policy. The functional currency of each entity now comprising the Peak Strategic Group has been re-evaluated based on the guidance to the revised standard. All the entities have the same functional currency as the presentation currency for respective entity financial statements.
- HKAS 24 has affected the identification of related parties and some other related party disclosures.

The adoption of HKASs 32 and 39 has resulted in a change in the accounting policy relating to the classification of financial assets at fair value through profit or loss and available-for-sale financial assets. It has also resulted in the recognition of derivative financial instruments at fair value and the change in the recognition and measurement of hedging activities.

The adoption of HKFRS 3, HKAS 36 and HKAS 38 results in a change in the accounting policy for goodwill. Until 31 December 2004, goodwill was:

- Amortised on a straight line basis over a period of 20 years; and
- Assessed for an indication of impairment at each balance sheet date.

In accordance with the provisions of HKFRS 3:

- The Peak Strategic Group ceased amortisation of goodwill from 1 January 2005;
- Accumulated amortisation as at 31 December 2004 has been eliminated with a corresponding decrease in the cost of goodwill;
- From the year ending 31 December 2005 onwards, goodwill is tested annually for impairment, as well as when there is indication of impairment.

The Peak Strategic Group has reassessed the useful lives of its intangible assets in accordance with the provisions of HKAS 38. No adjustment resulted from this reassessment.

All changes in the accounting policies have been made in accordance with the transition provisions in the respective standards. All standards adopted by the Peak Strategic Group require retrospective application other than:

- HKAS 16 – the initial measurement of an item of property, plant and equipment acquired in an exchange of assets transaction is accounted at fair value prospectively only to future transactions;
- HKAS 21 – prospective accounting for goodwill and fair value adjustments as part of foreign operations;
- HKAS 39 – does not permit to recognise, derecognise and measure financial assets and liabilities in accordance with this standard on a retrospective basis. The Peak Strategic Group applied the previous SSAP 24 "Accounting for investments in securities" to investment securities and also to hedge relationships for the 2004 comparative information. The adjustments required for the accounting differences between SSAP 24 and HKAS 39 are determined and recognised at 1 January 2005.
- HK(SIC)-Int 15 – does not require the recognition of incentives for leases beginning before 1 January 2005.
- HKFRS 3 – prospectively after the adoption date.

(i) The adoption of HKFRS 3 and HKAS 38 resulted in:

	For the six months ended 30 June 2005 *RMB'000*
Decrease in administrative expenses	392

(ii) The adoption of HKAS 39 resulted in an increase in opening other reserves and a decrease in retained earnings at 1 January 2005 by approximately RMB169,908,000 and RMB198,252,000 respectively. The details of the adjustments to the balance sheet at 30 June 2005 and profit and loss for the six months ended 30 June 2005 are as follows:

	As at 30 June 2005
	RMB'000
Increase in available-for-sale financial assets	151,219
Decrease in investment securities	32,196
Increase in derivative financial instruments (assets)	12,316
Increase in derivative financial instruments (liabilities)	73,600
Decrease in deferred losses	11,339
Decrease in deferred income	9,303
Decrease in retained earnings	67,051

	For the six months ended 30 June 2005
	RMB'000
Decrease in fair value reserve (available-for-sale financial assets)	18,689
Decrease in cost of sales	82,408
Decrease in other operating expenses	1,490
Increase in other operating income	28,408
Decrease in finance costs	18,895

No early adoption of the new Interpretation HK(IFRIC)-Int 4 "Determining whether an Arrangement contains a Lease" that has been issued but are not yet effective and applicable to the Peak Strategic Group. The adoption of such Interpretation will not result in substantial changes to the Peak Strategic Group's accounting policies.

(b) *New accounting policies*

The accounting policies used for the financial information for the six months ended 30 June 2005 are the same as those set out in note 2 to the Accountants' Report dated 30 June 2005 except for the following:

2.1 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Peak Strategic Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial information is presented in RMB Yuan, which is Peak Strategic's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Translation difference on non-monetary items, such as equity instruments classified as available-for-sale financial assets, are included in the fair value reserve in equity.

(c) Group companies

The results and financial position of all Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each profit and loss account are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the profit and loss account as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.2 Property, plant and equipment

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

2.3 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Peak Strategic Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing.

2.4 Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation, which are at least tested annually for impairment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

2.5 Investments

From 1 January 2004 to 31 December 2004:

Investment securities are stated at cost less any provision for impairment losses.

The carrying amounts of individual investments are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When a decline other than temporary has occurred, the carrying amount of such securities will be reduced to the fair value. The impairment loss is recognised as an expense in the profit and loss account. This impairment loss is written back to the profit and loss account when the circumstances and events that led to the write-downs or write-offs cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

From 1 January 2005 onwards:

The Peak Strategic Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

(a) Financial assets at fair value through profit or loss
This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

(b) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directory to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet.

(c) Held-to-maturity investments
Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Peak Strategic Group's management has the positive intention and ability to hold to maturity. During the period, the Peak Strategic Group did not hold any investments in this category.

(d) Available-for-sale financial assets
Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Purchases and sales of investments are recognised on trade-date – the date on which the Peak Strategic Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Peak Strategic Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the profit and loss account as gains or losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Peak Strategic Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

The Peak Strategic Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the profit and loss account – is removed from equity and recognised in the profit and loss account. Impairment losses recognised in the profit and loss account on equity instruments are not reversed through the profit and loss account.

2.6 Inventories

Costs of inventories include the transfer from equity of any gains/losses on qualifying cash flow hedges relating to purchases of raw materials.

2.7 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Peak Strategic Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the profit and loss account.

2.8 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Peak Strategic Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.9 Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Peak Strategic Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised either as cash is collected or on a cost-recovery basis as conditions warrant.

Unaudited pro forma financial information of the Enlarged Group

I Unaudited pro forma combined financial statements of the Enlarged Group

(i) Unaudited pro forma combined profit and loss account for the year ended 31 December 2004

		Pro forma adjustments			
	The MMR Group	**The Peak Strategic Group**	**Other adjustments**		**Pro forma Enlarged Group**
	HK$'000	*HK$'000*	*HK$'000*	*Note*	*HK$'000*
Turnover	1,288,485	6,905,650	(164,778)	*(c)*	8,029,357
Cost of sales	(1,095,538)	(6,155,192)	111,993	*(b), (c)*	(7,138,737)
Gross profit	192,947	750,458	(52,785)		890,620
Other revenues	5,539	6,653	–		12,192
Selling expenses	(41,779)	(77,162)	–		(118,941)
Administrative expenses	(66,429)	(43,032)	–		(109,461)
Reversal of consolidated losses upon deconsolidation of subsidiaries	97,350	–	–		97,350
Other income/(expenses), net	64,611	(5,443)	–		59,168
Amortisation of goodwill from the acquisition	–	(554)	(47,000)	*(d)*	(47,554)
Operating profit	252,239	630,920	(99,785)		783,374
Finance costs	(16,403)	(65,822)	–		(82,225)
Share of profits less losses of associated companies	10,272	1,503	–		11,775
Profit before income tax	246,108	566,601	(99,785)		712,924
Income tax expense	(11,688)	(174,888)	–		(186,576)
Profit for the year	234,420	391,713	(99,785)		526,348
Attributable to:					
Equity holders of the Company	217,726	372,777	(99,785)		490,718
Minority interest	16,694	18,936	–		35,630
	234,420	391,713	(99,785)		526,348

(ii) Unaudited pro forma combined profit and loss account for the six months ended 30 June 2005

		Pro forma adjustments			
	The MMR Group	**The Peak Strategic Group**	**Other adjustments**		**Pro forma Enlarged Group**
	HK$'000	*HK$'000*	*HK$'000*	*Note*	*HK$'000*
Turnover	664,215	4,352,880	–		5,017,095
Cost of sales	(596,314)	(3,873,341)	(11,345)	*(b)*	(4,481,000)
Gross profit	67,901	479,539	(11,345)		536,095
Other revenues	4,396	5,189	–		9,585
Selling expenses	(23,055)	(43,222)	–		(66,277)
Administrative expenses	(22,841)	(13,666)	–		(36,507)
Other income/(expenses), net	81,618	26,568	–		108,186
Operating profit	108,019	454,408	(11,345)		551,082

Finance costs	(8,701)	(8,339)	–		(17,040)
Share of profits less losses of associated companies	7,787	4,246	–		12,033
Profit before income tax	107,105	450,315	(11,345)		546,075
Income tax credit/(expense)	1,078	(107,199)	–		(106,121)
Profit for the period	108,183	343,116	(11,345)		439,954
Attributable to:					
Equity holders of the Company	100,345	342,907	(11,345)		431,907
Minority interest	7,838	209	–		8,047
	108,183	343,116	(11,345)		439,954

(iii) Unaudited pro forma combined balance sheet as at 30 June 2005

		Pro forma adjustments			
	The MMR Group *HK$'000*	**The Peak Strategic Group** *HK$'000*	**Other adjustments** *HK$'000*	*Note*	**Pro forma Enlarged Group** *HK$'000*
Non-current assets					
Property, plant and equipment	470,921	1,279	–		472,200
Investment properties	15,286	–	–		15,286
Leasehold land and land use rights	9,567	–	–		9,567
Construction in progress	34,118	–	–		34,118
Upfront payment for alumina purchasing rights	–	1,369,291	510,509	*a(ii)*	1,879,800
Deferred income tax assets	13,294	–	–		13,294
Interests in associated companies	57,101	7,952	–		65,053
Available-for-sale financial assets	–	172,431	–		172,431
Goodwill	–	6,819	939,997	*a(iii)*	946,816
Long-term receivables	4,717	3,546	–		8,263
Derivative financial instruments	–	6,684	–		6,684
	605,004	1,568,002	1,450,506		3,623,512
Current assets					
Inventories	215,740	403,292	–		619,032
Trade receivables, prepayments and other receivables	219,235	142,655	–		361,890
Bills receivables	–	602	–		602
Derivative financial instruments	–	4,894	–		4,894
Bill discounted to banks or endorsed to suppliers	328,268	–	–		328,268
Pledged bank deposits	20,782	35,014	–		55,796
Cash and cash equivalents	259,857	789,977	–		1,049,834
	1,043,882	1,376,434	–		2,420,316
Total assets	1,648,886	2,944,436	1,450,506		6,043,828
Equity and reserves attributable to the Company's equity holders	522,350	1,274,039	1,450,506		3,246,895
Minority interest	186,142	403	–		186,545
Total equity	708,492	1,274,442	1,450,506		3,433,440
Non-current liabilities					
Deferred income	27,758	–	–		27,758
Derivative financial instruments	–	39,978	–		39,978
Bank loans	94,340	591,345	–		685,685
	122,098	631,323	–		753,421
Current liabilities					
Trade payables and accrued charges	249,381	661,513	–		910,894
Bills payable	22,838	192,495	–		215,333
Trade payables under endorsed bills	269,740	–	–		269,740
Advances from banks for bills discounted	58,528	–	–		58,528
Income tax liabilities	12,148	77,395	–		89,543
Deferred income	–	875	–		875
Derivative financial instruments	–	37,877	–		37,877
Bank loans	205,661	68,516	–		274,177

	818,296	1,038,671	–		1,856,967
Total liabilities	940,394	1,669,994	–		2,610,388
Total equity and liabilities	1,648,886	2,944,436	1,450,506		6,043,828
Net current assets	225,586	337,763	–		563,349
Total assets less current liabilities	830,590	1,905,765	1,450,506		4,186,861

(iv) Unaudited pro forma condensed combined cash flow statement for the year ended 31 December 2004

		Pro forma adjustments			
	The MMR Group *HK$'000*	**The Peak Strategic Group** *HK$'000*	**Other adjustments** *HK$'000*	*Note*	**Pro forma Enlarged Group** *HK$'000*
Net cash generated from operating activities	122,998	337,514	–		460,512
Net cash used in investing activities	(47,981)	(443,949)	–		(491,930)
Net cash (used in)/generated from financing activities	(39,660)	118,172	267,962	*(e)*	346,474
Net increase in cash and cash equivalents	35,357	11,737	267,962		315,056
Cash and cash equivalents at 1 January	140,879	153,889	–		294,768
Effect of foreign exchange rate changes	–	(108)	–		(108)
Cash and cash equivalents at 31 December	176,236	165,518	267,962		609,716
Analysis of balances of cash and cash equivalents					
Cash and cash equivalents	176,236	165,518	267,962	*(e)*	609,716

(v) Unaudited pro forma condensed combined cash flow statement for the six months ended 30 June 2005

		Pro forma adjustments			
	The MMR Group *HK$'000*	**The Peak Strategic Group** *HK$'000*	**Other adjustments** *HK$'000*	*Note*	**Pro forma Enlarged Group** *HK$'000*
Net cash generated from operating activities	137,173	1,164,111	–		1,301,284
Net cash used in investing activities	(31,466)	–	–		(31,466)
Net cash used in financing activities	(22,086)	(536,876)	–		(558,962)
Net increase in cash and cash equivalents	83,621	627,235	–		710,856
Cash and cash equivalents at 1 January	176,236	165,518	–		341,754
Effect of foreign exchange rate changes	–	(2,776)	–		(2,776)
Cash and cash equivalents at 30 June	259,857	789,977	–		1,049,834
Analysis of balances of cash and cash equivalents					
Cash and cash equivalents	259,857	789,977	–		1,049,834

(vi) Notes to the unaudited pro forma financial information of the Enlarged Group

1. Introduction

It was announced by the Company's directors on 30 December 2004 that the Company has entered into an acquisition agreement with China Minmetals Non-ferrous Metals Company Limited and Top Create Resources Limited (the "Vendor") for the acquisition of the entire issued share capital of Peak Strategic Industries Limited ("Peak Strategic") at a consideration of HK$2,886 million (the "Acquisition"). The consideration will be satisfied by the allotment and issue of 1,009,090,909 shares of the Company.

The unaudited pro forma combined profit and loss accounts and the unaudited pro forma condensed combined cash flow statements for the year ended 31 December 2004 and the six months ended 30 June 2005 and the unaudited pro forma combined balance sheet as at 30 June 2005 of the Enlarged Group are prepared based on the consolidated accounts of the Company and its subsidiaries (the "MMR Group") and the consolidated accounts of Peak Strategic and its subsidiaries (the "Peak Strategic Group"), after making certain pro forma adjustments as set out in note 2 below. For the purpose of the unaudited pro forma financial information, the consolidated balance sheet of the Peak Strategic Group as at 30 June 2005 is translated from Chinese Renminbi to Hong Kong dollars at the exchange rate ruling at 30 June 2005 at

HK$1=RMB1.0637 whilst the consolidated profit and loss accounts and the condensed consolidated cash flow statements of the Peak Strategic Group are translated at the average rates for the year ended 31 December 2004 and the six months ended 30 June 2005 at HK$1=RMB1.0623.

The unaudited pro forma combined profit and loss accounts and the unaudited pro forma condensed combined cash flow statements for the year ended 31 December 2004 and the six months ended 30 June 2005 of the Enlarged Group are prepared for illustrative purpose as if the Acquisition had been completed on 1 January 2004.

The unaudited pro forma combined balance sheet as at 30 June 2005 of the Enlarged Group is prepared for illustrative purpose as if the Acquisition had been completed on 30 June 2005.

The unaudited pro forma financial information has been prepared to provide the information on the Enlarged Group as a result of the completion of the Acquisition ("Completion"). As it has been prepared for illustrative purpose only and because of its nature, it may not give a true picture of the financial position of the Enlarged Group as at 30 June 2005 and at any future dates. Also, it may not give a true picture of the results and the cash flows of the Enlarged Group for the year ended 31 December 2004, the six months ended 30 June 2005 and for any future financial periods.

2. Pro forma adjustments

(a) Under Hong Kong Financial Reporting Standards ("HKFRS"), the MMR Group will apply the purchase method to account for the acquisition of the Peak Strategic Group in the combined accounts of the Enlarged Group. In applying the purchase method, the identifiable assets, liabilities and contingent liabilities of the Peak Strategic Group will be recorded on the balance sheet of the Enlarged Group at their fair values at the date of Completion. The excess of the cost of acquisition over the fair value of the MMR Group's share of the identifiable net assets acquired will be recorded as goodwill. If the cost of Acquisition is less than the fair value of the net assets of the Peak Strategic Group acquired, the difference will be recognised directly in the profit and loss account.

For the purpose of preparing the unaudited pro forma combined balance sheet of the Enlarged Group after Completion, the net fair value of the identifiable assets, liabilities and contingent liabilities of the Peak Strategic Group as at 30 June 2005 and the fair value of the consideration shares based on the closing market price of the Company's shares as at 30 August 2005 (the latest practicable date for determining the fair value of the consideration shares) are applied in the calculation of the estimated goodwill arising from the Acquisition. Since the fair values of the assets, liabilities and contingent liabilities of the Peak Strategic Group and the fair value of the consideration shares at the date of the Acquisition may be substantially different from their fair values used in the preparation of the unaudited pro forma combined balance sheet presented above, the actual goodwill arising from the Acquisition may be different from the estimated goodwill shown in the unaudited pro forma combined balance sheet.

The adjustments reflect the following

(i) the issuance of the 1,009,090,909 consideration shares of the Company of HK$2.7 each decided on the aforesaid basis, to the Vendor upon Completion;

(ii) the fair value adjustments on the assets of the Peak Strategic Group (these include an upward fair value adjustment in respect of the upfront payment for alumina purchasing rights of approximately HK$510,509,000 which was primarily resulted from the increase in market price of alumina as compared to the market price at contract date of the Alcoa contract); and

(iii) goodwill arising from the acquisition of the Peak Strategic Group by the Company.

(b) The adjustments reflect the additional amortisation arising from the fair value adjustment of the upfront payment for alumina purchasing rights of the Peak Strategic Group.

(c) The adjustments reflect the elimination of inter-company transactions and unrealised profit on inventories at year end between the MMR Group and the Peak Strategic Group through a third party trading company.

(d) The amount represents amortisation of goodwill in accordance with Hong Kong Statement of Standard Accounting Practice No. 30 "Business Combinations" issued by the Hong Kong Institute of Certified Public Accountants.

Such goodwill is amortised using the straight-line method over its estimated useful life of 20 years.

The Peak Strategic Group and the MMR Group adopted the HKFRS from 1 January 2005. Under the HKFRS, amortisation is no longer charged, but goodwill will be tested annually for impairment, as well as when there are indications of impairment.

(e) The adjustment reflects net cash balance receivable from CMN upon the incorporation and transfer of the aluminium trading business to Minmetals Aluminium Company Limited.

The pro forma adjustment (b) will have continuing profit and loss effect on the Enlarged Group, while the pro forma adjustments (c) and (d) will not have such effect.

II Unaudited pro forma combined net tangible assets statement

The following is the unaudited pro forma combined net tangible assets statement of the Enlarged Group as at 30 June 2005 which is based on the unaudited pro forma combined balance sheet as at 30 June 2005:

The statement is prepared for illustrative purpose only and because of its nature, it may not give a true picture of the financial position of the Enlarged Group at any future date.

Unaudited pro forma combined net assets of the Enlarged Group as at 30 June 2005	**Less: Goodwill of the Peak Strategic Group**	**Less: Estimated goodwill arising from the Acquisition**	**Unaudited pro forma combined net tangible assets of the Enlarged Group as at 30 June 2005**	**Unaudited pro forma combined net tangible assets per share of the Enlarged Group as at 30 June 2005**
HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$*
(Note1 and 3)	*(Note1)*	*(Note1)*		*(Note2)*
3,246,895	(6,819)	(939,997)	2,300,079	1.42

Notes:

1. The balance is extracted from "Unaudited pro forma combined balance sheet".
2. The number of shares used for the calculation of this figure is 1,616,440,521 shares, comprising the existing shares of the Company of 607,349,612 as at 30 June 2005 and the consideration shares of 1,009,090,909 new ordinary shares to be allocated and issued by the Company to satisfy the consideration for the Acquisition.
3. The net assets value of the Enlarged Group is equal to the Enlarged Group's "Equity and reserves attributable to the Company's equity holders".

III Compliance with Rule 4.29(7) of the Listing Rules

The report on the unaudited pro forma financial information of the Enlarged Group from the Company's auditors, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, will be included in the Information Circular for the purpose of compliance with Rule 4.29(7) of the Listing Rules.

Related party transactions

As stated in the Circular, the Agreement on Non-transferred Contracts was entered into between Minmetals Aluminium and CMN pursuant to which CMN will sell the alumina sourced under the three then subsisting Non-transferred Sourcing Contracts to Minmetals Aluminium at the contracted purchase price plus RMB1 per tonne and Minmetals Aluminium will sell alumina to CMN for on-sell to the contracting parties under the nine then subsisting Non-transferred Sales Contacts at the contracted sales price minus RMB1 per tonne with effect from 1 January 2005. Since the Latest Practicable Date, the requisite consent for transferring seven out of the nine Non-transferred Sales Contracts from CMN to the Peak Strategic Group has been obtained. The table below sets forth the total purchase price paid/payable and received/receivable under the remaining Non-transferred Contracts and the amount of alumina involved commencing from 1 July 2005.

	6 months ending 31 December 2005	**Year ending 31 December 2006**
Purchase price paid/payable (RMB'000)	630,000	340,000
Sale proceeds received/receivable (RMB'000)	460,000	870,000
Total tonnes of alumina involved (tonnes'000)	430,000	510,000

Relationship with the Minmetals Group

Since the Latest Practicable Date, the 10% minority interest in LYG which the Minmetals Group has openly offered for sale on the 北京產權交易所 (Beijing Equity Exchange) has been transferred to an Independent Third Party.

Presentation of information in the Information Circular

Since the Preliminary Offering Circular is prepared for potential professional, institutional and other investors, information in the Preliminary Offering Circular is presented in a fashion particularly for them and therefore may differ from the presentation in the Circular. In particular, as these potential investors are more interested in the business and other information of the Enlarged Group after completion of the Acquisition, information in the Preliminary Offering Circular, and therefore the extracts therefrom in the Information Circular, is presented on the basis of the Enlarged Group assuming the Acquisition has been completed.

DESPATCH OF THE INFORMATION CIRCULAR

The Information Circular will be despatched to the Shareholders and posted on the websites of the Stock Exchange and the Company (at www.minmetalsresources.com), respectively, on 20 September 2005 and the Preliminary Offering Circular will be distributed to potential professional, institutional and other investors on the same date.

GENERAL

As Completion is subject to the fulfillment of a number of conditions precedent, the Acquisition may or may not be completed.

No binding agreement has been entered into in relation to the Placing. The Placing may or may not proceed. Further announcement will be made by the Company as and when necessary.

Shareholders and potential investors should exercise caution when dealing in the Shares.

By order of the board
China Minmetals Non-ferrous Metals Company Limited
Zhang Shoulian
President

By order of the board
Minmetals Resources Limited
Xu Huizhong
Director and President

Hong Kong, 16 September 2005

As at the date of this announcement, the executive Directors are Messrs. LIN Xizhong (Chairman), XU Huizhong, QIAN Wenchao, and TANG Xiaojin and the independent non-executive Directors are Messrs. LIU Hongru, CHAN Wai Dune and TING Leung Huel, Stephen.

The directors of the Company jointly and severally accept full responsibility for the accuracy of the information contained in this announcement (other than that in relation to the Minmetals Group and the Target Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement (other than that in relation to the Minmetals Group and the Target Group) have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any statement in this announcement (other than that in relation to the Minmetals Group and the Target Group) misleading.

The directors of CMN jointly and severally accepts full responsibility for the accuracy of the information contained in this announcement (other than that in relation to the Group) and confirms, having made all reasonable enquiries, that to the best of its knowledge, opinions expressed in this announcement (other than that in relation to the Group) have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any statement in this announcement (other than that in relation to the Group) misleading.

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