

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim 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)**

**ANNOUNCEMENT OF ANNUAL RESULTS  
FOR THE YEAR ENDED 31 DECEMBER 2009**

The Board of Directors (the "Board") of Minmetals Resources Limited (the "Company" or "Minmetals Resources") submits the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2009. The financial information set out in this announcement does not constitute the Group's statutory financial statements for the year ended 31 December 2009, but represents an extract from those financial statements. The financial information has been reviewed by the Company's audit committee and agreed by the Company's auditor.

**Financial Highlights**

	Year ended 31 December		
	2009	2008	Change
	<i>HK\$ million</i>	<i>HK\$ million</i>	
<b>Revenue</b>	<b>6,215.8</b>	8,450.3	-26.4%
<b>Profit attributable to equity holders of the Company</b>	<b>181.1</b>	12.5	+1,348.8%
<b>Earnings per share - Basic and diluted</b>	<b>HK8.94 cents</b>	HK0.61 cent	+1,365.6%

	As at 31 December		
	2009	2008	Change
	<i>HK\$ million</i>	<i>HK\$ million</i>	
<b>Total assets</b>	<b>8,948.4</b>	8,909.9	+0.4%
<b>Shareholders' funds</b>	<b>6,182.9</b>	6,092.1	+1.5%

## **Chairman's Message**

### **Results**

2009 was a year of turbulence for the non-ferrous metals industry. In respect of the aluminium industry in which the Group was principally operating, prices fell sharply and hit bottom in early 2009, while demand contracted significantly. Prices began to stabilise in the second quarter and then generally displayed an upward trend since the third quarter. Under the volatile market conditions, Minmetals Resources' consolidated revenue for the 12 months ended 31 December 2009 was 6,215.8 million, representing a 26% decline against the previous year. Nonetheless, consolidated net profit amounted to HK\$181.1 million which was substantially better than last year. Basic earnings per share amounted to HK8.94 cents. The Group had leveraged on its prudent management strategy and sound financial position and, given the severe economic and market conditions, I believe it had performed well.

### **Dividend**

After careful consideration of the Group's funding needs for future business opportunities, the Board did not declare the payment of interim dividend for 2009, nor will it recommend the payment of a final dividend. The Board will continue to review the dividend policy in accordance with the operating conditions of Minmetals Resources.

### **Business Review**

With respect to the Group's trading business, sharp fall in aluminium prices and shrinking demand continued through most of the first quarter of 2009 since the global recession began to take effect in the last quarter of 2008. The industry cycle reached bottom in the first quarter of 2009. In the PRC, fuelled by the government's economic stimulus programmes, demand from key aluminium end users such as real estate, automotive and other industrial production sectors resumed uptrend since then. Both aluminium prices and demand in the PRC rebounded. Nevertheless, there was still a significant decline in the average aluminium prices in 2009 as compared to those of 2008. The Group's alumina and aluminium ingot trading business had inevitably been adversely affected. Therefore, segment revenue and profit contribution from trading business for the year decreased as compared with that of the previous year. However, the 400,000 tonnes of imported alumina sourced through Alcoa contract, coupled with the supply from the Group's 33%-owned Guangxi Huayin Aluminium Company Limited ("Guangxi Huayin"), enabled the Group to provide its long-established customer base with stable supply of approximately 900,000 tonnes of alumina per annum. This had been crucial in weathering the negative impact caused by the cyclical decline in alumina demand.

On the front of aluminium resources exploration and operation integration, Guangxi Huayin curtailed production during the year under review in response to the sluggish alumina market in early 2009. With gradual recovery in alumina demand, Guangxi Huayin resumed utilisation of some of its production capacities in May 2009 and reached full production capacity in September 2009. Having benefited from the recovery in price and demand, together with lower unit production cost as a result of increased capacity utilisation, Guangxi Huayin reported continued improvement in profitability. Profit contribution generated in the second half of 2009 offset part of the loss made in the first half, and full year loss for 2009 narrowed substantially as compared with that of the previous year. Guangxi Huayin is one of the largest and the most advanced alumina plants in the PRC. It is also one of a few integrated alumina plants with its own bauxite mine and is among the lowest-cost alumina refinery plants in the PRC. The shareholders of Guangxi Huayin subscribed for new shares in proportion to their respective shareholdings in 2009 and early 2010. Total additional share capital amounted to approximately RMB319.2 million. The additional funding would be used to finance construction of infrastructure and a technology enhancement project driving improvements in energy-saving, wastage reduction and production

efficiency. It is expected, with the success of these enhancements, the efficiency and production capabilities of Guangxi Huayin will be further strengthened. Regarding the Group's project for exploration of bauxite and establishment of an alumina refinery facility in Jamaica, further works undertaken as part of the feasibility study to optimise project value are underway, with an aim to determine the plan for the advancement of the project.

For aluminium fabrication business, the Group's 72.8%-owned subsidiary, North China Aluminium Company Limited ("NCA"), was negatively impacted by recessionary conditions during the year under review. However, effective sales management and cost control offset the negative effects from lower aluminium prices and sales volume. The construction of "1850mm Super-thin, Wide and Compound Aluminium Foil Production Line Project" had progressed smoothly. These production lines are now undergoing trial run, with commercial production scheduled in the second half of 2010. NCA's annual aluminium foil production capacity is expected to be increased by 25,000 tonnes.

Regarding the copper fabrication business, increased government spending in infrastructure led to recovery of the power cable industry. Subsidy scheme for residents buying household appliances boosted demand for magnet wires. The Group's 36.3%-owned jointly-controlled company, Changzhou Jinyuan Copper Company Limited ("Changzhou Jinyuan"), continued to consolidate its market position in copper rod and copper wire supply during the year under review. Changzhou Jinyuan returned to black, making an encouraging profit contribution. The newly built copper rod production line with a 300,000-tonne annual production capacity is on trial run. It is expected that commercial production will commence in mid-2010.

The Group disposed its entire interest of approximately 11.5 million shares in Sino Gold Mining Limited ("Sino Gold") in June 2009. The investment in Sino Gold was not a core business of the Group and the disposal created a good opportunity for realising a gain. The net proceeds of approximately HK\$386.7 million further enhanced the Group's financial strength and provided additional source of fund for future development.

## **Outlook**

An important aspect of the non-ferrous metals industry is its cyclical behaviour. Despite facing cyclical turbulence, Minmetals Resources had performed resiliently during the year under review. The Group had implemented a number of measures to strengthen internal management, including rationalisation of group structure, enhancement of corporate governance and risk management, and disposal of non-core business. All these laid down a solid foundation for future growth. Although major leading economic indicators showed that the worst of the economic downturn may have passed, operating conditions remain challenging. With Minmetals Resources' distinctive and solid mode of operation, the Board is cautiously optimistic about the future. Minmetals Resources will adhere to its strategies, which include: the Group will fully leverage on its competitive edges in alumina and aluminium ingot business operations to maintain and consolidate its market position, and will continue to push ahead with aluminium operation integration to enhance its overall competitiveness; and by capitalising on its status as China Minmetals Corporation's overseas platform for non-ferrous metals businesses, the Group will explore other metals with strategic value and gradually develop into an international metals and mining conglomerate.

On behalf of the Board, I would like to thank our shareholders for their unfailing support and all employees for their wholehearted commitment. Minmetals Resources is dedicated to achieving sustainable growth and creating value for its shareholders in the long run.

**LI Fuli**  
*Chairman*

Hong Kong, 29 March 2010

## Management Discussion and Analysis

### OVERVIEW

Weakened demand and price slump in the alumina and aluminium markets – the aftermath of the global financial tsunami – posed a difficult business environment to the Group in 2009. To cope with this challenge, the Group has stepped up its efforts in market exploitation and analysis, consolidated its operations in the value chain and strengthened its management, operational and cost controls. By securing higher trading volume and better utilisation of its production facilities in the second half of 2009, the Group has experienced a gradual recovery, albeit the uplift is still characterised by uncertainty and volatility in some business units.

The Group's revenue for the year of 2009 amounted to HK\$6,215.8 million, representing a decrease of 26.4% from 2008. However, with improved returns from the aluminium fabrication business and jointly-controlled companies as well as the disposal gain of non-core business, the Group recorded significant improvement in net profit during the year. The profit attributable to the equity holders of the Company increased from HK\$12.5 million in 2008 to HK\$181.1 million in 2009.

### FINANCIAL REVIEW

#### Revenue

	<b>2009</b>	2008	Decrease	
	<b>HK\$ million</b>	HK\$ million	HK\$ million	%
Trading	<b>4,524.5</b>	6,310.4	(1,785.9)	(28.3)
Aluminium fabrication	<b>1,429.2</b>	1,862.4	(433.2)	(23.3)
Other operations	<b>262.1</b>	277.5	(15.4)	(5.5)
Total external revenue	<b>6,215.8</b>	8,450.3	(2,234.5)	(26.4)

The Group recorded consolidated revenue of HK\$6,215.8 million in 2009, representing a decrease of 26.4% when compared to last year. Overall sales volume of the Group saw no significant changes. For the trading business, the decline in alumina sales (about 89,400 tonnes or 6.3%) was largely offset by the increase in aluminium ingot sales (about 12,100 tonnes or 11.9%). For the aluminium fabrication, sales volume decreased by 5.5%. As such, the drop in revenue was mainly attributable to the plunge in alumina and aluminium prices. Although remarkable rebounds already occurred in 2009 – especially in the second half of the year, alumina and aluminium prices still fell far behind the pre-financial tsunami level. The average alumina sales price of the Group dropped by 33.7% from \$3,248 per tonne in 2008 to HK\$2,154 per tonne in 2009.

#### Gross profit

Overall gross profit margin reduced slightly from 4.0% in 2008 to 3.9% in 2009. The Group recorded gross profit of HK\$239.6 million in 2009, a decrease of HK\$96.6 million or 28.7% when compared to 2008. The decline was mainly due to the drop in average selling price.

During the year, trading business – the Group's most important revenue and profit contributor – faced significant pressures on both sales and cost sides. On the sales side, although recovery in alumina price occurred in the second half of 2009, intensified competition and growing surplus

limited the growth momentum. On the cost side, as the cost of alumina sourced under a long-term supply contract from a supplier was in some way correlated to the production cost of that supplier and therefore its fluctuation might not fully match with the alumina price fluctuation in the spot market. Comparing the situation in 2009 to 2008, the fall in the procurement cost of alumina under this contract could not catch up with the corresponding fall in the market price of alumina.

### **Selling expenses**

Sales volume of the Group for the year showed no significant changes but selling expenses decreased by 29.6% to HK\$75.5 million (2008: HK\$107.3 million). This was mainly due to the decrease in transportation and port charges. However, because of the drop in the Group's revenue – mainly due to the substantial decrease in selling price, selling expenses to revenue ratio only decreased slightly from 1.3% to 1.2%.

### **Administrative expenses**

To cope with the difficult economic situation, the Group further tightened its cost controls in 2009. The Group's administrative expenses for the year decreased by 14.9% to HK\$162.2 million (2008: HK\$190.7 million). The decrease was mainly due to the reduction in staff costs and professional fees. However, because of the drop in the Group's revenue – mainly due to the substantial decrease in selling price, administrative expenses to revenue ratio increased from 2.3% to 2.6%.

### **Other (losses)/gains - net**

The Group reported other losses – net of HK\$10.7 million in 2009, compared to other gains – net of HK\$62.8 million in 2008. The major changes in 2009 include: (i) the increase in provision for impairment of other receivables of HK\$46.6 million; and (ii) as Renminbi showed little appreciation during the year, exchange gain recorded in 2009 decreased by HK\$23.7 million when compared to 2008, albeit remarkable exchange gains were derived from the Group's Australian dollars bank deposits in 2009.

The increase in provision for impairment of other receivables in 2009 was mainly related to the Group's trading operation. During the year, the financial position of an aluminium smelter, who entered into tolling arrangement with the Group, was severely affected because of the global financial tsunami and the sudden reduction in its operating scale. This caused it failed to execute the tolling contracts and repay other receivables owed to the Group, amounting to approximately HK\$98.0 million at 31 December 2009, on schedule. In view of the uncertainty of the recoverability of these receivables, specific provision for impairment of approximately HK\$49.0 million was provided. As a protective measure, a power generation unit of this aluminium smelter is pledged as collateral for these receivables. Currently, this aluminium smelter is still in normal production. The Group will continue to make every endeavour to recover these receivables so as to satisfactorily resolve the issue. Although the results for 2009 have been affected to a certain extent, the Group remains in strong liquidity and financial position. All business sections – trading as well as others – have been operating normally.

### **Gain on disposal of available-for-sale financial assets**

In the first half of 2009, the Group disposed its entire interest of approximately 11.5 million shares in Sino Gold Mining Limited and recorded a net gain of approximately HK\$214.7 million.

## Finance costs - net

Finance costs – net increased by HK\$7.9 million from HK\$24.6 million in 2008 to HK\$32.5 million in 2009, mainly due to the decrease in interest income. Under a low interest rate environment, the Group’s interest income decreased by HK\$12.9 million during the year.

## Share of post-tax profits less losses of jointly-controlled companies

The Group’s share of the results of its jointly-controlled companies is as follows:

Jointly-controlled companies	Interest held	2009 <i>HK\$ million</i>	2008 <i>HK\$ million</i>
Changzhou Jinyuan Copper Company Limited ("Changzhou Jinyuan")	36.3%	<b>39.1</b>	(4.4)
Guangxi Huayin Aluminium Company Limited ("Guangxi Huayin")	33%	<b>(18.9)</b>	(33.6)
Mincenco Limited ("Mincenco")	51%	<b>(1.3)</b>	(17.5)
The Group’s share of post-tax profits less losses		<b>18.9</b>	(55.5)

- Changzhou Jinyuan - The increase in profit in 2009 was mainly due to:
- Changzhou Jinyuan’s sales volume of copper rods and wires increased by 6.4% – the subsidy scheme for residents buying household appliances boosted the demand for magnet wires;
  - Proactive inventory management helped Changzhou Jinyuan seized the opportunities in the commodity market and lowered its raw materials procurement costs in 2009;
  - Enhanced production efficiency and cost control;
  - Substantial rebound of copper prices caused the actual losses incurred on certain copper futures contracts upon the execution of their corresponding physical contracts in 2009 were much smaller than the unrealised mark-to-market losses as previously recorded in 2008, and thus boosted the profit in current year; and
  - Provision for certain manufacturing equipments made in the second half of 2009 – in light of the migration to the new production line in next year – partly offset the above positive effect on profit.
- Guangxi Huayin - In 2009, alumina sales and production volume was about 1.3 million tonnes and loss for the year was mainly due to:
- Operating loss incurred in the first half of the year primarily as a result of the weak alumina price and under-utilisation of production capacity; and
  - Situation improved in the second half of the year as economy gradually recovered. Guangxi Huayin resumed to operate at full production capacity in the third quarter and earned positive monthly results in the following months. However, this could not fully recoup the lost ground previously made during the year.
- Mincenco - The bauxite exploration and alumina refinery project in Jamaica is still in the feasibility study phase, so no profit contribution in 2009.

## Share of post-tax profits of associates

The Group's share of the results of its associates is as follows:

Associates	Interest held	2009 <i>HK\$ million</i>	2008 <i>HK\$ million</i>
Sino Nickel Pty Ltd ("Sino Nickel")	40%	<b>8.5</b>	13.7
Qingdao M.C. Packaging Limited ("Qingdao M.C.")	20%	<b>4.8</b>	7.9
Others		<b>0.7</b>	0.9
The Group's share of post-tax profits		<b>14.0</b>	22.5

- Sino Nickel - Sales volume grew by 5.4% but with average selling price of nickel concentrate slumped by about 40%, profit reduced significantly when compared to last year.
- Qingdao M.C. - Sales volume of aluminium cans remained stable. Profit contribution reduced mainly due to decline in and downward pressure on selling price as a result of intense market competition.

## SEGMENTAL ANALYSIS

### Trading

In 2009, trading business accounted for 72.8% (2008: 74.7%) of the Group's external revenue and reported operating loss of HK\$17.4 million (2008: operating profit of HK\$63.3 million). Alumina and aluminium ingots remained the major trading products during the year, representing about 63.8% (2008: 73.6%) and 36.2% (2008: 26.4%) respectively of the external revenue of this segment.

		2009	2008	Increase/(Decrease) %	
<b>External revenue</b>	(HK\$ million)				
Alumina		<b>2,885.2</b>	4,641.4	(1,756.2)	(37.8)
Aluminium ingot		<b>1,638.8</b>	1,666.3	(27.5)	(1.7)
Others		<b>0.5</b>	2.7	(2.2)	(81.5)
Total		<b>4,524.5</b>	6,310.4	(1,785.9)	(28.3)
<b>Sales volume</b>	('000 tonnes)				
Alumina		<b>1,339.6</b>	1,429.0	(89.4)	(6.3)
Aluminium ingot		<b>113.6</b>	101.5	12.1	11.9
<b>Average selling price</b>	(HK\$ per tonne)				
Alumina		<b>2,154</b>	3,248	(1,094)	(33.7)
Aluminium ingot		<b>14,430</b>	16,420	(1,990)	(12.1)
<b>Operating (loss)/profit</b>	(HK\$ million)	<b>(17.4)</b>	63.3	(80.7)	(127.5)

Notwithstanding the concerns about growing surplus and the sustainability of economic recovery, the market prices of alumina and aluminium showed remarkable rebounds since early 2009.

As for the PRC alumina market, spot prices continued to slump at the beginning of 2009 and dropped to about RMB1,800 per tonne (tax included, similarly hereinafter) in February. Then, some signs of stabilisation and support were found in the latter months. In early April, prices jumped by more than 20% to about RMB2,200 to RMB2,300 per tonne in response to the restart of idle capacity by some aluminium smelters and the upsurge of aluminium prices after the buying of aluminium reserve by the State Reserve Bureau. Attracted by the price jumps, certain alumina producers restarted idle capacity but less-than-expected restart of capacity by local aluminium smelters lowered the demand for alumina again. Prices thus eased back in June and traded around RMB2,000 per tonne. Wider economic recovery fueled up the price rises in the second half of the year. Alumina spot prices moved steadily upward from July to September. After reaching RMB2,500 per tonne in September, prices remained relatively flat in the following months. And near the year end, alumina prices rose again and surged to about RMB2,900 per tonne as smelters started to stock materials before the Lunar New Year holiday.

Because of the linkage between alumina and aluminium – alumina is the main raw material used to produce aluminium, aluminium prices also showed similar rebounds during the year, increasing from about RMB12,000 per tonne (tax included, similarly hereinafter) at the beginning of the year to about RMB17,000 per tonne towards the year end.

Although alumina and aluminium prices showed notable rebounds in 2009 when compared to the lowest level last year, the large inventory build-up and uncertainty on the sustainability of economic recovery still raised concerns over the price outlook. Volatile price fluctuations and increasing domestic alumina production posed significant challenges to alumina importers.

To meet with the market changes, the Group has flexibly adjusted the business focus in order to optimise its value chain. During the year, it had strengthened its inventory controls, increased sourcing of commodities from the domestic market and self-owned resources, and expanded the tolling operation. Through these measures and by capitalising on the positive flow-on effects of the stimulus package on alumina and aluminium consumption, the Group only posted slight decline in the trading volume of alumina by 6.3% and recorded 11.9% increase in the trading volume of aluminium ingot.

Nevertheless, due to the plunge in the Group's alumina selling price – dropped about 34% on average when compared to 2008, trading revenue of the Group declined sharply by 28%. This, coupled with the provision for impairment of receivables of HK\$49.0 million and the depressed trading margin, caused the Group's trading segment recorded operating loss of HK\$ 17.4 million in 2009.



## Aluminium Fabrication

Aluminium fabrication accounted for 23.0% (2008: 22.0%) of the Group's external revenue and contributed HK\$43.7 million (2008: HK\$28.8 million) to the Group's operating profit in 2009. The Group operated its aluminium fabrication business through a 72.8%-owned subsidiary, North China Aluminium Company Limited ("NCA").

		<b>2009</b>	2008	Increase/(Decrease)	
				%	
<b>External revenue</b>	(HK\$ million)	<b>1,429.2</b>	1,862.4	(433.2)	(23.3)
<b>Sales volume</b>	('000 tonnes)	<b>74.1</b>	78.4	(4.3)	(5.5)
<b>Operating profit</b>	(HK\$ million)	<b>43.7</b>	28.8	14.9	51.7

Demand for downstream aluminium products has shrunk substantially after the international financial crisis, particularly in the overseas markets. Situation showed some improvements in the second half of 2009 but export slowdown still triggered fierce competition among the PRC manufacturers in the domestic market.

In 2009, sales volume and revenue of NCA decreased by 5.5% and 23.3% respectively when compared to last year. Sales volume declined mildly as the drop in aluminium foil stock (which can be further processed into light gauge aluminium foil) and aluminium fin stock was negated by the increase in other products, like hydrophilic fin stock and PS substrate. As exaggerated by the drop in aluminium price, NCA recorded a higher percentage decline in revenue. As such, the improvement in NCA's operating profit was mainly derived from the cost side, including: (i) reduced staff costs and various administrative expenses; and (ii) decrease in exchange losses.

## Other operations

This segment mainly includes production and sale of aluminium processing equipment, production and sale of plica tubes (flexible metals conduits) and port logistics services, which in aggregate accounted for 4.2% (2008: 3.3%) of the Group's external revenue and contributed HK\$4.9 million (2008: HK\$11.7 million) to the Group's operating profit in 2009.

## **OTHER FINANCIAL INFORMATION**

### **Financial Resources and Liquidity**

The Group remained in a strong liquidity and financial position for the year ended 31 December 2009. During the year, total assets and shareholders' equity increased by 0.4% and 1.5% respectively to HK\$8,948.4 million and HK\$6,182.9 million respectively. Current ratio improved from 2.0 to 2.4.

As at 31 December 2009, the Group was in a net cash position of HK\$762.9 million, representing cash and bank deposits of HK\$1,968.2 million less total borrowings of HK\$1,205.3 million (comprising bank borrowings of HK\$1,009.9 million and advances from banks for discounted bills of HK\$195.4 million). Hence, gearing ratio (defined as total borrowings less cash and bank deposits divided by shareholders' equity) is not applicable.

The Group's cash and bank deposits, amounting to HK\$1,968.2 million at 31 December 2009, were mainly denominated in US dollars (48%), Renminbi (30%) and Australian dollars (21%).

As at 31 December 2009, the profile of the Group's bank borrowings was as follows:

- (1) 58% were in Renminbi and 42% were in US dollars;
- (2) 24% were in fixed rates and 76% were in floating rates;
- (3) 37% were repayable within 1 year, 15% were repayable between 1 and 2 years, 24% were repayable between 2 and 5 years and 24% were repayable after 5 years.

### **Material Acquisitions and Disposals**

In March 2009, the Group increased its investments in its jointly-controlled company, Changzhou Jinyuan, by a cash injection of approximately HK\$42.4 million. The cash contribution from the Group, together with those provided by other shareholders, was used by Changzhou Jinyuan to finance the construction of a new copper rod production line with an annual capacity of 300,000 tonnes. After this cash injection, the Group's interest in Changzhou Jinyuan increased slightly from 36% to about 36.3%.

In June 2009, the Group disposed its entire interest of 11,492,912 shares in Sino Gold Mining Limited to certain independent third parties and recorded a net gain of approximately HK\$214.7 million. The disposal represents a good opportunity to realise a gain from the investment and the net proceeds of approximately HK\$386.7 million would be used by the Group as general working capital and to fund any potential investments available to the Group in the future.

During the year ended 31 December 2009, the Group provided the following cash contributions to its jointly-controlled companies:

- (1) Approximately HK\$38.8 million was provided to Guangxi Huayin to support its construction of transport system and other infrastructures; and
- (2) Approximately HK\$8.1 million was provided to Mincenco to support its daily operations in the feasibility study stage.

After the completion of the capital injection of approximately HK\$1.8 million in November 2009, the Group increased its equity interest in Yin Fa Transportation Company Limited ("Yin Fa"), an associate owned as to 48.5% previously by the Group, to 65%. Yin Fa has been consolidated into the Group's consolidated financial statements since then. Prior to the capital injection, Yin Fa was equity accounted for as an interest in an associate. The principal business of Yin Fa is provision of transportation services.

## **Contingent Liabilities**

The Group had no material contingent liability as at 31 December 2009.

## **Capital Expenditure and Commitments**

The Group incurred capital expenditure of approximately HK\$266.5 million for year ended 31 December 2009, which was mainly related to the construction of a new aluminium foil production line and the upgrade of other production facilities.

The Group's capital commitments as at 31 December 2009 amounted to approximately HK\$54.8 million, which were mainly related to the upgrade and expansion of production facilities in the Group's aluminium fabrication business.

## **Charge on Assets**

As at 31 December 2009, the following assets of the Group were pledged to certain banks for the banking facilities granted to the Group:

- (1) All the equity interests of a wholly-owned subsidiary, Sino Mining Alumina Limited ("Sino Mining") and all the assets of Sino Mining;
- (2) Certain property, plant and equipment, land use rights as well as inventories of the Group with a total carrying amount of approximately HK\$366.5 million; and
- (3) Bank deposits of approximately HK\$35.4 million.

## **Risk Management**

The Group does not and is prohibited to enter into derivative contracts for speculative purpose. Set out below are the risk areas that the Group may enter into derivative contracts or implement other measures from time to time to hedge against the risks.

### **(a) Commodity price risk**

In order to mitigate the price fluctuations of alumina and aluminium that may cause to its trading and aluminium fabrication businesses, the Group has entered into certain aluminium futures contracts in 2009. As at 31 December 2009, the Group's long and short positions in aluminium futures contracts amounted to approximately 5,625 tonnes and 37,595 tonnes respectively.

### **(b) Interest rate risk**

The Group has used interest rate swaps to reduce the impact of interest rate fluctuation on its operation. There was no new interest rate swap entered during the year and the outstanding principal amount of the Group's interest rate swaps amounted to approximately HK\$429.0 million at 31 December 2009.

(c) Foreign exchange risk

The Group's foreign exchange risk exposure primarily related to its operations in Hong Kong, Mainland China and Australia. The Group's revenue is principally denominated in Renminbi and United States dollars, while cost of sales and other expenses are mainly denominated in United States dollars, Renminbi, Australian dollars and Hong Kong dollars. Given the exchange rate peg between Hong Kong dollars and United States dollars, it is not foreseen that the Group will be exposed to significant exchange risk for transactions conducted in these two currencies. However, exchange rate fluctuations of Renminbi or Australian dollars against United States dollars or Hong Kong dollars may affect the Group's performance and asset value. The Group had not entered into any derivative contracts to hedge against this risk for the year ended 31 December 2009.

**Event after balance sheet date**

On 28 January 2010, Minmetals Aluminium Company Limited ("Minmetals Aluminium"), a wholly-owned subsidiary of the Company, entered into an agreement for a capital injection of approximately RMB71,325,000 (equivalent to approximately HK\$81,311,000) into its 33%-owned jointly-controlled company, Guangxi Huayin. Minmetals Aluminium settled the above capital injection in cash on 29 January 2010 and immediately after this, its equity interest in Guangxi Huayin remained unchanged at 33%.

**Human Resources**

At 31 December 2009, the Group employed a total of 2,551 full-time employees (not including the employees of jointly-controlled companies and associates), of which 15 were based in Hong Kong, 13 were in Australia and the remaining ones were in Mainland China. The total staff costs, including the directors' emoluments, for the year ended 31 December 2009 amounted to HK\$136.6 million.

The Group has adopted salary policies in line with market practice and remunerated its employees based on their performance and experience. Other employee benefits include performance-related bonuses, insurance and medical coverage and share option scheme. Whilst pursuing a range of cost-saving measures to improve efficiency amid the difficult operating environment during the year, the Group remains to see committed and competent workforce as a key to corporate success. Various forms of training are provided to staff as and when necessary.

## CONSOLIDATED INCOME STATEMENT

	Note	Year ended 31 December	
		2009	2008
		HK\$'000	HK\$'000
<b>Revenue</b>	3	<b>6,215,828</b>	8,450,300
Cost of sales		<b>(5,976,230)</b>	(8,114,099)
<b>Gross profit</b>		<b>239,598</b>	336,201
Selling expenses		<b>(75,500)</b>	(107,260)
Administrative expenses		<b>(162,242)</b>	(190,690)
Other income	4	<b>21,534</b>	25,759
Other (losses)/gains - net	5	<b>(10,736)</b>	62,775
Provision for impairment of alumina purchasing rights		-	(46,215)
Gain on disposal of available-for-sale financial assets	6	<b>214,722</b>	-
<b>Operating profit</b>	7	<b>227,376</b>	80,570
Finance costs - net	8	<b>(32,471)</b>	(24,647)
Share of post-tax profits less losses of jointly-controlled companies		<b>18,872</b>	(55,543)
Provision for losses in a jointly-controlled company		-	(6,071)
Share of post-tax profits of associates		<b>14,009</b>	22,474
<b>Profit before income tax</b>		<b>227,786</b>	16,783
Income tax (expense)/credit	9	<b>(40,427)</b>	3,623
<b>Profit for the year</b>		<b>187,359</b>	20,406
<b>Attributable to:</b>			
Equity holders of the Company		<b>181,089</b>	12,543
Minority interest		<b>6,270</b>	7,863
		<b>187,359</b>	20,406
<b>Earnings per share for profit attributable to equity holders of the Company</b>			
- Basic and diluted	10	<b>HK8.94 cents</b>	HK0.61 cent
<b>Dividends</b>	11	-	-

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Profit for the year</b>	<b>187,359</b>	20,406
<b>Other comprehensive loss</b>		
Net fair value gain/(loss) on cash flow hedge, net of tax	19,981	(10,232)
Currency translation differences	29,975	83,818
Transfer to income statement on disposal of available-for-sale financial assets	(137,762)	-
Fair value losses on available-for-sale financial assets	-	(208,099)
<b>Other comprehensive loss for the year</b>	<b>(87,806)</b>	(134,513)
<b>Total comprehensive income/(loss) for the year</b>	<b>99,553</b>	(114,107)
<b>Total comprehensive income/(loss) attributable to:</b>		
Equity holders of the Company	93,283	(133,516)
Minority interest	6,270	19,409
	<b>99,553</b>	(114,107)

## CONSOLIDATED BALANCE SHEET

	Note	As at 31 December	
		2009	2008
		HK\$'000	HK\$000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		503,526	520,703
Construction in progress		322,821	103,639
Investment properties		13,150	13,110
Land use rights		8,947	9,303
Alumina purchasing rights		2,420,108	2,558,400
Goodwill		6,849	6,849
Interests in jointly-controlled companies		1,219,628	1,125,868
Interests in associates		118,493	89,247
Long-term prepayments		-	177,840
Available-for-sale financial assets		-	309,790
Deferred income tax assets		39,826	60,027
		<u>4,653,348</u>	<u>4,974,776</u>
<b>Current assets</b>			
Inventories		979,355	693,907
Trade and bills receivables	12	813,985	776,029
Prepayments, deposits and other receivables		522,314	538,385
Derivative financial instruments		4,253	3,925
Current income tax assets		6,957	17,039
Time deposits		218,770	-
Pledged bank deposits		35,361	38,176
Cash and cash equivalents		1,714,093	1,867,712
		<u>4,295,088</u>	<u>3,935,173</u>
<b>Total assets</b>		<u><b>8,948,436</b></u>	<u><b>8,909,949</b></u>
<b>EQUITY</b>			
<b>Capital and reserves attributable to equity holders of the Company</b>			
Share capital	13	101,311	101,455
Reserves		6,081,588	5,990,624
		<u>6,182,899</u>	<u>6,092,079</u>
<b>Minority interest</b>		<u>200,363</u>	<u>193,134</u>
<b>Total equity</b>		<u><b>6,383,262</b></u>	<u><b>6,285,213</b></u>

## CONSOLIDATED BALANCE SHEET (Continued)

	Note	As at 31 December	
		2009	2008
		HK\$'000	HK\$000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred income		40,155	23,967
Derivative financial instruments		-	7,426
Deferred income tax liabilities		122,619	128,987
Bank borrowings		641,573	541,860
		<u>804,347</u>	<u>702,240</u>
<b>Current liabilities</b>			
Trade payables	14	516,691	802,336
Accruals, receipts in advance and other payables		587,853	476,786
Advances from banks for discounted bills		195,403	87,297
Amounts due to intermediate and ultimate holding companies, fellow subsidiaries, a jointly-controlled company and an associate		5,193	200,285
Derivative financial instruments		78,562	47,330
Current income tax liabilities		8,754	1,742
Bank borrowings		368,371	306,720
		<u>1,760,827</u>	<u>1,922,496</u>
<b>Total liabilities</b>		<u>2,565,174</u>	<u>2,624,736</u>
<b>Total equity and liabilities</b>		<u>8,948,436</u>	<u>8,909,949</u>
<b>Net current assets</b>		<u>2,534,261</u>	<u>2,012,677</u>
<b>Total assets less current liabilities</b>		<u>7,187,609</u>	<u>6,987,453</u>



## NOTES

### 1. Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of buildings, investment properties, available-for-sale financial assets and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise their judgement in the process of applying the Group’s accounting policies.

### 2. New and amended accounting standards adopted

During the year, the Group has adopted the following new/revised standards, amendments to standards and interpretations issued by the Hong Kong Institute of Certified Public Accountants, which are effective for the current accounting period of the Group.

#### *HKAS 1 (Revised) - Presentation of financial statements*

The revised standard requires “non-owner changes in equity” to be presented separately from owner changes in equity. As a result, the Group presents all owner changes in equity in the consolidated statement of changes in equity whereas all “non-owner changes in equity” are presented in a performance statement. Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The Group has elected to present two statements: an income statement and a statement of comprehensive income. The consolidated financial statements have been prepared under the revised disclosure requirements. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

#### *HKFRS 8 - Operating segments*

HKFRS 8 replaces HKAS 14 - Segment reporting. It requires a “management approach” under which segment information is presented on the same basis as that used for internal reporting purposes. This contrasts with the presentation of segment information in prior years which was based on a disaggregation of the Group’s financial statements into segments based on related products and services and on geographical areas.

Following the adoption of HKFRS 8, the identification of the Group’s reportable segments has changed. However, the reportable segments identified under HKFRS 8 are same as those reported under HKAS 14 in the Group’s financial statements for the year ended 31 December 2008. Additional explanation regarding the basis of preparation of the information has been included in Note 3. Amounts reported for prior period have been reclassified to conform to the current year’s presentation.

## 2. New and amended accounting standards adopted (Continued)

### *HKAS 23 (Revised) – Borrowing costs*

The standard has been revised to require capitalisation of borrowing costs when such costs are directly attributable to the acquisition, construction or production of a qualifying asset. The revised standard did not have any material impact on the Group's or Company's financial statements as it was consistent with the policies already adopted by the Group and the Company.

### *HKFRS 7(Amendment) - Financial instruments: disclosures*

The amendment increases the disclosure requirements about fair value measurement and reinforces existing principles for disclosure about liquidity risk. The amendment introduces a three-level hierarchy for fair value measurement disclosures and requires some specific quantitative disclosures for financial instruments in the lowest level in the hierarchy. It also requires entities to provide additional disclosures about the relative reliability of fair value measurements. These disclosures will help to improve comparability between entities about the effects of fair value measurements. In addition, the amendment clarifies and enhances the existing requirements for the disclosure of liquidity risk primarily requiring a separate liquidity risk analysis for derivative and non-derivative financial liabilities. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share.

The following amendments to standards and interpretations are also mandatory for the accounting periods beginning on or after 1 January 2009:

HKFRSs (Amendment)	Improvements to HKFRSs 2008 <sup>1</sup>
HKFRS 1 and HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate
HKFRS 2 (Amendment)	Share-based payment – Vesting conditions and cancellations
HKAS 32 and HKAS 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation
HK (IFRIC)- Int 9 and HKAS 39 (Amendments)	Reassessment of embedded derivatives
HK (IFRIC) - Int 13	Customer loyalty programmes
HK (IFRIC) - Int 15	Agreements for the construction of real estate
HK (IFRIC) - Int 16	Hedges of a net investment in a foreign operation
HK (IFRIC) - Int 18	Transfers of assets from customers <sup>2</sup>

<sup>1</sup> Effective for the annual periods beginning on or after 1 January 2009 except for the amendment to HKFRS 5, "Non-current assets held for sale and discontinued operations" which is effective for annual periods beginning on or after 1 July 2009.

<sup>2</sup> Effective for transfer of assets received on or after 1 July 2009.

The adoption of the above amendments to standards and interpretations did not result in a significant impact on the results and financial position of the Group. The Group has not early adopted the revised/new standards, amendments to standards and interpretations that have been issued but are not effective for the accounting periods beginning on 1 January 2009. The Group is in the process of assessing their impact to the Group's results and financial position.

### 3. Segment information

The Group's reportable segments under HKFRS 8, which are same as those identified under HKAS 14 and reported in the Group's financial statements for the year ended 31 December 2008, are as follows:

- Trading : This segment engages in the trading of alumina and aluminium ingot. Alumina is sourced under spot contracts and long-term contracts signed with international and domestic alumina suppliers as well as a jointly-controlled company of the Group, and mainly sold to aluminium smelters in the People's Republic of China (the "PRC"). Aluminium ingot is sourced from PRC aluminium smelters and sold to the Group's aluminium fabrication operation and other PRC customers.
- Aluminium fabrication : This segment engages in the production and sale of aluminium foil, plate, strip and extrusions. Its products are sold throughout the PRC, America and Asia markets.
- Other operations : Operating segments that do not meet the quantitative thresholds are combined as "Other operations", which mainly includes the production and sale of aluminium processing equipment, production and sale of plica tubes and provision of port logistics services.

Segment result represents the profit earned by each segment without allocation of head office's central administration and corporate expenses and share of profits less losses of jointly-controlled companies and associates. This is the measure reported to the chief operating decision-maker for the purposes of resource allocation and assessment of segment performance. In prior years and under HKAS 14, the measure used by the Group for reporting segment profit is operating profit. Other information provided, except as disclosed in the following paragraph, to the chief operating decision-maker is measured in a manner consistent with that in the financial statements.

Segment assets exclude current income tax assets, deferred income tax assets, available-for-sale financial assets and interests in jointly-controlled companies and associates. Segment liabilities exclude current income tax liabilities and deferred income tax liabilities. The excluded assets and liabilities are presented as part of the reconciliation to total balance sheet assets or liabilities.

Inter-segment sales are priced with reference to prices charged to external third parties for similar transactions. Finance costs for inter-segment loans are charged at prevailing market interest rates.

### 3. Segment information (Continued)

The segment revenue and result for the year ended 31 December 2009 are as follows:

For the year ended 31 December 2009							
	Trading	Aluminium fabrication	Other operations	Segment total	Inter-segment elimination	Unallocated (Note)	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
External revenue	4,524,476	1,429,257	262,095	6,215,828	-	-	6,215,828
Inter-segment revenue	864,682	3,205	81,801	949,688	(949,688)	-	-
<b>Revenue</b>	<b>5,389,158</b>	<b>1,432,462</b>	<b>343,896</b>	<b>7,165,516</b>	<b>(949,688)</b>	<b>-</b>	<b>6,215,828</b>
<b>Operating profit</b>	<b>(17,354)</b>	<b>43,657</b>	<b>4,923</b>	<b>31,226</b>	<b>586</b>	<b>195,564</b>	<b>227,376</b>
Finance income	16,806	304	4,824	21,934	(5,078)	7,544	24,400
Finance costs	(31,614)	(30,187)	(148)	(61,949)	5,078	-	(56,871)
<b>Segment result</b>	<b>(32,162)</b>	<b>13,774</b>	<b>9,599</b>	<b>(8,789)</b>	<b>586</b>	<b>203,108</b>	<b>194,905</b>
Share of post-tax profits less losses of jointly-controlled companies							18,872
Share of post-tax profits of associates							14,009
Income tax expense							(40,427)
Profit for the year							187,359
Minority interest							(6,270)
Profit attributable to equity holders of the Company							181,089
<b>Other segment information:</b>							
Additions to non-current assets	980	227,043	38,402	266,425	-	83	266,508
Depreciation of property, plant and equipment	684	58,724	5,727	65,135	-	837	65,972
Amortisation							
- Alumina purchasing rights	138,292	-	-	138,292	-	-	138,292
- Land use rights	-	1,788	36	1,824	-	-	1,824
Other major non-cash expenses/(income)							
- Provision for/(Reversal of provision for) impairment of receivables	48,952	680	2,761	52,393	-	(2,618)	49,775
- Reversal of write-down of inventories	-	-	(230)	(230)	-	-	(230)

Note : Unallocated items mainly include gain on disposal of available-for-sale financial assets, finance income and corporate costs which cannot be meaningfully allocated to individual segments.

### 3. Segment information (Continued)

The segment revenue and result for the year ended 31 December 2008 are as follows:

For the year ended 31 December 2008							
	Trading	Aluminium fabrication	Other operations	Segment total	Inter-segment elimination	Unallocated (Note)	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
External revenue	6,310,402	1,862,359	277,539	8,450,300	-	-	8,450,300
Inter-segment revenue	667,931	-	17,071	685,002	(685,002)	-	-
<b>Revenue</b>	<b>6,978,333</b>	<b>1,862,359</b>	<b>294,610</b>	<b>9,135,302</b>	<b>(685,002)</b>	<b>-</b>	<b>8,450,300</b>
<b>Operating profit</b>	63,255	28,790	11,678	103,723	200	(23,353)	80,570
Finance income	27,957	639	5,422	34,018	(28,496)	31,736	37,258
Finance costs	(57,913)	(31,384)	(283)	(89,580)	28,532	(857)	(61,905)
<b>Segment result</b>	33,299	(1,955)	16,817	48,161	236	7,526	55,923
Share of post-tax profits less losses of jointly-controlled companies							(55,543)
Provision for losses in a jointly-controlled company							(6,071)
Share of post-tax profits of associates							22,474
Income tax credit							3,623
Profit for the year							20,406
Minority interest							(7,863)
Profit attributable to equity holders of the Company							12,543
<b>Other segment information:</b>							
Additions to non-current assets	271	138,514	16,636	155,421	-	3,086	158,507
Depreciation of property, plant and equipment	470	58,974	2,325	61,769	-	487	62,256
Amortisation							
- Alumina purchasing rights	141,140	-	-	141,140	-	-	141,140
- Land use rights	-	1,756	17	1,773	-	-	1,773
Other major non-cash expenses/(income)							
- Write-down of inventories	130,404	12,158	164	142,726	-	-	142,726
- Provision for impairment of alumina purchasing rights	46,215	-	-	46,215	-	-	46,215
- Reversal of provision for impairment of receivables	(2,333)	(2,165)	(1,052)	(5,550)	-	-	(5,550)

Note : Unallocated items mainly include finance income, finance costs and corporate costs which cannot be meaningfully allocated to individual segments.

### 3. Segment information (Continued)

The segment assets and liabilities are as follows:

At 31 December 2009						
	Trading	Aluminium fabrication	Other operations	Segment total	Unallocated (Note)	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Segment assets</b>	<b>5,068,045</b>	<b>1,582,026</b>	<b>582,570</b>	<b>7,232,641</b>	<b>330,891</b>	<b>7,563,532</b>
Interests in jointly-controlled companies						1,219,628
Interests in associates						118,493
Deferred income tax assets						39,826
Current income tax assets						6,957
Total assets						<u>8,948,436</u>
<b>Segment liabilities</b>	<b>1,002,540</b>	<b>937,150</b>	<b>491,671</b>	<b>2,431,361</b>	<b>2,440</b>	<b>2,433,801</b>
Deferred income tax liabilities						122,619
Current income tax liabilities						8,754
Total liabilities						<u>2,565,174</u>
At 31 December 2008						
	Trading	Aluminium fabrication	Other operations	Segment total	Unallocated (Note)	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Segment assets</b>	<b>4,722,711</b>	<b>1,474,545</b>	<b>501,109</b>	<b>6,698,365</b>	<b>609,613</b>	<b>7,307,978</b>
Interests in jointly-controlled companies						1,125,868
Interests in associates						89,247
Available-for-sale financial assets						309,790
Deferred income tax assets						60,027
Current income tax assets						17,039
Total assets						<u>8,909,949</u>
<b>Segment liabilities</b>	<b>1,311,771</b>	<b>775,688</b>	<b>394,516</b>	<b>2,481,975</b>	<b>12,032</b>	<b>2,494,007</b>
Deferred income tax liabilities						128,987
Current income tax liabilities						1,742
Total liabilities						<u>2,624,736</u>

Note : Unallocated items mainly include available-for-sale financial assets, and assets and liabilities that are not directly attributable to any reportable segment.

### 3. Segment information (Continued)

The Company is domiciled in Hong Kong. The revenues from external customers are attributed to countries on the basis of the customer's location. For the years ended 31 December 2009 and 2008, no single external customer accounted for 10% or more of the Group's total revenue.

	External revenue		Interests in jointly-controlled companies and associates		Other non-current assets (not including deferred income tax assets and available-for-sale financial assets)	
	Year ended 31 December		At 31 December		At 31 December	
	2009	2008	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Mainland China	5,852,850	7,067,128	1,248,003	1,152,877	851,170	826,546
Australia	162,256	606,503	90,113	62,238	2,421,158	2,559,470
Hong Kong	13,079	1,268	-	-	3,073	3,828
Others	187,643	775,401	5	-	-	-
Total	6,215,828	8,450,300	1,338,121	1,215,115	3,275,401	3,389,844

### 4. Other income

	2009	2008
	HK\$'000	HK\$'000
Compensation received from customers for cancellation of contracts	10,260	4,359
Sales of by-products and other services income	6,986	8,628
Amortisation of deferred income	2,736	2,688
Government grant and tax refund on reinvestment in a PRC subsidiary	643	2,642
Rental income from investment properties	611	615
Others	298	6,827
	21,534	25,759

## 5. Other (losses)/gains – net

	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Exchange gains - net	43,480	67,205
Gains/(Losses) on disposal of property, plant and equipment	1,062	(168)
Fair value gains on investment properties	40	3,188
Net losses on aluminium futures contracts	(3,690)	(12,897)
(Provision for)/Reversal of provision for impairment of receivables	(49,775)	5,550
- Trade receivables	(3,241)	3,216
- Other receivables (Note)	(46,602)	-
- Amounts due from associates	68	2,334
Others	(1,853)	(103)
	<b>(10,736)</b>	<b>62,775</b>

Note : During the year ended 31 December 2009, certain prepayments previously made by the Group for its tolling operation were re-designated as other receivables upon the cancellation of the tolling agreement with an aluminium smelter. As at 31 December 2009, the outstanding balance of these receivables amounted to approximately HK\$98,000,000. In view of the uncertainty of the recoverability of these receivables, specific provision for impairment of approximately HK\$49,000,000 was provided.

## 6. Gain on disposal of available-for-sale financial assets

During the year ended 31 December 2009, the Group disposed 11,492,912 ordinary shares of Sino Gold Mining Limited to certain independent third parties for an aggregate consideration of approximately Australian dollars 62,265,000 (equivalent to approximately HK\$386,749,000). The disposal resulted in a net gain of approximately HK\$214,722,000 (2008: Nil) and amount of HK\$137,762,000 was transferred from available-for-sale financial assets reserve to the income statement.

## 7. Operating profit

Operating profit is determined after charging/(crediting) the following:

	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost of inventories	5,857,951	7,787,986
Employee benefit expense (including directors' emoluments)	136,621	148,491
(Reversal of write-down)/Write-down of inventories	(230)	142,726
Amortisation		
- Alumina purchasing rights	138,292	141,140
- Land use rights	1,824	1,773
Depreciation of property, plant and equipment	65,972	62,256
Operating lease rental on properties	4,613	4,211
Auditor's remuneration	3,100	3,170



## 8. Finance costs - net

	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Finance costs		
- Interest on bank borrowings wholly repayable within five years	<b>(21,479)</b>	(33,485)
- Interest on bank borrowings not wholly repayable within five years	<b>(20,348)</b>	(22,560)
- Interest for discounted bills	<b>(3,777)</b>	(3,706)
- Fair value losses on interest rate swaps	<b>(23,794)</b>	(9,195)
	<b>(69,398)</b>	(68,946)
Less : Interest expense capitalised into construction in progress	<b>12,527</b>	7,041
	<b>(56,871)</b>	(61,905)
Finance income		
- Interest income	<b>24,400</b>	37,258
Finance costs – net	<b>(32,471)</b>	(24,647)

## 9. Income tax (expense)/credit

No provision for Hong Kong profits tax has been made as the Group has tax losses brought forward to offset the assessable profit generated in Hong Kong for the year (2008: Nil). Taxation on profits arising from other jurisdictions has been calculated on the estimated assessable profits for the year at the rates prevailing in the relevant jurisdictions.

	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current income tax expense		
PRC corporate income tax	<b>(26,291)</b>	(40,169)
Overseas income tax	<b>(303)</b>	(3,379)
	<b>(26,594)</b>	(43,548)
Deferred income tax	<b>(13,833)</b>	47,171
Income tax (expense)/credit	<b>(40,427)</b>	3,623

## 10. Earnings per share

### (a) Basic

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company of approximately HK\$181,089,000 (2008: HK\$12,543,000) and the weighted average number of 2,026,385,435 (2008: 2,053,676,690) ordinary shares in issue during the year.

### (b) Diluted

There were no potential dilutive ordinary shares in existence during the years ended 31 December 2009 and 2008 and hence the diluted earnings per share is the same as the basic earnings per share.

## 11. Dividends

No interim dividend was paid (2008: Nil) and the directors do not recommend the payment of a final dividend for the year ended 31 December 2009 (2008: Nil).

## 12. Trade and bills receivables

Majority of sales in the Group's trading operation are under the arrangement of delivery upon payment from customers, with the remaining amounts are on letters of credit. For sales in the Group's aluminium fabrication and other operations, customers with established trading history are normally granted with credit periods ranging from 30 to 90 days, others are on cash terms. The aging analysis of the trade receivables is as follows:

	2009		2008	
	HK\$'000	%	HK\$'000	%
Trade receivables				
Less than 6 months	193,795	78	175,754	76
6 months – 1 year	5,909	2	7,022	3
Over 1 year	48,874	20	48,317	21
	<u>248,578</u>	<u>100</u>	<u>231,093</u>	<u>100</u>
Less: Provision for impairment	(49,877)		(48,011)	
Trade receivables – net	198,701		183,082	
Bills receivable (Note)	615,284		592,947	
	<u>813,985</u>		<u>776,029</u>	

Note : Bills receivable are with maturity of less than 6 months. As at 31 December 2009, bills receivable of approximately HK\$398,059,000 (2008: HK\$527,562,000) were discounted to banks or endorsed to suppliers.

### 13. Share capital

	Number of ordinary shares		Nominal value	
	2009 <i>(in thousand)</i>	2008 <i>(in thousand)</i>	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Issued and fully paid:				
At 1 January	<b>2,029,105</b>	2,058,721	<b>101,455</b>	102,936
Shares repurchased and cancelled during the year	<b>(2,088)</b>	(30,116)	<b>(104)</b>	(1,506)
Shares repurchased in 2008 and cancelled in 2009	<b>(800)</b>	-	<b>(40)</b>	-
Issue of new shares under share option scheme	-	500	-	25
At 31 December	<b><u>2,026,217</u></b>	<u>2,029,105</u>	<b><u>101,311</u></b>	<u>101,455</u>

For the year ended 31 December 2009, the Company repurchased 2,088,000 shares of its own shares from the market. The repurchased shares were cancelled during the year. Pursuant to Section 49H of the Hong Kong Companies Ordinance, an amount equivalent to the nominal value of the repurchased and cancelled shares of approximately HK\$144,000 was transferred from retained profits to capital redemption reserve. The premium paid and expenses incurred in relation to the above shares repurchased as well as 800,000 shares repurchased in 2008 and subsequently cancelled in the current year, amounting to approximately HK\$3,016,000 and HK\$30,000 respectively, were deducted from the retained profits.

Set out below are the particulars of repurchases by the Company of its own shares made on The Stock Exchange of Hong Kong Limited during the year.

Month of repurchase	Number of shares repurchased <i>(in thousand)</i>	Highest price paid per share <i>HK\$</i>	Lowest price paid per share <i>HK\$</i>	Aggregate price paid <i>HK\$'000</i>
January 2009	<u>2,088</u>	<u>1.18</u>	<u>1.03</u>	<u>2,291</u>

### 14. Trade payables

The aging analysis of the trade payables is as follows:

	2009		2008	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Trade payables				
Less than 6 months	<b>305,292</b>	<b>97</b>	354,788	98
6 months – 1 year	<b>7,766</b>	<b>2</b>	3,787	1
Over 1 year	<b>977</b>	<b>1</b>	3,496	1
	<b><u>314,035</u></b>	<b><u>100</u></b>	<u>362,071</u>	<u>100</u>
Trade payables under endorsed bills	<b>202,656</b>		440,265	
	<b><u>516,691</u></b>		<u>802,336</u>	

## **OTHER INFORMATION**

### **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from 19 May 2010 to 25 May 2010, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the annual general meeting of the Company to be held on 25 May 2010, all completed transfer forms accompanied by the relevant share certificates must be lodged with the share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 18 May 2010.

### **CORPORATE GOVERNANCE**

#### **Corporate Governance Practices**

The Company is committed to maintain a high standard of corporate governance practices by emphasising a quality board of directors, sound internal controls, transparency and accountability to all the shareholders of the Company.

The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the year ended 31 December 2009 with the exception of code provision E.1.2 of the CG Code that the chairman of the Board should attend the annual general meeting. Mr. Zhou Zhongshu, the former chairman of the Board, had not attended the annual general meeting of the Company held on 25 May 2009 due to ad hoc business commitment. Accordingly, Mr. Hao Chuanfu, the executive director and president of the Company, took the chair of the said meeting.

#### **Audit Committee**

The audit committee of the Company comprises three independent non-executive directors, namely Mr. Li Dongsheng, Mr. Ting Leung Huel, Stephen and Mr. Loong Ping Kwan and two non-executive directors, namely Mr. Zong Qingsheng and Mr. Xu Jiqing. Mr. Ting Leung Huel, Stephen is the chairman of the audit committee. The principal duties of the audit committee include the review and supervision of the financial reporting process and internal control system of the Group. The audit committee has reviewed the financial statements of the Group for the year ended 31 December 2009.

#### **Securities Transactions by Directors**

The Company has adopted a code for securities transactions by directors of the Company (the "Code of Conduct") on terms no less exacting than the required standard of the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules.

Having made specific enquiry with all the directors of the Company, all of them confirmed that they have complied with the required standard set out in the Model Code and the Code of Conduct during the year ended 31 December 2009.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 December 2009, the Company repurchased a total of 2,088,000 ordinary shares of HK\$0.05 each of the Company on the Stock Exchange. The repurchases were effected by the Board for the enhancement of long-term shareholder value. Details of the repurchases by month are as follows:

Month of repurchases	Number of shares repurchased	Purchase price per Share		Aggregate purchase price HK\$
		Highest HK\$	Lowest HK\$	
January 2009	2,088,000	1.18	1.03	2,290,600
	<u>2,088,000</u>			<u>2,290,600</u>

The 2,088,000 shares repurchased during the year ended 31 December 2009 and the 800,000 shares repurchased in the year ended 31 December 2008 were cancelled in the current year. The premium paid and expenses incurred in relation to all the shares cancelled during the year ended 31 December 2009 amounting to approximately HK\$3,016,000 and HK\$30,000 respectively, were deducted from retained profits.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2009.

## PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is also published on the website of the Company at [www.minmetalsresources.com](http://www.minmetalsresources.com). The Annual Report 2009 of the Company will be despatched to the shareholders and will be available on the websites of Hong Kong Exchanges and Clearing Limited at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company respectively in due course.

By order of the Board  
**Minmetals Resources Limited**  
**Hao Chuanfu**  
*Executive Director and President*

Hong Kong, 29 March 2010

*As at the date of this announcement, the board of directors of the Company comprises eleven directors, of which two are executive directors, namely Mr. Hao Chuanfu and Mr. Zhan Wei; six are non-executive directors, namely Mr. Li Fuli (Chairman), Ms. Shen Ling, Mr. Wang Lixin, Mr. Zong Qingsheng, Mr. Xu Jiqing and Mr. Li Liangang; and three are independent non-executive directors, namely Mr. Li Dongsheng, Mr. Ting Leung Huel, Stephen and Mr. Loong Ping Kwan.*