

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)

**(1) ANNOUNCEMENT OF ANNUAL RESULTS  
FOR THE YEAR ENDED 31 DECEMBER 2010  
(2) DISCONTINUED OPERATIONS  
AND ASSETS AVAILABLE FOR SALE**

The board of directors (Board) of Minmetals Resources Limited (Company) submits the consolidated results of the Company and its subsidiaries (Group) for the year ended 31 December 2010. The financial information set out in this announcement does not constitute the Group's statutory financial statements for the year ended 31 December 2010, 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 |                     | Change |
|--|------------------------|---------------------|--------|
|  | <u>2010</u>            | <u>2009</u>         |        |
|  | <i>US\$ million</i>    | <i>US\$ million</i> |        |
| Revenue  | <b>3,582.1</b>         | 1,649.7             | 117.1% |
| Profit attributable to equity holders of the Company | <b>409.4</b>           | 215.8               | 89.7%  |
| Earnings per Share:                                  |                        |                     |        |
| - Basic  | <b>US13.80c</b>        | US8.37c             | 64.9%  |
| - Diluted  | <b>US9.04c</b>         | US6.18c             | 46.3%  |

|              | As at 31 December   |                     | Change  |
|--------------|---------------------|---------------------|---------|
|              | <u>2010</u>         | <u>2009</u>         |         |
|              | <i>US\$ million</i> | <i>US\$ million</i> |         |
| Total assets | <b>3,466.9</b>      | 3,098.2             | 11.9%   |
| Equity       | <b>533.4</b>        | 1,212.1             | (56.0%) |

## **CHAIRMAN'S MESSAGE**

### **RESULTS**

On 31 December 2010, following overwhelming support from shareholders at the Company's extraordinary general meeting (EGM) on 9 December, the Company completed the acquisition of the Minerals and Metals Group (MMG) business from China Minmetals Non-Ferrous Metals Company Limited (CMN). The Company's reported consolidated financial results for 2010 include MMG's performance and thus reflect both the past year and also the exciting future facing the Company.

Overall, the Company generated net profit after tax of US\$430.4 million on revenues of US\$3.6 billion. The Chief Executive Officer's Report will analyse this excellent result in more detail.

### **BOARD AND SENIOR MANAGEMENT**

Following the acquisition of MMG, we made a number of changes to both our Board of Directors and senior management.

Mr Andrew Michelmore and Mr David Lamont joined the Board as Executive Directors. Mr Michelmore has been appointed as Chief Executive Officer (CEO) of the Company, and Mr Lamont as the Chief Financial Officer (CFO). Mr Jiao Jian, President of CMN, joined the Board as a Non-Executive Director, and Dr Peter Cassidy also joined the Board, as an Independent Non-Executive Director.

Mr Hao Chuanfu, formerly President of the Company, remains an Executive Director and has also been appointed as the Vice-Chairman of the Board.

Mr Li Dongsheng, an Independent Non-Executive Director, resigned from the Board, as have Madame Shen Ling and Mr Zong Qingsheng (both formerly Non-Executive Directors), and Mr Zhan Wei, formerly an Executive Director.

I wish to record my thanks to those Directors who have recently resigned for their contribution to the Company over the years and, in particular, for their efforts in enabling the acquisition of MMG to be completed.

### **DISCONTINUED OPERATIONS AND ASSETS AVAILABLE FOR SALE**

In my letter that was included in the Shareholder Circular for the EGM last December, I invited shareholders to vote in favour of the acquisition of MMG in order to support the creation of a powerful new force in international resources mining, and to transform the Company from a commodities-trading focused group into a leading, international, diversified upstream base metals group.

With the support of shareholders and considerable effort from our management team, the transformation of the Company is now underway.

The Company has great aspirations and your Board and management believe that the decision to shift the focus of the Company's business upstream will enhance shareholder value over the years to come.

The Company has undertaken a strategic review of its businesses and has determined that certain assets are not core to its strategy. As such, all the businesses of the Company that are included in the Fabrication and Trading segments (not including the Mincenco bauxite joint venture in Jamaica) will be divested in an orderly manner during the course of 2011. A more detailed discussion of the plans for transforming the Company is presented in the CEO's Review.

## **CAPITAL STRUCTURE**

The Company funded the acquisition of MMG through a combination of cash, debt, and the issuance of new ordinary shares and perpetual subordinated convertible securities (PSCS) to CMN. Immediately following the completion of the acquisition, CMN indirectly owned approximately 2.2 billion ordinary shares (approximately equal to 75% of the Company's expanded ordinary share base) and approximately 1.6 billion PSCS.

At the December EGM, shareholders also granted the Company a specific mandate to issue up to 2.7 billion new shares to raise up to US\$1.6 billion for the purpose of repaying the debt incurred in acquiring MMG, and to provide a stronger funding base for the future (Specific Mandate). The Specific Mandate must be exercised by 31 July 2011.

CMN has publicly stated that it intends to maintain its ownership of the Company's ordinary shares at between 51% — 75% of issued ordinary shares and that, should the Company exercise some or all of the Specific Mandate, it would convert some or all of its PSCS to ensure its shareholding remained within the indicated range.

The Company intends to exercise some or all of the Specific Mandate before 31 July 2011, subject to market conditions. The Company has not yet determined the amount of capital it will seek to raise but, because of stronger cash flow resulting from improved commodity prices and good production levels, the capital to be raised is likely to be less than the amount mandated. In any event, the Company will undertake one capital raising only. If it does not exercise the full amount of the Specific Mandate, that unused portion will lapse.

## **BUSINESS REVIEW**

2010 was a challenging year for the Company's traditional businesses. Strong underlying operating conditions were largely offset by currency volatility and, in particular, a weak US dollar.

The MMG businesses, on the other hand, produced very strong financial results, reflecting both very strong commodity prices (especially copper), tight cost control and production levels that equalled or exceeded forecasts.

The performance of all the businesses are analysed in more detail in this report.

## **OUTLOOK**

The Company is ready to grow and create value for its shareholders. With the acquisition of MMG, we have taken a very important step in the transformation of the Company into an international, diversified, upstream base metals business. We have the strategic vision, the will and the management team to enable us to be successful in the dynamic upstream mining industry, and I look forward to reporting our progress to shareholders in the future.

On behalf of the Board, I would like to thank shareholders for their continuing loyalty and their support of the acquisition of MMG. All our employees deserve credit for their wholehearted commitment to the Company and, in particular, for their ability to continue to function effectively while taking on the additional burden of planning and executing the acquisition of MMG.

**Li Fuli**

*CHAIRMAN*

Hong Kong, 28 March, 2011

## **CHIEF EXECUTIVE OFFICER'S REVIEW**

### **INTRODUCTION**

As the result of acquiring MMG, the Company has commenced an exciting process of transformation, and I am honoured to have the opportunity to lead the Company as it realises its strategic objective of building an international, diversified, upstream base metals mining company.

The transformation of the Company will be further progressed during 2011 through:

- a program of strategic divestments of assets that are assessed as not being core to the Company's future;
- progressing existing development projects (including the Dugald River zinc/lead project in Queensland, Australia) that will build the Company's strength and earnings potential; and
- restructuring the Company's balance sheet and expanding its presence in global capital markets by executing some or all of the Specific Mandate to raise capital that was approved by shareholders at the EGM of 9 December 2010.

The Company will keep shareholders fully informed about developments as and when they occur throughout the year.

### **RESULTS FOR 2010**

As the acquisition of MMG was completed on 31 December 2010, the Company's financial results reflect the full year performance of the MMG assets, in addition to our existing assets. Please note that comparison of the Company's 2010 results to prior periods is difficult due to the substantial change that occurred to the Company's structure at the end of the year.

Earning Before Interest and Tax (EBIT) for the year was US\$560.0 million, and Net Profit After Tax for the year was US\$430.4 million. After deducting profit attributable to non-controlling interests, Net Profit attributable to the Company shareholders was US\$409.4 million.

This result was achieved on consolidated revenue of US\$3,582.1 million and Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) of US\$878.5 million. The results reflect a very strong performance delivered by the MMG assets.

## PERFORMANCE BY SEGMENT

The Company has defined seven key operating segments for the purpose of managing and reporting its results. The business of the Group before the acquisition of MMG is reported in two segments (Fabrication and Trading), while the MMG assets are reported in five segments comprising one for each of MMG's operating mines (Century, Sepon, Golden Grove, Rosebery) with all other activities (including exploration and projects under development) in a fifth segment.

The following table summarises financial performance by segment and in total for 2010:

| US\$ million                              | Revenue*       | EBITDA        | EBIT         |
|---|----------------|---------------|--------------|
| <b>Trading</b>                            | <b>1353.7</b>  | <b>42.5</b>   | <b>34.4</b>  |
| Fabrication                               | 259.5          | 13.7          | 4.1          |
| <b>Trading and Fabrication operations</b> | <b>1613.2</b>  | <b>56.2</b>   | <b>38.5</b>  |
| Century                                   | 711.4          | 356.2         | 136.7        |
| Sepon                                     | 596.7          | 358.6         | 343.7        |
| Golden Grove                              | 391.3          | 192.4         | 155.6        |
| Rosebery                                  | 220.5          | 104.5         | 78.8         |
| <b>MMG mining operations</b>              | <b>1,919.9</b> | <b>1011.7</b> | <b>714.8</b> |
| Other Operations                          | 49.0           | (189.4)       | (193.3)      |
| <b>Group</b>                              | <b>3,582.1</b> | <b>878.5</b>  | <b>560.0</b> |

\* Revenue includes revenue from external parties and from related parties.

Following a strategic review of its businesses, the Company has determined that certain assets are not core to its strategy. As such, the businesses that comprise the Fabrication and Trading segments (not including the Mincenco bauxite joint venture in Jamaica) will be divested in an orderly manner during the course of 2011. The Company expects to receive good prices for these businesses, and the proceeds will be used to further strengthen the balance sheet and provide further growth capacity.

In 2010, the MMG assets generated 53.6% of the Group's revenue and excluding the impact of business acquisition expenses of US\$86.4 million, 93.9% of adjusted Group EBITDA of US\$964.9 million and 93.8% of adjusted Group EBIT of US\$646.4 million. The strong performance of the MMG assets was driven by three key factors:

- strong production volumes;
- effective cost control and site management; and
- rising commodity prices.

Because these were not owned by the Company in previous years, and because the Company is transforming itself into an international, diversified, upstream base metals company building on its MMG assets, it is appropriate to discuss the operating philosophies and standards, as well as the performance, of these assets in more detail.

## **MMG**

MMG acknowledges that its ability to produce outstanding performance is based on many factors, including its:

- commitment to achieving the highest standards in workplace safety and environmental management;
- relationships with all stakeholders, including employees, local communities, customers, suppliers, governments and investors;
- market awareness;
- focus on technical excellence; and
- preparedness to act quickly and decisively.

MMG is also a member of the International Council on Mining and Metals (ICMM) and adheres to the high standards of that organisation.

While all of these factors are critically important to the operation of a successful business, none is more important than workplace health and safety. The Company will do all it can to ensure our employees and contractors are not injured at work.

MMG is committed to this objective and, over the 2010 year, achieved reductions in both its Total Reportable Injury Frequency Rate (TRIFR) and its Lost Time Injury Frequency Rate (LTIFR). These internationally recognised measurement standards measure, respectively, the number of reportable injuries per million hours worked, and the number of injuries that result in the employee or contractor being unfit for work, per million hours worked.

Over the course of 2010, MMG's TRIFR fell from 6.3 to 4.7, and its LTIFR fell from 1.0 to 0.3. While both these results are promising, the Company will, and must strive for, further improvements.

## **Century**

The Century mine is located at Lawn Hill in Northern Queensland, Australia. It is a large, open-pit zinc/lead/silver mine that in 2010 produced:

- 510,590 tonnes of zinc in concentrate;
- 38,793 tonnes of lead in concentrate; and
- 3,071,323 ounces of silver in concentrate.

Century's zinc production is equivalent to slightly over 4% of the world's annual zinc production, making it one of the world's top three zinc mines.

The ore mined at Century is processed into concentrate on site and then transferred as slurry 304 kilometres by pipeline to the Company's port facilities at Karumba on the Gulf of Carpentaria. From there it is exported principally to various smelters owned by Nyrstar in Australia, Europe and North America. Nyrstar has a life-of-mine contract over Century's production.

The ore body at Century appears to be discrete and, unless further discoveries of ore resources are made, Century's production will begin to decline from 2014.

## **Sepon**

The Company's Sepon operation is located in Savannakhet Province in the Lao People's Democratic Republic (Laos). Sepon is a highly prospective area, offering especially high grades of copper ore.

Sepon comprises two distinct operations, where copper and gold are mined and processed separately.



In 2010, Sepon produced 64,241 tonnes of copper cathode and 104,547 ounces of gold.

Copper has been produced at Sepon since 2005 using a Solvent Extraction/Electro-Winning (SX/EW) process, with the output being copper cathode. The copper processing plant at Sepon has recently been upgraded to a nameplate capacity of 80,000 tonnes of cathode per annum.

Gold production at Sepon commenced in 2002. The initial gold oxide ore body is not expected to last long into the future, but the Company has a substantial resource of primary gold (gold sulphide). A preferred production process for handling the primary gold ore is still being defined and the Mineral Resource is therefore not yet able to be included in the Ore Reserves. However, the operation is confident that it will finalise a production approach for primary gold in the near future.

The copper produced at Sepon is mostly supplied to customers in Vietnam and Thailand, while the gold produced is shipped to the Perth Mint in Australia for refining.

Based on the current mine plan, the Sepon copper operation will continue until at least 2022.

### **Golden Grove**

Based in the Mid-West of Western Australia, Golden Grove is a polymetallic mine producing zinc, lead, copper, gold and silver in concentrate form. In 2010, production levels achieved at Golden Grove were:

- 73,264 tonnes of zinc in concentrate;
- 33,525 tonnes of copper in concentrate;
- 7,746 tonnes of lead in concentrate;
- 36,304 ounces of gold in concentrate; and
- 1,902,539 ounces of silver in concentrate.

Golden Grove's output is typically sold into the spot market each year. The mine has healthy levels of Mineral Resources and a long history of converting Mineral Resources into Ore Reserves. The Company has demonstrated its confidence in the future of Golden Grove by investing in a new tailings storage facility that will add 15 years of storage capacity.

## **Rosebery**

Rosebery, on the West Coast of Tasmania in Australia, is a polymetallic mine that has operated continuously for 75 years. Based on the current mine plan, Rosebery will continue in operation until 2020, but its long history suggests that further extensions beyond this date may be possible.

In 2010, Rosebery produced:

- 86,271 tonnes of zinc in concentrate;
- 28,878 tonnes of lead in concentrate;
- 2,328 tonnes of copper in concentrate;
- 34,944 ounces of gold; and
- 2,519,052 ounces of silver.

Rosebery's zinc and lead production is supplied under life-of-mine contracts to smelters owned by Nyrstar.

## **CONCLUSION**

In summary, 2010 was a very significant year for the Company. The Company performed very well and, through the acquisition of MMG, has begun a transformation process that will see it become a significant international, diversified upstream base metals producer. I believe this is an exciting future for all shareholders and the management team and I look forward to pursuing the Company's strategic objectives and delivering increasing value to all shareholders.

**Andrew Michelmore**

CHIEF EXECUTIVE OFFICER

## **MANAGEMENT DISCUSSION AND ANALYSIS**

On 31 December 2010, the Company, through its wholly-owned subsidiary All Glorious, acquired Alum Resources Private Limited (Alum Resources), the holding company of MMG, from Alum Enterprises Limited (Alum Enterprises), which is a wholly-owned subsidiary of CMN. At the time of acquisition, CMN also owned approximately 63% of the issued shares in the Company. Following completion of the acquisition, Andrew Michelmore and David Lamont (CEO) and (CFO) of MMG respectively - were appointed as CEO and CFO of the Company.

Prior to the acquisition, the Group was principally involved in the trading of non-ferrous metals, and had a number of investments in minerals and metals businesses mainly operating in the People's Republic of China (PRC).

In view of the Company and MMG businesses being run independently during 2010, the management discussion and analysis was prepared separately, with a focus on providing commentary relevant to the combined Group.

### **Management discussion and analysis for the Company (excluding MMG)**

#### **Period to period comparison of results of operations**

##### **2010 compared to 2009**

##### **Summary**

The Group (excluding MMG) recorded a solid performance in the 2010 year as compared to 2009 primarily due to significantly increased volumes of alumina and aluminium ingot traded at higher prices.

##### **Profit analysis**

In addition to the segmental analysis provided below, the following material items should be noted in relation to the Group (excluding MMG)'s financial results in 2010 as compared to 2009:

- US\$86.4 million of expenses were recorded in relation to the acquisition of MMG;
- There was a material increase in the Group's net profits derived from joint ventures driven by the 33% share of Guangxi Huayin Aluminium Company Limited (Guangxi Huayin); and
- In 2009, the Group disposed of its shares in Sino Gold Mining Limited which resulted in a net gain of approximately US\$41.7 million (restated).

## Cash flow analysis

- The Group (excluding MMG)'s net cash flows generated from operating activities totalled US\$51.3 million which represented a substantial increase from 2009's negative result.
- The Group's cash flow benefited from the significant accrual at year end of US\$83.5 million in respect of the transaction cost arising from the acquisition of MMG.
- The Group's investing cash flows included US\$100 million paid as part of the cost of acquiring MMG.
- In 2009, the Group's disposal of its shares in Sino Gold Mining Limited to certain independent third parties was for an aggregate consideration equivalent to approximately US\$49.6 million.

## Segmental analysis

### Trading

In 2010, trading business accounted for 37.8% (2009: 35.2%) of the Group's revenue and reported operating profit of US\$34.4 million (2009: US\$5.0 million). Alumina and aluminium ingots remained the major trading products during the year, representing about 53.7% (2009: 63.8%) and 46.3% (2009: 36.2%) respectively of the revenue of this segment.

|                              |                         | <b>2010</b>           | 2009         | Increase     | %     |
|------------------------------|-------------------------|-----------------------|--------------|--------------|-------|
| <b>Revenue</b>               | <i>(US\$ million)</i>   |                       |              |              |       |
| Alumina                      |                         | <b>727.4</b>          | 370.0        | 357.4        | 96.6  |
| Aluminium ingot              |                         | <b>626.3</b>          | 210.1        | 416.2        | 198.1 |
|                              |                         | <b><u>1,353.7</u></b> | <u>580.1</u> | <u>773.6</u> | 133.4 |
| <b>Sales volume</b>          | <i>('000 tonnes)</i>    |                       |              |              |       |
| Alumina                      |                         | <b>2,135.1</b>        | 1,339.6      | 795.5        | 59.4  |
| Aluminium ingot              |                         | <b>318.8</b>          | 113.6        | 205.2        | 180.6 |
| <b>Average selling price</b> | <i>(US\$ per tonne)</i> |                       |              |              |       |
| Alumina                      |                         | <b>340.7</b>          | 276.2        | 64.5         | 23.4  |
| Aluminium ingot              |                         | <b>1,964.6</b>        | 1,849.5      | 115.1        | 6.2   |
| <b>Operating profit</b>      |                         | <b>34.4</b>           | 5.0          | 29.4         | 588.0 |

Following a gradual recovery in 2009, spot prices of alumina in the PRC declined in the second quarter of 2010 and dropped to about RMB 2,600 (approx US\$382) per tonne (tax included, similarly hereinafter) in June as a result of the European sovereign debt crisis. Following that, some signs of stabilisation and support were found in the later months. In August, prices increased steadily and reached RMB 2,900 (approx US\$426) per tonne in December in response to global economic recovery and government stimulus measures in the PRC.

Aluminium price movement demonstrated a similar trend and also showed similar rebounds in the middle of the year, increasing from about RMB 14,000 (approx US\$2,059) per tonne (tax included, similarly hereinafter) in July to about RMB 16,000 (approx US\$2,353) per tonne towards the year end.

Alumina and aluminium prices rebounded in 2010; the increase in demand was fuelled by the economic growth of the PRC. The key industries driving the increase in demand are the automotive and construction sectors. The performance of the automotive sector and the realisation of infrastructure projects also supported the demand for aluminium.

To cope with the market changes, the Group has flexibly adjusted the business focus in order to optimise its value chain. During the year, the Group increased sourcing of alumina and aluminium from the domestic market and self-owned resources, and expanded the overseas trading operations. The trading segment delivered a promising result in 2010 with revenue increasing by US\$773.6 million or 133.4% from US\$580.1 million in 2009 to US\$1,353.7 million in 2010. This was primarily attributable to the increase in the average selling prices of alumina and aluminium ingot sold by the Group and significant increase in sales volume in 2010 compared to last year. The Group's trading segment recorded operating profit of US\$34.4 million in 2010 and remained one of the largest alumina suppliers and importers in the PRC.

## Fabrication

Aluminium fabrication accounted for 7.2% (2009: 11.1%) of the Group's revenue and contributed US\$259.5 million (2009: US\$183.2 million) to the Group's revenue in 2010. The Company operated its aluminium fabrication business through a 72.8%-owned subsidiary, North China Aluminium Company Limited (NCA).

|                         |                       | <b>2010</b>  | 2009  | Increase/<br>(Decrease) | %      |
|-------------------------|-----------------------|--------------|-------|-------------------------|--------|
| <b>Revenue</b>          | <i>(US\$ million)</i> | <b>259.5</b> | 183.2 | 76.3                    | 41.6   |
| <b>Sales volume</b>     | <i>('000 tonnes)</i>  | <b>93.6</b>  | 74.1  | 19.5                    | 26.3   |
| <b>Operating profit</b> | <i>(US\$ million)</i> | <b>4.1</b>   | 5.6   | (1.5)                   | (26.8) |

Increasing demand for aluminium fabrication products from both domestic and overseas markets resulted in strong revenue growth of US\$76.3 million or 41.6% from US\$183.2 million in 2009 to US\$259.5 million in 2010. Sales volumes also increased by 26.3% or 19,500 tonnes in 2010 mainly attributable to the increased production capacity, recovery of the export market and the PRC Government's policy to stimulate internal consumption. However, this segment reported lower profit in 2010 than in the previous year as a result of fierce competition as well as increased raw materials and staff costs.

In this challenging environment, the Group mitigated the adverse impacts by undertaking effective measures to enhance operational efficiency. The Group placed an emphasis on enhancing the product mix by increasing the proportion of high value-added products in order to improve profitability. The Group also implemented quality enhancement programs to improve product competitiveness and increase market share.

## MANAGEMENT DISCUSSION AND ANALYSIS FOR MMG

### Period to period comparison of results of operations

As there is no comparable full financial year for MMG's 2010 consolidated audited financial statements, for the purpose of the management discussion and analysis, a comparative analysis has been performed for the six months ended 31 December 2010 (the December half year) as compared to the six months ended 30 June 2010 (the June half year) and the six months ended 31 December 2009.

MMG's management determined the operating segments based on reports reviewed by its Executive Committee. MMG's operations are managed on a site-by-site basis.

MMG's mining operations comprise the Century zinc/lead mine in Queensland, the Rosebery lead/zinc mine in Tasmania, the Golden Grove copper/zinc mine in Western Australia and the Sepon copper/gold project in Laos.

MMG has a portfolio of exploration and development projects in Australia, Canada, Laos and Indonesia. These exploration and development projects, including the Dugald River, High Lake and Izok Lake projects, are included within the section headed "Other Operations", together with the Avebury mine, which remains on care and maintenance, and remaining head office entities.

The following table shows a breakdown of MMG's revenue and EBITDA results by segment for the six months ended 31 December 2010, 30 June 2010 and 31 December 2009.

| <b>Six months ended:</b><br><i>US\$'millions</i> | <b>Century mine</b> | <b>Sepon mines</b> | <b>Golden Grove mine</b> | <b>Rosebery mine</b> | <b>Other Operations</b> | <b>Total</b>   |
|--|---------------------|--------------------|--------------------------|----------------------|-------------------------|----------------|
| <b>Sales Revenue</b>                             |                     |                    |                          |                      |                         |                |
| December 2010                                    | 454.3               | 288.0              | 209.3                    | 123.6                | —                       | <b>1,075.2</b> |
| June 2010  | 257.1               | 308.7              | 182.0                    | 96.9                 | —                       | <b>844.7</b>   |
| December 2009                                    | 221.1               | 251.9              | 152.6                    | 122.0                | —                       | <b>747.6</b>   |
| <b>EBITDA</b>                                    |                     |                    |                          |                      |                         |                |
| December 2010                                    | 227.0               | 167.0              | 106.8                    | 65.2                 | (56.6)                  | <b>509.4</b>   |
| June 2010  | 129.3               | 191.6              | 85.6                     | 39.3                 | (49.3)                  | <b>396.5</b>   |
| December 2009                                    | 74.2                | 146.8              | 68.8                     | 57.9                 | (35.9)                  | <b>311.8</b>   |

The following discussion and analysis of the financial information and results of MMG's operations should be read in conjunction with the financial statements.

### **Six months ended 31 December 2010 compared to the six months ended 30 June 2010 and six months ended 31 December 2009**

MMG recorded a strong performance in the December 2010 half year underpinned by solid production and sustained above long-term average prices for base and precious metals to complete an impressive result for 2010.

#### **Profit analysis**

##### **Revenue**

MMG generated revenue of US\$1,075.2 million in the December half year, an increase of 27.3% on the June half year and 43.8% above the previous December period. This increase was due to a combination of higher production volumes and commodity prices.

## Volume

MMG's total production for the December half year exceeded the June half year result. Sales were broadly in line with production for all sites except for a stock increase at Rosebery in the December half year and at Century in the June half year due to Tropical Cyclones Olga (January) and Paul (March/April). The concentrate shed was full and cyclone activity prevented shipping, therefore the plant was shut down.

Production of zinc and lead in concentrate increased by 10% and 15% respectively compared to the June half year and significantly exceeded the previous December period which was adversely impacted by an 11-week shutdown caused by a pipeline failure at Century.

Copper in concentrate production rose 38% compared to the June half year and 23% against the previous December period. This result was substantially influenced by the decision to preferentially produce copper at Golden Grove in order to capture the higher margins available in that metal.

This was partially offset by lower copper cathode production at Sepon, down 12% compared to the June half year and 12% below the previous December period, the result of higher than expected rainfall and delayed resumption after a scheduled shutdown associated with the expansion project.

Gold and silver production levels were both approximately 13% below the June half year.

| <b>MMG Production Data<br/>Six months ended:</b>               | <b>December<br/>2010</b> | <b>June<br/>2010</b> | <b>December<br/>2009</b> |
|--|--------------------------|----------------------|--------------------------|
| Ore Mined ('000 t) (All Sites)                                 | <b>6,045</b>             | 5,738                | 4,566                    |
| Ore Milled ('000 t) (All Sites)                                | <b>5,613</b>             | 5,495                | 4,484                    |
| <b>Contained Metal Production:</b>                             |                          |                      |                          |
| Zinc in Concentrate ('000 t) (Century, Golden Grove, Rosebery) | <b>353</b>               | 322                  | 245                      |
| Copper in Concentrate ('000 t) (Golden Grove, Rosebery)        | <b>21</b>                | 15                   | 17                       |
| Lead in Concentrate ('000 t) (Century, Golden Grove, Rosebery) | <b>39</b>                | 34                   | 24                       |
| Copper Cathode ('000 t) (Sepon)                                | <b>30</b>                | 34                   | 34                       |
| Gold ('000 oz) (Sepon, Golden Grove, Rosebery)                 | <b>81</b>                | 95                   | 83                       |
| Silver ('000 oz) (Century, Sepon, Golden Grove, Rosebery)      | <b>3,518</b>             | 4,014                | 2,994                    |



## Prices

MMG benefited from the sustained above long-term average prices for base and precious metals. Copper prices rose significantly in the December half year, averaging 11% and 27% higher than in the June half year and previous December period respectively. Silver and gold prices recorded solid gains, averaging 29% and 13% above the June half year and substantially higher than in the previous December period. Zinc and lead recorded more modest price increases in the December half year against the comparative periods.

## Costs

MMG's cost of sales were US\$408.8 million for the December half year, which represented increases of 22.6% and 34.8% compared to the June half year and the previous December period respectively. The higher costs were a result of the higher production levels, increasing expenses for employees, contractors and consultants, energy, storage and consumables. This was partly offset by increases in inventories, most notably at Golden Grove and Rosebery, which resulted in the transfer of US\$38.7 million of costs to the balance sheet. The total increase in inventories was broadly in line with the movements in the comparative periods. The stronger Australian dollar during 2010 contributed to a material increase in the A\$ denominated portion of Australian sites' costs, averaging 0.9447 for the December half year and 0.8934 for the June half year.

**Depreciation and amortisation** expenses of US\$175.4 million were 41.5% and 30.8% higher than the June half year and previous December period respectively. The increased charge was mainly due to Century's higher amortisation in relation to the waste stripping cost allocation with mined tonnes 13.7% above the June half.

**Freight** expenses totalled US\$38.6 million which was 9.2% higher than in the June half year but 22.0% below the previous December period. Lower freight rates evident in 2010 meant that despite higher volumes shipped there was a relatively small cost impact.

**Royalty** expenses exceeded the June half year by 19% and the previous December period by 33% as a result of revenue performance by Century.

**Exploration** expenses of US\$30.7 million represented an increase on the June half of US\$10.5 million due to higher spend on mine district exploration and new discovery programs mainly in Australia. Expenditure on drilling programs for copper and gold at Sepon, and at the Izok Lake and High Lake projects in Canada was consistent across the two halves of 2010 however this represented an increase in exploration activity in Canada versus 2009.

**Net Financing** expenses of US\$22.7 million for the December half year exceeded the comparative periods. Interest expense in relation to the external loans was in line with the comparative periods.

## **Profit**

MMG's profit before income tax of US\$311.2 million for the December half year represented an increase of 21.3% from the June half year and nearly double the previous December period.

An **income tax expense** of US\$103.2 million in the December half year represented an effective tax rate on profit before tax of 33.2% which is mainly reflective of the Laos tax rate of 33%. This is compared to a US\$22.5 million income tax expense for the June half year and a US\$12.9 million income tax benefit in the previous December period, which included credits for previously unrecognised deferred tax assets of US\$61.5 million and US\$54.2 million respectively.

MMG's profit after tax of US\$208.0 million was recorded for the December half year, approximately 11.1% lower than the June half, reflective of the higher tax expense but 21.3% above the previous December period.

## **Segmental analysis**

### **Century mine (Queensland, Australia)**

Century recorded a strong performance in the December half year with ore mined and milled up 13.7% and 5.5% on the June half year. Contained zinc and lead production exceeded the June half year levels by 14.1% and 21.8% respectively. There were no material variations in grades and recovery in 2010. Production was broadly in line with sales for the December half year. The June half year saw a significant increase in stocks due to the impact of Tropical Cyclones Olga and Paul. There was also unplanned downtime in the mill during the June half year. Century's ore stocks increased during 2010 by 10,900 tonnes while concentrate stocks rose by 21,000 tonnes.

| <b>Total Contained Metal produced for the six months to</b> | <b>December 2010</b> | <b>June 2010</b> | <b>December 2009</b> |
|---|----------------------|------------------|----------------------|
| Zinc in concentrate ('000 t)                                | <b>272.1</b>         | 238.5            | 163                  |
| Lead in concentrate ('000 t)                                | <b>21.3</b>          | 17.5             | 7                    |

Century's gross margin was 63.1% for the December half year, slightly below the June half year but considerably ahead of 52.7% for the previous December period, which included US\$54.8 million of non-recurring costs associated with the pipeline failure.

Century's EBITDA for the December half year was US\$227.0 million, which was 75.6% above the June half year. This operating cash flow, combined with minimal movement in net working capital, enabled Century to deliver a very strong cash flow for the December half year against the comparative periods. Capital spend was broadly consistent across the periods under review.

### **Sepon mines (Laos)**

Sepon's higher than expected rainfall in the December half year resulted in total ore mined being 14.2% below the June half year, although copper ore mined increased, and total ore milled decreased by just 2.3%. Copper cathode and gold production were also impacted by some resumption difficulties that followed a planned shutdown. Production was in line with sales.

| <b>Total Contained Metal produced for the six months to</b> | <b>December 2010</b> | <b>June 2010</b> | <b>December 2009</b> |
|---|----------------------|------------------|----------------------|
| Copper cathode ('000 t)                                     | <b>30.0</b>          | 34.3             | 34                   |
| Gold ('000 oz)  | <b>49.9</b>          | 54.6             | 49                   |

Sepon's gross margin was 60.6% for the December half year, below the June half year and well below the 70.5% for the previous December period. This was mainly due to increased manning levels required to support the copper expansion project completed during the December half year (which lifted nameplate capacity to 80,000 tonnes of cathode production per annum) and increased drilling activity.

Sepon's EBITDA for the December half year was US\$167.0 million, which was 18% below the June half year but 13.8% above the previous December period. Combined with a material increase in working capital and higher capital spend driven by the copper expansion project, Sepon's cash flow for the December half year, while substantial, was well below the comparative periods.

### Golden Grove mine (Western Australia, Australia)

Golden Grove's focus on copper production saw copper ore milled up 19.0% due to preferential mining of copper ores on the June half year despite lower overall ore mined by 39.4%. Contained copper production exceeded the June half year level by 36.2% and zinc production which was 32.8% lower than for the June half year.

| <b>Total Contained Metal produced for the six months to</b> | <b>December 2010</b> | <b>June 2010</b> | <b>December 2009</b> |
|---|----------------------|------------------|----------------------|
| Zinc in concentrate ('000 t)                                | <b>29.4</b>          | 43.8             | 36                   |
| Copper in concentrate ('000 t)                              | <b>19.3</b>          | 14.2             | 16                   |

Golden Grove's gross margin was 59.7% for the December half year, above that of the comparative periods.

Golden Grove's EBITDA for the December half year was US\$106.8 million, 24.8% above the June half year and 55.2% above the previous December period. A material increase in working capital from stocks and debtors resulted in cash flow for the December half year which was well below that of the comparative periods. Capital expenditure was broadly consistent across the two halves of 2010 however was considerably higher than in 2009 mainly due to the completion of Tailings Storage Facility 3 project.

### Rosebery mine (Tasmania, Australia)

Rosebery recorded a strong performance in the December half year with ore mined and milled up 24.6% and 13.2% respectively on the June half year. Contained metal production exceeded the June half year levels by 6.9% for zinc and 6.4% for lead. There were no material variations in grades and recovery in 2010. Production exceeded sales for both zinc and lead in the December half year.

| <b>Total Contained Metal produced for the six months to</b> | <b>December 2010</b> | <b>June 2010</b> | <b>December 2009</b> |
|---|----------------------|------------------|----------------------|
| Zinc in concentrate ('000 t)                                | <b>48.2</b>          | 38.0             | 46                   |
| Lead in concentrate ('000 t)                                | <b>14.9</b>          | 14.0             | 14                   |

Rosebery's gross margin was 65.0% for the December half year, well above the margins for the comparative periods.

Rosebery's EBITDA for the December half year was US\$65.2 million, which was 65.8% above the June half year and 12.0% above the previous December period. A material increase in working capital from the higher prices associated with the copper

debtors resulted in cash flow for the December half year which was below that of the comparative periods. This was due to this cash flow being used to fund a higher level of capital expenditure in the December half year, mainly for the commissioning of two Caterpillar AD55 trucks and the secondary ventilation fan.

## **Development Projects**

### *Sepon Copper Expansion*

The Sepon copper expansion project and the related high voltage powerline were completed during the period, approximately 10% under budget. This project increased nameplate capacity at Sepon from 60,000 to 80,000 tonnes of copper cathode per annum.

### *Dugald River*

The Environmental Impact Statement for Dugald River was lodged with the Queensland Government and the Company is working through the environmental permitting process. The Company expects to seek formal Board approval to develop Dugald River in mid-2011. Subject to this and the receipt of all necessary approvals and permits, Dugald River could start production in 2014. Annual production is planned to be approximately 200,000 tonnes of zinc in concentrate, 25,000 tonnes of lead in concentrate and 900,000 ounces of silver. The current resources are for a 23-year mine life and the ore body is open at depth.

### *Golden Grove*

The new tailings storage facility, which will provide an additional 15 years of tailings storage capacity, was completed during 2010 at approximately 11% under budget.

A feasibility study has confirmed that the development of a near-surface copper resource at Gossan Hill is economically attractive and would add life and flexibility to the existing operations. The project will involve treating copper oxide ore using the existing concentrator with preliminary estimates indicating the pit would be mined over three years and add approximately three million tonnes of ore at 2.4% copper.

### *Izok Lake*

The winter drilling program at Izok Lake was completed and favourable fragmental volcanics were intersected indicating more prospective ground north of the deposit. Detailed aeromagnetic and ground gravity surveys were completed identifying

several targets for follow-up during the summer field campaign. Three road routes were studied as options to transport Izok concentrate approximately 300km to the coast for shipment. As a result, the most costly and complex option to Bathurst Inlet across Contwoyto lake was able to be ruled out of further consideration.

## **Cash flow analysis**

### *Operating activities*

The net cash flows generated from operating activities in the December half year totalled US\$430.4 million which represented increases of 28.7% on the June half year and substantially above the December period respectively. The increased cash flows were predominantly due to higher receipts from customers.

Income tax paid during the December half year included US\$15 million in Australia, and in the June half year there was a tax payment of US\$57.5 million which settled Sepon's 2009 tax liability.

### *Investing activities*

The net cash flows used in investing activities in the December 2010 half year amounted to US\$182.8 million which mainly reflected payment for plant and equipment of US\$187.1 million. This was significantly above the capital expenditure in the June half year of US\$120.6 million and the previous December period of US\$117.0 million. The higher spend was mainly due to the completion of the copper expansion project at Sepon.

Payment for available-for-sale financial assets of US\$100.2 million in the June half represented equity securities listed outside Hong Kong.

### *Financing activities*

The net cash flows used in financing activities in the December 2010 half year amounted to US\$371.7 million which mainly comprised dividends paid to Album Enterprises of US\$340.0 million and to a joint venture partner of US\$18.5 million.

## **Financial resources and liquidity for MMG**

### *Cash balances*

MMG's cash and cash equivalents, amounting to US\$217.5 million as at 31 December 2010, were mainly denominated in US dollars (85.4%) which represented an increased proportion as compared to 30 June 2010 and 31 December 2009 where 60.7% and 49.5% of the cash and cash equivalents were denominated in US dollars respectively.

### *Debt*

MMG's total outstanding interest-bearing liabilities amounted to US\$1,099.6 million as at 31 December 2010. This included US\$1,095.0 million of external bank loans (consistent with previous comparative periods) and US\$4.3 million of lease liabilities associated with various plant and equipment at Century.

Principal repayments will commence in June 2011 in relation to two of the external bank loans. All of MMG's external bank loans are denominated in US dollars and are in floating rates.

### *Net debt*

MMG was in a net debt position of US\$882.1 million as at 31 December 2010, compared to a net debt position of US\$765.8 million as at 30 June 2010 and US\$850.6 million as at 31 December 2009. These movements were mainly driven by variation in the cash and cash equivalent balances.

As at 31 December 2010, MMG had net current assets of US\$408.0 million consisting of US\$765.6 million of current assets and US\$357.6 million of current liabilities, which represented a decrease of US\$82.9 million as compared to 30 June 2010 however an increase of US\$106.8 million as compared to 31 December 2009. The current ratio dropped to 2.1 as at 31 December 2010 from 3.1 as at 30 June 2010 and 2.3 as at 31 December 2009.

MMG's gearing ratio, which is the ratio of total interest-bearing liabilities to total assets, was approximately 45.1% as at 31 December 2010 as compared to 47.2% as at 30 June 2010 and 51.9% as at 31 December 2009.

## **Financial resources and liquidity for the Group**

During the year, total assets increased by 11.9% to US\$3,466.9 million whereas shareholders' equity decreased by 58.3% to US\$477.0 million. Current ratio decreased from 2.3 to 1.7.



As at 31 December 2010, the Group was in a net debt position of US\$1,547.9 million, representing cash and bank deposits of US\$417.4 million less total borrowings of US\$1,965.3 million (comprising bank borrowings of US\$1,222.9 million, advances from banks for discounted bills of US\$43.6 million, other loan of US\$694.5 million and finance lease liabilities of US\$4.3 million). Gearing ratio increased from 0.6 to 2.9 (defined as total borrowings less cash and bank deposits divided by shareholders' equity).

The Group's cash and bank deposits, amounting to US\$417.4 million at 31 December 2010, were mainly denominated in US dollars (63.8%), Renminbi (24.7%) and Australian dollars (11.5%).

As at 31 December 2010, the profile of the Group's bank borrowings was as follows:

- (1) 6.5% were in Renminbi and 93.5% were in US dollars;
- (2) 0.7% were in fixed rates and 99.3% were in floating rates;
- (3) 6.8% were repayable within 1 year, 65.1% were repayable between 1 and 2 years, 11.1% were repayable between 2 and 5 years and 17.0% were repayable after 5 years.

### **Material Acquisitions and Disposals**

Under a Share Sale Deed dated 19 October 2010, All Glorious, a wholly-owned subsidiary of the Company, agreed to acquire Album Resources from Album Enterprises, a wholly-owned subsidiary of CMN. CMN is also a controlling indirect shareholder of the Company.

In an EGM of the Company held on 9 December 2010, the proposed acquisition by All Glorious from Album Enterprises for the entire equity interest in Album Resources (the Company which owns the MMG Assets) was approved by the shareholders of the Company. The 2010 Business Combination was completed on 31 December 2010 for a total consideration of US\$2,136.8 million satisfied as follows:

- US\$100.0 million in cash;
- US\$694.2 million from the proceeds of a loan from Album Enterprises to All Glorious;
- US\$652.6 million by the issue of 940,779,090 Consideration Shares of the Company; and



- US\$690.0 million by the issue of PSCS convertible into 1,560 million conversion shares of the Company.

In January 2010, the Group provided a cash contribution of approximately RMB71.3 million (equivalent to approximately US\$10.4 million) to Guangxi Huayin to support its technology enhancement project, which can enhance energy-saving, wastage reduction and production efficiency of its manufacturing process. The above contribution was made in proportion to the Group's equity interest in Guangxi Huayin, that is, 33%.

In April 2010, an agreement was entered into by the Group to conditionally dispose 42% equity interest in Yantai Penghui Copper Industry Company Limited — a non-current asset held for sale by the Group — to an independent third party at a consideration of approximately RMB85.6 million (equivalent to approximately US\$12.5 million). As full provision had already been made in respect of this investment in prior years, it was expected that an estimated disposal gain of approximately RMB85.6 million (equivalent to approximately US\$12.5 million) would be recognised in accordance with the fulfillment of conditions as stipulated in the agreement and the transfer of significant risks and rewards of the ownership concerned. For the year ended 31 December 2010, a deposit of RMB8.6 million (equivalent to approximately US\$1.3 million) was received by the Group in accordance with the agreement and no disposal gain has been recognised in this financial year.

### **Contingent liabilities**

The Company and its subsidiaries are defendants from time to time in legal proceedings arising from the conduct of their businesses. The Group does not consider that the outcome of any of these proceedings ongoing at balance date, either individually or in aggregate, is likely to have a material effect on its financial position. Where appropriate, provisions have been made.

Certain bank guarantees have been provided in connection with the operations of certain of the subsidiaries of the Company, primarily associated with the terms of mining leases or exploration licences. At the end of the year, no claims have been made under these guarantees. The amount of these guarantees may vary from time to time depending upon the requirements of the relevant regulatory authority. These guarantees amount to US\$112.8 million. Provision is made in the financial statements for the anticipated costs of the mine rehabilitation obligations under the mining leases and exploration licenses.

## **Charges on Assets**

As at 31 December 2010, the following assets of the Group were pledged to certain banks for the banking facilities granted to the Group.

- (i) equity interests in a wholly-owned subsidiary, Sino Mining Alumina Limited (Sino Mining) and the assets of Sino Mining;
- (ii) certain property, plant and equipment, land use rights and inventories of the Group with a total carrying amount of approximately US\$65.4 million (2009: US\$46.9 million); and
- (iii) pledged bank deposits of approximately US\$6.4 million (2009: US\$4.5 million).
- (iv) an external borrowing of US\$200.0 million is secured by a share charge to the lender of 100 percent of the shares held in its wholly-owned subsidiary, Album Investment., a mortgage over 70 per cent of the shares in certain subsidiaries of Album Investment and a mortgage over 70 per cent of shares of MMG Laos Holdings Limited.

## **Risk Management**

The Group's activities expose it to a variety of financial risks, including commodity price risk, equities price risk, interest rate risk, foreign exchange risk, credit risk and liquidity risk. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The use of financial derivative instruments should strictly follow the yearly plans approved by the Board of Directors of the Company and its subsidiaries. The Group does not and is prohibited to enter into derivative contracts for speculative purposes.

The core management team identifies, evaluates and monitors financial risks in close co-operation with the Group's operating units to ensure derivative financial instruments are employed solely for hedging purposes.

### *Commodity price risk*

The principal activities of the Group are the trading of alumina, aluminium ingot and other non-ferrous metals, the production and sales of aluminium foils and extrusions, and the mining and sale of zinc, copper, lead, gold and silver. As commodity markets are influenced by global as well as regional supply and demand conditions, any unexpected price changes in the market exchanges might affect the Group's earnings and performance. To mitigate this risk, the Group closely monitors any significant exposures. The Group may enter into commodity derivative contracts in its aluminum

operations from time to time in accordance with the policies and yearly plans approved by the Board of Directors. The Group generally believes commodity price hedging in relation to the mining operations would not provide long-term benefits to its shareholders.

#### *Equities price risk*

The Group is exposed to equity securities price risk. This arises from investments held by the Group and classified in the balance sheet as available-for-sale.

The majority of the Group's equity investments are publicly traded.

#### *Interest rate risk*

The Group is exposed to interest rate volatility on deposits and borrowings. Deposits and borrowings at variable rates expose the Group to cash flow interest rate risk. Deposits and borrowings at fixed rates expose the Group to fair value interest rate risk.

The Group regularly monitors its interest rate risk to ensure there are no undue exposures to significant interest rate movements. The Group has used interest rate swaps to manage the interest rate risk of its floating rate bank borrowings. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates.

#### *Foreign exchange risk*

The Group operates internationally and is exposed to foreign currency exchange risk. The Group's reporting currency and functional currency of the majority of subsidiaries with the Group is US dollars. The majority of revenue received by the Group is US dollars. The Group's foreign currency exchange risk arises predominantly from the currency in which the Group's operations are located.

The Group is exposed to foreign exchange risk primarily with respect to Renminbi (RMB), Australian dollars (AUD), Hong Kong dollars (HKD) and the Canadian dollar (CAD). Given the exchange rate peg between Hong Kong dollars and US dollars, it is not foreseen that the Group will be exposed to significant exchange rate risk for the transactions conducted in HKD or US dollars. However, exchange rate fluctuations of RMB, CAD or AUD against US dollars could affect the Group's performance and asset value.

Under normal market conditions, the Group does not believe that active currency hedging of transactions would provide long-term benefit to shareholders. The Group tries to minimise these exposures through natural hedges wherever possible. For instance, the majority of external debt and surplus cash is denominated in US dollars. A portion of cash may be held in Australian dollars and Renminbi to meet operating costs.

The long-term relationship between commodity prices and the currencies of the countries where the Group operates provides a degree of natural protection. However, the Group may choose to hedge large foreign currency exposures such as capital expenditure, dividends or tax payments.

#### *Credit risk*

Credit risk arises primarily from: (i) trade and bills receivables, and (ii) derivative financial instruments and bank deposits. The Group's maximum exposure to this risk, without taking account of any collateral held, is represented by the carrying amounts of these financial assets in the consolidated balance sheet after deducting any provision for impairment.

#### *Liquidity risk*

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities.

Management utilise both short and long-term cash flow forecasts and other consolidated information to ensure appropriate liquidity buffers are maintained to support the Group's activities.

#### **Capital risk management**

The Group's objectives on managing capital are to safeguard the Group's ability to continue as a going concern, support the Group's sustainable growth, enhance shareholders' value and provide capital for potential acquisitions and investment.

The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions and business strategies. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payments to shareholders, issue new shares or raise/repay debts.

The Group monitors capital by using gearing ratio defined as total borrowings less cash and bank deposits divided by shareholders' equity.

|  | <b>2010</b><br><i>US\$ Million</i> | 2009<br><i>US\$ Million</i><br><i>(Restated)</i> |
|--|------------------------------------|--|
| Cash and cash equivalents  | <b>398.2</b>                       | 471.1  |
| Time deposits  | <b>12.8</b>                        | 28.0   |
| Pledged bank deposits  | <b>6.4</b>                         | 4.5  |
| Less: Total borrowings including a loan from a related party and advances from banks for discounted bills. | <u><b>1,965.3</b></u>              | <u>1,256.5</u>                                   |
| Net debt   | <u><b>1,547.9</b></u>              | <u>752.9</u>                                     |
| Total equity   | <u><b>533.4</b></u>                | <u>1,212.1</u>                                   |
| Gearing ratio  | <b>2.9</b>                         | 0.6  |

### **Capital Expenditure and Commitments**

The Group's capital expenditure of approximately US\$323.2 million for year ended 31 December 2010, was mainly related to Sepon copper expansion, mine development at Century, tailings storage facility upgrade at Golden Grove and a new ventilation shaft at Rosebery.

The Group's operating and capital commitments as at 31 December 2010 amounted to approximately US\$63.9 million, which were mainly related to commitments made by the mining business.

### **Human Resources**

As at 31 December 2010, the Group employed a total of 5,797 full-time employees (not including all Group contractors and employees of jointly controlled companies and associates) of which 18 were based in Hong Kong, 2,503 were based in mainland China, 1,554 in Australia, 1,629 working in Laos, 18 in Canada and 75 in Group Exploration. Total staff costs for the year ended 31 December 2010, including director's emoluments amounted to US\$280.5 million.

The Group has adopted remuneration policies in line with market practice and remunerated its employees based on the responsibilities of their role, their performance and the performance of the Company. Other employee benefits include performance related incentives and in specific cases insurance and medical coverage and a limited share option scheme. An extensive training program is offered to employees across the Company which is designed to improve individual and group performance.

## CONSOLIDATED INCOME STATEMENT

|  | Year ended 31 December      |                                    |
|--|-----------------------------|------------------------------------|
|  | 2010                        | 2009                               |
|  | <i>US\$ Million</i>         | <i>US\$ Million<br/>(Restated)</i> |
| <b>Revenue</b>   | <b>3,582.1</b>              | 1,649.7                            |
| Cost of sales  | <u>(2,642.3)</u>            | <u>(1,267.2)</u>                   |
| <b>Gross profit</b>  | <b>939.8</b>                | 382.5                              |
| Selling expenses   | (87.0)                      | (64.8)                             |
| Administrative expenses  | (78.8)                      | (44.0)                             |
| Exploration expenses   | (50.9)                      | (10.1)                             |
| Other (losses) / gains - net   | (1.5)                       | 6.6                                |
| Other operating expenses   | (86.3)                      | (73.0)                             |
| Other income   | 11.1                        | 3.5                                |
| Gain on disposal of available-for-sale<br>financial assets   | —                           | 41.7                               |
| Business acquisition expenses  | <u>(86.4)</u>               | <u>—</u>                           |
| <b>Operating profit</b>  | <b>560.0</b>                | 242.4                              |
| Finance income   | 8.6                         | 4.2                                |
| Finance costs  | (49.5)                      | (30.5)                             |
| Share of net profits of associates and<br>jointly-controlled entities accounted for<br>using the equity method | <u>41.0</u>                 | <u>4.2</u>                         |
| <b>Profit before income tax</b>  | <b>560.1</b>                | 220.3                              |
| Income tax (expense) / benefit   | <u>(129.7)</u>              | <u>4.5</u>                         |
| <b>Profit for the year</b>   | <b><u>430.4</u></b>         | <b><u>224.8</u></b>                |
| <b>Attributable to:</b>  |                             |                                    |
| Equity holders of the Company  | 409.4                       | 215.8                              |
| Non-controlling interests  | <u>21.0</u>                 | <u>9.0</u>                         |
|  | <b><u>430.4</u></b>         | <b><u>224.8</u></b>                |
| <b>Earnings per share for profit attributable<br/>to the equity holders of the Company</b>                     |                             |                                    |
| - Basic  | <b><u>US13.80 cents</u></b> | <b><u>US8.37 cents</u></b>         |
| - Diluted  | <b><u>US9.04 cents</u></b>  | <b><u>US6.18 cents</u></b>         |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

|  | <b>Year ended 31 December</b> |  |
|--|-------------------------------|--|
|  | <b>2010</b>                   | <b>2009</b>                              |
|  | <i>US\$ Million</i>           | <i>US\$ Million</i><br><i>(Restated)</i> |
| <b>Profit for the year</b>   | <b>430.4</b><br>-----         | 224.8<br>-----                           |
| <b>Other comprehensive income / (loss)</b>   |                               |  |
| Net change in fair value of available-for-sale<br>financial assets and cash flow hedge, net of tax | 44.9                          | 2.8                                      |
| Currency translation differences   | 13.1                          | 3.8                                      |
| Transfer to income statement on disposal of<br>available-for-sale financial assets                 | —                             | (31.9)                                   |
| <b>Other comprehensive income / (loss) for the year</b>  | <b>58.0</b><br>=====          | (25.3)<br>=====                          |
| <b>Total comprehensive income for the year</b>   | <b>488.4</b><br>=====         | 199.5<br>=====                           |
| <b>Total comprehensive income attributable to:</b>   |                               |  |
| Equity holders of the Company  | 466.7                         | 190.5                                    |
| Non-controlling interests  | 21.7                          | 9.0                                      |
|  | <b>488.4</b><br>=====         | 199.5<br>=====                           |

## CONSOLIDATED BALANCE SHEET

|   | As at 31 December   |                     | As at 1             |
|---|---------------------|---------------------|---------------------|
|   | 2010                | 2009                | January             |
|   | <i>US\$ Million</i> | <i>US\$ Million</i> | <i>US\$ Million</i> |
|   |                     | <i>(Restated)</i>   | <i>(Restated)</i>   |
| <b>ASSETS</b>   |                     |                     |                     |
| <b>Non-current assets</b>   |                     |                     |                     |
| Property, plant and equipment   | 1,671.5             | 1,600.8             | 81.3                |
| Investment properties   | 2.0                 | 1.7                 | 1.7                 |
| Intangible assets   | 132.0               | 140.0               | 148.0               |
| Investments accounted for using the equity method                         | 227.3               | 171.5               | 155.7               |
| Inventories   | 24.4                | 23.5                | —                   |
| Available-for-sale financial assets                                       | —                   | —                   | 39.8                |
| Deferred income tax assets  | 98.8                | 70.6                | 7.7                 |
| Other assets  | 1.5                 | 0.9                 | 23.6                |
|   | <u>2,157.5</u>      | <u>2,009.0</u>      | <u>457.8</u>        |
| <b>Current assets</b>   |                     |                     |                     |
| Inventories   | 363.8               | 300.5               | 89.0                |
| Trade and other receivables   | 360.4               | 283.7               | 168.5               |
| Current income tax assets   | 3.5                 | 0.9                 | 2.2                 |
| Other financial assets  | 19.4                | 33.0                | 5.4                 |
| Available-for-sale financial assets                                       | 164.1               | —                   | —                   |
| Cash and cash equivalents   | 398.2               | 471.1               | 239.5               |
|   | <u>1,309.4</u>      | <u>1,089.2</u>      | <u>504.6</u>        |
| <b>Total assets</b>   | <u>3,466.9</u>      | <u>3,098.2</u>      | <u>962.4</u>        |
| <b>EQUITY</b>   |                     |                     |                     |
| <b>Capital and reserves attributable to equity holders of the Company</b> |                     |                     |                     |
| Share capital   | 19.0                | 13.0                | 13.0                |
| Perpetual sub-ordinated convertible securities                            | 690.0               | —                   | —                   |
| Reserves and retained profits   | (232.0)             | 1,131.4             | 604.1               |
|   | 477.0               | 1,144.4             | 617.1               |
| <b>Non-controlling interests</b>  | <u>56.4</u>         | <u>67.7</u>         | <u>24.8</u>         |
| <b>Total equity</b>   | <u>533.4</u>        | <u>1,212.1</u>      | <u>641.9</u>        |



|  | As at 31 December   |  | As at 1                                  |
|--|---------------------|--|--|
|  | 2010                | 2009                                     | January                                  |
|  | <i>US\$ Million</i> | <i>US\$ Million</i><br><i>(Restated)</i> | <i>US\$ Million</i><br><i>(Restated)</i> |
| <b>LIABILITIES</b>                           |                     |  |  |
| <b>Non-current liabilities</b>               |                     |  |  |
| Deferred income                              | 5.1                 | 5.1                                      | 3.1                                      |
| Derivative financial instruments             | —                   | —  | 1.0                                      |
| Deferred income tax liabilities              | 20.1                | 0.8                                      | 0.4                                      |
| Borrowings                                   | 1,144.3             | 1,183.1                                  | 69.5                                     |
| Loan from a related party                    | 694.2               | —  | —  |
| Provisions                                   | 317.6               | 231.4                                    | —  |
|  | <u>2,181.3</u>      | <u>1,420.4</u>                           | <u>74.0</u>                              |
| <b>Current liabilities</b>                   |                     |  |  |
| Trade and other payables                     | 368.5               | 223.2                                    | 119.6                                    |
| Receipts in advance                          | 71.0                | 62.1                                     | 44.4                                     |
| Advances from banks for discounted bills     | 43.6                | 25.1                                     | 11.2                                     |
| Amounts due to related parties               | 2.5                 | 0.7                                      | 25.7                                     |
| Derivative financial instruments             | 1.2                 | 10.1                                     | 6.1                                      |
| Current income tax liabilities               | 129.1               | 60.7                                     | 0.2                                      |
| Borrowings                                   | 83.2                | 48.3                                     | 39.3                                     |
| Provisions                                   | 53.1                | 35.5                                     | —  |
|  | <u>752.2</u>        | <u>465.7</u>                             | <u>246.5</u>                             |
| <b>Total liabilities</b>                     | <u>2,933.5</u>      | <u>1,886.1</u>                           | <u>320.5</u>                             |
| <b>Total equity and liabilities</b>          | <u>3,466.9</u>      | <u>3,098.2</u>                           | <u>962.4</u>                             |
| <b>Net current assets</b>                    | <u>557.2</u>        | <u>623.5</u>                             | <u>258.1</u>                             |
| <b>Total assets less current liabilities</b> | <u>2,714.7</u>      | <u>2,632.5</u>                           | <u>715.9</u>                             |

## BALANCE SHEET

|  | As at 31 December   |                     |
|--|---------------------|---------------------|
|  | 2010                | 2009                |
|  | <i>US\$ Million</i> | <i>US\$ Million</i> |
| <b>ASSETS</b>                                  |                     |                     |
| <b>Non-current assets</b>                      |                     |                     |
| Property, plant and equipment                  | 0.3                 | 0.4                 |
| Investment properties                          | 1.8                 | 1.5                 |
| Interests in subsidiaries                      | <u>1,780.9</u>      | <u>406.0</u>        |
|  | <u>1,783.0</u>      | <u>407.9</u>        |
| <b>Current assets</b>                          |                     |                     |
| Other receivables                              | 0.1                 | 0.4                 |
| Loans to subsidiaries                          | —                   | 7.3                 |
| Cash and cash equivalents                      | <u>17.1</u>         | <u>40.5</u>         |
|  | <u>17.2</u>         | <u>48.2</u>         |
| <b>Total assets</b>                            | <u>1,800.2</u>      | <u>456.1</u>        |
| <b>EQUITY</b>                                  |                     |                     |
| <b>Capital and reserves</b>                    |                     |                     |
| Share capital                                  | 19.0                | 13.0                |
| Perpetual sub-ordinated convertible securities | 690.0               | —                   |
| Reserves                                       | <u>1,085.7</u>      | <u>440.8</u>        |
| <b>Total equity</b>                            | <u>1,794.7</u>      | <u>453.8</u>        |
| <b>LIABILITIES</b>                             |                     |                     |
| <b>Current liabilities</b>                     |                     |                     |
| Other payables                                 | 0.5                 | 0.6                 |
| Amounts due to subsidiaries                    | <u>5.0</u>          | <u>1.7</u>          |
|  | <u>5.5</u>          | <u>2.3</u>          |
| <b>Total liabilities</b>                       | <u>5.5</u>          | <u>2.3</u>          |
| <b>Total equity and liabilities</b>            | <u>1,800.2</u>      | <u>456.1</u>        |
| <b>Net current assets</b>                      | <u>11.7</u>         | <u>45.9</u>         |
| <b>Total assets less current liabilities</b>   | <u>1,794.7</u>      | <u>453.8</u>        |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| <i>US\$ Million</i>                                     | Attributable to equity holders of the Company |  |                      |                  |                           | <b>Total</b> |
|---|---|--|----------------------|------------------|---------------------------|--------------|
|   | Share capital                                 | Perpetual sub-ordinated convertible securities | Total other reserves | Retained profits | Non-controlling interests |              |
| At 1 January 2010, as previously reported               | 13.0  | —  | 567.2                | 212.5            | 25.7                      | 818.4        |
| Change in accounting policy                             | —   | —  | (149.3)              | (8.7)            | —                         | (158.0)      |
| Business combination under common control               | —   | —  | 337.2                | 172.5            | 42.0                      | 551.7        |
| <b>At 1 January 2010, as restated</b>                   | 13.0  | —  | 755.1                | 376.3            | 67.7                      | 1,212.1      |
| Profit for the year                                     | —   | —  | —                    | 409.4            | 21.0                      | 430.4        |
| <b>Other comprehensive income</b>                       |   |  |                      |                  |                           |              |
| Cash flow hedge   | —   | —  | 1.0                  | —                | —                         | 1.0          |
| Available-for-sale financial assets, net of tax         | —   | —  | 43.9                 | —                | —                         | 43.9         |
| Currency translation differences                        | —   | —  | 12.4                 | —                | 0.7                       | 13.1         |
| <b>Total comprehensive income for the year</b>          | —   | —  | 57.3                 | 409.4            | 21.7                      | 488.4        |
| <b>Transactions with owners</b>                         |   |  |                      |                  |                           |              |
| Transfer from/(to) reserves                             | —   | —  | 0.5                  | (0.5)            | —                         | —            |
| Dividends paid  | —   | —  | —                    | (340.0)          | —                         | (340.0)      |
| Dividends paid to non- controlling interests            | —   | —  | —                    | —                | (33.0)                    | (33.0)       |
| Issue of shares   | 6.0   | —  | 646.6                | —                | —                         | 652.6        |
| Issue of Perpetual sub-ordinated convertible securities | —   | 690.0  | —                    | —                | —                         | 690.0        |
| Grant of share option                                   | —   | —  | 0.1                  | —                | —                         | 0.1          |
| Common control business combination                     | —   | —  | (2,136.8)            | —                | —                         | (2,136.8)    |
| <b>Total transactions with owners</b>                   | 6.0   | 690.0  | (1,489.6)            | (340.5)          | (33.0)                    | (1,167.1)    |
| At 31 December 2010                                     | 19.0  | 690.0  | (677.2)              | 445.2            | 56.4                      | 533.4        |

## ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

| <i>US\$ Million</i>   | Attributable to<br>equity holders of the Company |                         |                     | Non-<br>controlling<br>interests | Total   |
|---|--|-------------------------|---------------------|----------------------------------|---------|
|   | Share<br>capital                                 | Total other<br>Reserves | Retained<br>profits |                                  |         |
| At 1 January 2009, as previously reported                                       | 13.0   | 582.5                   | 185.6               | 24.8                             | 805.9   |
| Change in accounting policy   | —  | (135.1)                 | (28.9)              | —                                | (164.0) |
| <b>At 1 January 2009, as restated</b>   | 13.0   | 447.4                   | 156.7               | 24.8                             | 641.9   |
| Profit for the year   | —  | —                       | 215.8               | 9.0                              | 224.8   |
| <b>Other comprehensive (loss)/income</b>  |  |                         |                     |                                  |         |
| Transfer to income statement on disposal of available-for-sale financial assets | —  | (31.9)                  | —                   | —                                | (31.9)  |
| Cash flow hedge   | —  | 2.6                     | —                   | —                                | 2.6     |
| Available-for-sale financial assets, net of tax                                 | —  | 0.2                     | —                   | —                                | 0.2     |
| Currency translation differences  | —  | 3.8                     | —                   | —                                | 3.8     |
| <b>Total comprehensive income for the year</b>                                  | —  | (25.3)                  | 215.8               | 9.0                              | 199.5   |
| <b>Transactions with owners</b>   |  |                         |                     |                                  |         |
| Repurchase of the Company's shares  | —  | —                       | (0.3)               | —                                | (0.3)   |
| Transfer from/(to) reserves   | —  | (1.6)                   | 1.6                 | —                                | —       |
| Transfer upon lapse of share options  | —  | (2.5)                   | 2.5                 | —                                | —       |
| Acquisition through business combination  | —  | —                       | —                   | 35.8                             | 35.8    |
| Dividends paid to non- controlling interests                                    | —  | —                       | —                   | (2.2)                            | (2.2)   |
| Increase in fair values of proportionate holding of an associate                | —  | 0.1                     | —                   | 0.3                              | 0.4     |
| 2010 Business combination under common control                                  | —  | 337.0                   | —                   | —                                | 337.0   |
| <b>Total transactions with owners</b>   | —  | 333.0                   | 3.8                 | 33.9                             | 370.7   |
| At 31 December 2009   | 13.0   | 755.1                   | 376.3               | 67.7                             | 1,212.1 |

## CONSOLIDATED CASH FLOW STATEMENT

|   | <b>Year ended 31 December</b> |  |
|---|-------------------------------|--|
|   | <b>2010</b>                   | <b>2009</b>                              |
|   | <i>US\$ Million</i>           | <i>US\$ Million</i><br><i>(Restated)</i> |
| <b>Cash flows from operating activities</b>                               |                               |  |
| Net cash generated from operations  | <b>907.6</b>                  | 338.8                                    |
| Income tax paid   | <b>(91.4)</b>                 | (49.8)                                   |
| Net cash generated from operating activities                              | <b><u>816.2</u></b>           | <u>289.0</u>                             |
| <b>Cash flows from investing activities</b>                               |                               |  |
| Acquisition of subsidiaries   | <b>(100.0)</b>                | —  |
| Cash flow attributable to acquisition of MMG, net of cash acquired        | —                             | (648.7)                                  |
| Capital injection into jointly-controlled entities                        | <b>(10.7)</b>                 | (10.8)                                   |
| Purchase of property, plant and equipment                                 | <b>(323.2)</b>                | (172.8)                                  |
| Proceeds from disposal of property, plant and equipment                   | <b>3.7</b>                    | 0.4                                      |
| Proceeds from disposal of available-for-sale financial assets             | —                             | 49.6                                     |
| Proceeds from disposal of investments                                     | <b>0.3</b>                    | 2.0                                      |
| Purchase of available-for-sale financial assets                           | <b>(100.2)</b>                | —  |
| Dividends received from investments accounted for using the equity method | <b>2.5</b>                    | 1.0                                      |
| Interest received   | <b>8.6</b>                    | 4.2                                      |
| Decrease/(increase) in time deposits and pledged bank deposits            | <b>13.4</b>                   | (27.7)                                   |
| Net cash used in investing activities                                     | <b><u>(505.6)</u></b>         | <u>(802.8)</u>                           |
| <b>Cash flows from financing activities</b>                               |                               |  |
| Repurchase of the Company's shares  | —                             | (0.4)                                    |
| Net proceeds from new borrowings  | <b>17.0</b>                   | 421.3                                    |
| Proceeds from issue of shares   | —                             | 337.0                                    |
| Interest paid   | <b>(32.2)</b>                 | (19.4)                                   |
| Dividends paid to non-controlling interests                               | <b>(33.0)</b>                 | (2.2)                                    |
| Dividends paid to former owner of Album Resources Private Limited         | <b>(340.0)</b>                | —  |
| Repayments of finance lease liabilities                                   | <b>(1.7)</b>                  | (2.6)                                    |
| Net cash (used in) / generated from financing activities                  | <b><u>(389.9)</u></b>         | <u>733.7</u>                             |
| <b>Net (decrease) / increase in cash and cash equivalents</b>             | <b>(79.3)</b>                 | 219.9                                    |
| Cash and cash equivalents at 1 January                                    | <b>471.1</b>                  | 239.5                                    |
| Exchange gains on cash and bank balances                                  | <b>6.4</b>                    | 11.7                                     |
| <b>Cash and cash equivalents at 31 December</b>                           | <b><u>398.2</u></b>           | <u>471.1</u>                             |
| <b>Analysis of balances of cash and cash equivalents</b>                  |                               |  |
| Cash and bank balances  | <b><u>398.2</u></b>           | <u>471.1</u>                             |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. Basis of Preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRS). These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of 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.

#### (a) Change in presentation currency

Prior to 2010, the presentation currency of the Company was the HK\$ for the purpose of preparing its consolidated financial statements. The Directors have determined to change the presentation currency from the HK\$ to US\$ in preparing the consolidated financial statement for the year ended 31 December 2010 as the Directors consider the change will result in a more meaningful presentation of the operating results and financial position of the Group. The comparative figures in these consolidated financial statements are translated from HK\$ to US\$ using the rates that approximate the closing rates for balance sheet items and average rates for the year for income statement items. The change in presentation currency had no significant impact on the financial position of the Group as at 1 January 2009, 31 December 2009 and 31 December 2010 and the results and cash flows of the Group for the year ended 31 December 2009 and 2010.

#### (b) New and amended accounting standards adopted

The Hong Kong Institute of Certified Public Accountants (HKICPA) has issued the following new and revised standards, amendments to standards and interpretations that are effective or early adopted in 2010 and relevant to the Group's operation. The adoption of these revised standards, amendments to standards and interpretations does not have any significant impact on the Group's results and financial position.

|                     |   |
|---------------------|---|
| HKFRSs (Amendments) | Amendments to HKFRS 5 as part of improvements to HKFRSs issued in 2008  |
| HKFRSs (Amendment)  | Improvements to HKFRSs issued in 2009   |
| HKAS 27 (Revised)   | Consolidated and separate financial statements  |
| HKAS 39 (Amendment) | Eligible hedged items   |
| HKFRS 1 (Revised)   | First-time adoption of HKFRS  |
| HKFRS 1 (Amendment) | Additional exemptions for first-time adopters   |
| HKFRS 2 (Amendment) | Group cash-settled share-based payment transactions   |
| HKFRS 3 (Revised)   | Business combinations   |
| HK — Int 5          | Presentation of financial statements - classification by the borrower of a term loan that contains a repayment on demand clause |
| HK (IFRIC) - Int 17 | Distributions of non-cash assets to owners  |

The Group has early adopted HKAS 24 (revised), "Related Party Disclosures" in whole which is effective for years beginning on or after 1 January 2011 in preparing the consolidated financial statements for the year ended 31 December 2010. The amendment introduces an exemption from all of the disclosure requirements of HKAS 24 for transactions with the government and other government related entities. Those disclosures are replaced with a requirement to disclose the name of the government and the nature of their relationship, the nature and amount of any individually-significant transactions, and the extent of any collectively-significant transactions qualitatively or quantitatively. It also clarifies and simplifies the definition of a related party.

- (c) New standard, amendments to standards and interpretations that have been issued but are not effective

The Group has not early adopted the following new/revised standards, amendments and interpretations to standards that have been issued but are not effective for 2010. The Group is in the process of assessing their impact to the Group's results and financial position.

|                                   |   |
|-----------------------------------|---|
| HKFRSs (Amendment)                | Improvements to HKFRSs 2010 <sup>(1)</sup>                  |
| HKAS 12 (Amendment)               | Deferred tax — recovery of underlying assets <sup>(2)</sup> |
| HKAS 32 (Amendment)               | Classification of right issues <sup>(1)</sup>               |
| HKFRS 7 (Amendment)               | Disclosures - transfers of financial assets <sup>(2)</sup>  |
| HKFRS 9                           | Financial instruments <sup>(3)</sup>                        |
| HK(IFRIC) - Int 14<br>(Amendment) | Prepayments of a minimum funding requirement <sup>(1)</sup> |
| HK(IFRIC) - Int 19                | Extinguishing financial liabilities with equity instruments |

<sup>(1)</sup> Effective for the Group for annual period beginning on 1 January 2011

<sup>(2)</sup> Effective for the Group for annual period beginning on 1 January 2012

<sup>(3)</sup> Effective for the Group for annual period beginning on 1 January 2013

## 2. Change in accounting policy

In previous years, the Group adopted the purchase method of accounting to account for all its acquisitions of subsidiaries, including the business combinations under common control, in accordance with HKFRS 3 "Business Combinations". In the current year, for the purpose of aligning the Group's accounting policy with its holding companies, the Directors of the Company reviewed the appropriateness and practicality of the change of method of accounting for business combinations under common control taking into account merger accounting as allowed under Accounting Guideline 5 "Merger Accounting for Common Control Combinations" (AG 5) issued by the HKICPA. The Directors consider that merger accounting is more appropriate and would provide reliable and more relevant information in respect of the Group's business combinations under common control as it can better reflect the underlying economic substance of these transactions. Accordingly, the Group has changed to apply the principle of merger accounting in accordance with the requirements set out in AG 5 to business combinations involving entities under the common control of its ultimate holding company.

The change in accounting policy has been applied retrospectively to the acquisition of the alumina and aluminium businesses (mainly comprising Minmetals Aluminium Company Limited and its subsidiaries) by the Group from a subsidiary of the Group's ultimate holding company on 6 October 2005.

The effect of the adoption of merger accounting on the consolidated income statement for the year ended 31 December 2009 is as follows:

| <i>US\$ Million</i>  | Year ended 31 December 2009 |                                       |   |                  |
|--|-----------------------------|---------------------------------------|---|------------------|
|  | As previously reported      | Impact of change in accounting policy | Impact of acquired MMG under common control | Restated         |
| <b>Revenue</b>   | 796.9                       | —                                     | 852.8                                       | 1,649.7          |
| Cost of sales  | <u>(766.2)</u>              | <u>7.2</u>                            | <u>(508.2)</u>                              | <u>(1,267.2)</u> |
| <b>Gross Profit</b>  | 30.7                        | 7.2                                   | 344.6                                       | 382.5            |
| Selling expenses   | (9.7)                       | —                                     | (55.1)                                      | (64.8)           |
| Administrative expenses  | (20.8)                      | —                                     | (23.2)                                      | (44.0)           |
| Exploration expenses   | —                           | —                                     | (10.1)                                      | (10.1)           |
| Other (losses) / gains - net   | 5.0                         | —                                     | 1.6   | 6.6              |
| Other operating expenses   | (6.4)                       | —                                     | (66.6)                                      | (73.0)           |
| Other income   | 2.8                         | —                                     | 0.7   | 3.5              |
| Gain on disposal of available-for-sale financial assets  | <u>27.5</u>                 | <u>14.2</u>                           | <u>—</u>                                    | <u>41.7</u>      |
| <b>Operating profit</b>  | 29.1                        | 21.4                                  | 191.9                                       | 242.4            |
| Finance income   | 3.1                         | —                                     | 1.1   | 4.2              |
| Finance costs  | (7.3)                       | —                                     | (23.2)                                      | (30.5)           |
| Share of net profits of associates and jointly-controlled entities accounted for using the equity method | <u>4.2</u>                  | <u>—</u>                              | <u>—</u>                                    | <u>4.2</u>       |
| <b>Profit before income tax</b>  | 29.1                        | 21.4                                  | 169.8                                       | 220.3            |
| Income tax (expense) / benefit   | <u>(5.2)</u>                | <u>(1.2)</u>                          | <u>10.9</u>                                 | <u>4.5</u>       |
| <b>Profit for the year</b>   | <u>23.9</u>                 | <u>20.2</u>                           | <u>180.7</u>                                | <u>224.8</u>     |
| <b>Attributable to:</b>  |                             |                                       |   |                  |
| Equity holders of the Company  | 23.1                        | 20.2                                  | 172.5                                       | 215.8            |
| Non-controlling interests  | <u>0.8</u>                  | <u>—</u>                              | <u>8.2</u>                                  | <u>9.0</u>       |
|  | <u>23.9</u>                 | <u>20.2</u>                           | <u>180.7</u>                                | <u>224.8</u>     |

**Earnings per share for profit attributable to equity holders of the Company**

|           |                     |                      |
|-----------|---------------------|----------------------|
| - Basic   | <u>US 1.15 cent</u> | <u>US 8.37 cents</u> |
| - Diluted | <u>US 1.15 cent</u> | <u>US 6.18 cents</u> |



*Effect of the adoption of merger accounting (Continued)*

The effect of the adoption of merger accounting on the consolidated balance sheet as at 31 December 2009 and 1 January 2009 is as follows:

| <i>US\$ Million</i>                               | As at 31 December 2009 |                                       |   | As at 1 January 2009 |                        |                                       |              |
|---|------------------------|---------------------------------------|---|----------------------|------------------------|---------------------------------------|--------------|
|   | As previously reported | Impact of change in accounting policy | Impact of acquired MMG under common control | Restated             | As previously reported | Impact of change in accounting policy | Restated     |
| <b>ASSETS</b>                                     |                        |                                       |   |                      |                        |                                       |              |
| <b>Non-current assets</b>                         |                        |                                       |   |                      |                        |                                       |              |
| Property, plant and equipment                     | 107.1                  | —                                     | 1,493.7                                     | 1,600.8              | 81.3                   | —                                     | 81.3         |
| Investment properties                             | 1.7                    | —                                     | —   | 1.7                  | 1.7                    | —                                     | 1.7          |
| Intangible assets                                 | 310.3                  | (170.3)                               | —   | 140.0                | 328.1                  | (180.1)                               | 148.0        |
| Investments accounted for using the equity method | 171.5                  | —                                     | —   | 171.5                | 155.7                  | —                                     | 155.7        |
| Inventories                                       | —                      | —                                     | 23.5  | 23.5                 | —                      | —                                     | —            |
| Available-for-sale financial assets               | —                      | —                                     | —   | —                    | 39.8                   | —                                     | 39.8         |
| Deferred income tax assets                        | 5.1                    | —                                     | 65.5  | 70.6                 | 7.7                    | —                                     | 7.7          |
| Other assets                                      | 0.9                    | —                                     | —   | 0.9                  | 23.6                   | —                                     | 23.6         |
|   | <u>596.6</u>           | <u>(170.3)</u>                        | <u>1,582.7</u>                              | <u>2,009.0</u>       | <u>637.9</u>           | <u>(180.1)</u>                        | <u>457.8</u> |
| <b>Current assets</b>                             |                        |                                       |   |                      |                        |                                       |              |
| Inventories                                       | 125.6                  | (2.6)                                 | 177.5                                       | 300.5                | 89.0                   | —                                     | 89.0         |
| Trade and other receivables                       | 171.4                  | —                                     | 112.3                                       | 283.7                | 168.5                  | —                                     | 168.5        |
| Current income tax assets                         | 0.9                    | —                                     | —   | 0.9                  | 2.2                    | —                                     | 2.2          |
| Other financial assets                            | 33.0                   | —                                     | —   | 33.0                 | 5.4                    | —                                     | 5.4          |
| Cash and cash equivalents                         | 219.8                  | —                                     | 251.3                                       | 471.1                | 239.5                  | —                                     | 239.5        |
|   | <u>550.7</u>           | <u>(2.6)</u>                          | <u>541.1</u>                                | <u>1,089.2</u>       | <u>504.6</u>           | <u>—</u>                              | <u>504.6</u> |
| <b>Total assets</b>                               | <u>1,147.3</u>         | <u>(172.9)</u>                        | <u>2,123.8</u>                              | <u>3,098.2</u>       | <u>1,142.5</u>         | <u>(180.1)</u>                        | <u>962.4</u> |

| <i>US\$ Million</i>                      | As at 31 December 2009 |                                       |   | As at 1 January 2009  |                        |                                       |                     |
|--|------------------------|---------------------------------------|---|-----------------------|------------------------|---------------------------------------|---------------------|
|  | As previously reported | Impact of change in accounting policy | Impact of acquired MMG under common control | Restated              | As previously reported | Impact of change in accounting policy | Restated            |
| <b>EQUITY</b>                            |                        |                                       |   |                       |                        |                                       |                     |
| <b>Capital and reserves</b>              |                        |                                       |   |                       |                        |                                       |                     |
| Share capital                            | 13.0                   | —                                     | —   | 13.0                  | 13.0                   | —                                     | 13.0                |
| Reserves                                 | <u>779.7</u>           | <u>(158.0)</u>                        | <u>509.7</u>                                | <u>1,131.4</u>        | <u>768.1</u>           | <u>(164.0)</u>                        | <u>604.1</u>        |
|  | 792.7                  | (158.0)                               | 509.7                                       | 1,144.4               | 781.1                  | (164.0)                               | 617.1               |
| Non-controlling interests                | <u>25.7</u>            | <u>—</u>                              | <u>42.0</u>                                 | <u>67.7</u>           | <u>24.8</u>            | <u>—</u>                              | <u>24.8</u>         |
| Total equity                             | <u><u>818.4</u></u>    | <u><u>(158.0)</u></u>                 | <u><u>551.7</u></u>                         | <u><u>1,212.1</u></u> | <u><u>805.9</u></u>    | <u><u>(164.0)</u></u>                 | <u><u>641.9</u></u> |
| <b>LIABILITIES</b>                       |                        |                                       |   |                       |                        |                                       |                     |
| <b>Non-current liabilities</b>           |                        |                                       |   |                       |                        |                                       |                     |
| Deferred income                          | 5.1                    | —                                     | —   | 5.1                   | 3.1                    | —                                     | 3.1                 |
| Derivative financial instruments         | —                      | —                                     | —   | —                     | 1.0                    | —                                     | 1.0                 |
| Deferred income tax liabilities          | 15.7                   | (14.9)                                | —   | 0.8                   | 16.5                   | (16.1)                                | 0.4                 |
| Borrowings                               | 82.3                   | —                                     | 1,100.8                                     | 1,183.1               | 69.5                   | —                                     | 69.5                |
| Provisions                               | <u>—</u>               | <u>—</u>                              | <u>231.4</u>                                | <u>231.4</u>          | <u>—</u>               | <u>—</u>                              | <u>—</u>            |
|  | <u>103.1</u>           | <u>(14.9)</u>                         | <u>1,332.2</u>                              | <u>1,420.4</u>        | <u>90.1</u>            | <u>(16.1)</u>                         | <u>74.0</u>         |
| <b>Current liabilities</b>               |                        |                                       |   |                       |                        |                                       |                     |
| Trade and other payables                 | 79.5                   | —                                     | 143.7                                       | 223.2                 | 119.6                  | —                                     | 119.6               |
| Receipts in advance                      | 62.1                   | —                                     | —   | 62.1                  | 44.4                   | —                                     | 44.4                |
| Advances from banks for discounted bills | 25.1                   | —                                     | —   | 25.1                  | 11.2                   | —                                     | 11.2                |
| Amounts due to related parties           | 0.7                    | —                                     | —   | 0.7                   | 25.7                   | —                                     | 25.7                |
| Derivative financial instruments         | 10.1                   | —                                     | —   | 10.1                  | 6.1                    | —                                     | 6.1                 |
| Current income tax liabilities           | 1.1                    | —                                     | 59.6  | 60.7                  | 0.2                    | —                                     | 0.2                 |
| Borrowings                               | 47.2                   | —                                     | 1.1   | 48.3                  | 39.3                   | —                                     | 39.3                |
| Provisions                               | <u>—</u>               | <u>—</u>                              | <u>35.5</u>                                 | <u>35.5</u>           | <u>—</u>               | <u>—</u>                              | <u>—</u>            |
|  | <u>225.8</u>           | <u>—</u>                              | <u>239.9</u>                                | <u>465.7</u>          | <u>246.5</u>           | <u>—</u>                              | <u>246.5</u>        |
| <b>Total liabilities</b>                 | <u><u>328.9</u></u>    | <u><u>(14.9)</u></u>                  | <u><u>1,572.1</u></u>                       | <u><u>1,886.1</u></u> | <u><u>336.6</u></u>    | <u><u>(16.1)</u></u>                  | <u><u>320.5</u></u> |

| <i>US\$ Million</i>                          | As at 31 December 2009 |                                       |   | As at 1 January 2009 |                        |                                       |              |
|--|------------------------|---------------------------------------|---|----------------------|------------------------|---------------------------------------|--------------|
|  | As previously reported | Impact of change in accounting policy | Impact of acquired MMG under common control | Restated             | As previously reported | Impact of change in accounting policy | Restated     |
| <b>Total equity and liabilities</b>          | <u>1,147.3</u>         | <u>(172.9)</u>                        | <u>2,123.8</u>                              | <u>3,098.2</u>       | <u>1,142.5</u>         | <u>(180.1)</u>                        | <u>962.4</u> |
| <b>Net current assets</b>                    | <u>324.9</u>           | <u>(2.6)</u>                          | <u>301.2</u>                                | <u>623.5</u>         | <u>258.1</u>           | <u>—</u>                              | <u>258.1</u> |
| <b>Total assets less current liabilities</b> | <u>921.5</u>           | <u>(172.9)</u>                        | <u>1,883.9</u>                              | <u>2,632.5</u>       | <u>896.0</u>           | <u>(180.1)</u>                        | <u>715.9</u> |

The effect of the change in accounting policy as at and for the year ended 31 December 2010 is as follows:

***US\$ Million***

|   |            |
|---|------------|
| Decrease in alumina purchasing rights       | 160.6      |
| Decrease in deferred income tax liabilities | 13.7       |
| Decrease in cost of sales                   | 9.7        |
| Increase in deferred income tax expense     | <u>1.2</u> |

### 3. Segment information

HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision-maker in order to allocate resources to the segment and assess its performance.

The chief operating decision-maker has been identified as the Company's Executive Directors and senior management of the Group. They review the Group's internal reporting of these subsidiaries in order to assess performance and allocate resources. The identification of operating segments is based on the stage of operation along the supply chain for the Group's aluminum operations and on a site basis for the Group's mining operations.

The Group's reportable segments 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 entity of the Group.    |
| Fabrication       | This segment engages in the production and sale of aluminium foil, plate, strip and extrusions.  |
| Century mine      | The Century mine is an open-cut zinc and lead mine located approximately 250 kilometres north of Mount Isa, near to the Gulf of Carpentaria in Queensland, Australia.  |
| Sepon mines       | Sepon comprises two distinct operations where copper and gold are mined from two open-cut mines and processed separately. The operations are located approximately 40 kilometres north of the town of Sepon, in Savannakhet Province of Laos.        |
| Golden Grove mine | Golden Grove mine is a volcanic hosted massive sulphide base and precious metals deposit of zinc, copper, lead, silver and gold, located approximately 450 kilometres north-east of Perth and 280 kilometres east of Geraldton in Western Australia. |
| Rosebery mine     | The Rosebery mine is a medium-scale underground zinc, lead, silver, gold and copper mine located on the West Coast of Tasmania in Australia.   |

## Other Operations

Operating segments that do not meet the quantitative thresholds are combined as “Other Operations”. The Group has built a portfolio of exploration and development projects in Australia, Canada, Laos, Thailand and Indonesia. These exploration and development projects, including the Dugald River Project and the Canadian Project, are not required to be disclosed as a separate segment at this stage, and accordingly these amounts are included within ‘Other Operations’. Other Operations also include the Avebury mine, which remains on care and maintenance, the production and sale of aluminium processing equipment, the production and sale of plica tubes and the provision of port logistics services and other head office entities.

A segment result represents the profit earned by each segment without share of profits less losses of jointly-controlled entities and associates. This is the measure reported to the chief operating decision-maker for the purposes of resource allocation and assessment of segment performance. 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 entities 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.

The segment revenue and result for the year ended 31 December 2010 are as follows:

| For the year ended 31 December 2010                                       |                |              |                |               |                   |               |                  |                           |                     |
|---|----------------|--------------|----------------|---------------|-------------------|---------------|------------------|---------------------------|---------------------|
| <i>US\$ Million</i>   | Trading        | Fabrication  | Century Mine   | Sepon Mines   | Golden Grove Mine | Rosebery Mine | Other Operations | Inter-segment elimination | Group               |
| External revenue  | 1,282.8        | 259.5        | 659.8          | 542.7         | 384.4             | 220.5         | 49.0             | —                         | 3,398.7             |
| Revenue from related parties  | 70.9           | —            | 51.6           | 54.0          | 6.9               | —             | —                | —                         | 183.4               |
| Inter-segment revenue   | 90.6           | —            | —              | —             | —                 | —             | 9.4              | (100.0)                   | —                   |
| Revenue   | <u>1,444.3</u> | <u>259.5</u> | <u>711.4</u>   | <u>596.7</u>  | <u>391.3</u>      | <u>220.5</u>  | <u>58.4</u>      | <u>(100.0)</u>            | <u>3,582.1</u>      |
| EBITDA  | 42.5           | 13.7         | 356.2          | 358.6         | 192.4             | 104.5         | (189.3)          | (0.1)                     | 878.5               |
| Depreciation and Amortisation   | <u>(8.1)</u>   | <u>(9.6)</u> | <u>(219.5)</u> | <u>(14.9)</u> | <u>(36.8)</u>     | <u>(25.7)</u> | <u>(3.9)</u>     | <u>—</u>                  | <u>(318.5)</u>      |
| Operating profit/(loss) (EBIT)  | <u>34.4</u>    | <u>4.1</u>   | <u>136.7</u>   | <u>343.7</u>  | <u>155.6</u>      | <u>78.8</u>   | <u>(193.2)</u>   | <u>(0.1)</u>              | <u>560.0</u>        |
| Finance income  | 4.0            | 0.1          | —              | 0.5           | —                 | —             | 4.5              | (0.5)                     | 8.6                 |
| Finance costs   | <u>(2.8)</u>   | <u>(4.4)</u> | <u>(14.3)</u>  | <u>(10.0)</u> | <u>(7.9)</u>      | <u>(2.0)</u>  | <u>(8.6)</u>     | <u>0.5</u>                | <u>(49.5)</u>       |
| Segment result  | 35.6           | (0.2)        | 122.4          | 334.2         | 147.7             | 76.8          | (197.3)          | (0.1)                     | 519.1               |
| Share of net profits of investments accounted for using the equity method |                |              |                |               |                   |               |                  |                           | 41.0                |
| Income tax expense  |                |              |                |               |                   |               |                  |                           | <u>(129.7)</u>      |
| Profit for the year   |                |              |                |               |                   |               |                  |                           | 430.4               |
| Non-controlling interests   |                |              |                |               |                   |               |                  |                           | <u>(21.0)</u>       |
| Profit attributable to equity holders of the Company                      |                |              |                |               |                   |               |                  |                           | <u><u>409.4</u></u> |
| Other segment information:  |                |              |                |               |                   |               |                  |                           |                     |
| Additions to non-current assets   | 0.1            | 9.4          | 187.2          | 102.1         | 61.1              | 36.9          | 19.4             | —                         | 416.2               |

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

| <i>US\$ Million</i>   | For the year ended 31 December 2009 |             |               |              |                    |                |                   |                           | Group        |
|---|-------------------------------------|-------------|---------------|--------------|--------------------|----------------|-------------------|---------------------------|--------------|
|   | Trading                             | Fabrication | Century Mine* | Sepon Mines* | Golden Grove Mine* | Rosebery Mine* | Other Operations* | Inter-segment elimination |              |
| External revenue  | 552.0                               | 183.2       | 233.8         | 281.4        | 159.2              | 151.5          | 33.6              | —                         | 1,594.7      |
| Revenue from related parties  | 28.1                                | —           | 13.7          | 6.4          | 6.8                | —              | —                 | —                         | 55.0         |
| Inter-segment revenue   | 110.9                               | 0.4         | —             | —            | —                  | —              | 10.5              | (121.8)                   | —            |
| Revenue   | 691.0                               | 183.6       | 247.5         | 287.8        | 166.0              | 151.5          | 44.1              | (121.8)                   | 1,649.7      |
| EBITDA  | 13.1                                | 13.4        | 86.3          | 161.3        | 71.5               | 74.4           | (2.7)             | 0.1                       | 417.4        |
| Depreciation and Amortisation   | (8.1)                               | (7.8)       | (97.9)        | (22.2)       | (20.6)             | (16.0)         | (2.4)             | —                         | (175.0)      |
| Operating profit/(loss) (EBIT)  | 5.0                                 | 5.6         | (11.6)        | 139.1        | 50.9               | 58.4           | (5.1)             | 0.1                       | 242.4        |
| Finance income  | 2.2                                 | —           | —             | —            | —                  | —              | 2.7               | (0.7)                     | 4.2          |
| Finance costs   | (4.1)                               | (3.9)       | (9.0)         | (2.4)        | (5.9)              | (0.4)          | (5.5)             | 0.7                       | (30.5)       |
| Segment result  | 3.1                                 | 1.7         | (20.6)        | 136.7        | 45.0               | 58.0           | (7.9)             | 0.1                       | 216.1        |
| Share of net profits of investments accounted for using the equity method |                                     |             |               |              |                    |                |                   |                           | 4.2          |
| Income tax benefit  |                                     |             |               |              |                    |                |                   |                           | 4.5          |
| Profit for the year   |                                     |             |               |              |                    |                |                   |                           | 224.8        |
| Non-controlling interests   |                                     |             |               |              |                    |                |                   |                           | (9.0)        |
| Profit attributable to equity holders of the Company                      |                                     |             |               |              |                    |                |                   |                           | <u>215.8</u> |
| Other segment information:  |                                     |             |               |              |                    |                |                   |                           |              |
| Additions to non-current assets   | 0.1                                 | 29.1        | 104.0         | 22.7         | 16.0               | 14.4           | 34.8              | —                         | 221.1        |

\* The segment revenue and results for the segments noted above are for the seven month period ended 31 December 2009. Other operations include MMG operations acquired on 1 June 2009.

The segment assets and liabilities are as follows:

| At 31 December 2010                               |         |             |              |             |                   |               |                  |                |
|---|---------|-------------|--------------|-------------|-------------------|---------------|------------------|----------------|
| <i>US\$ Million</i>                               | Trading | Fabrication | Century Mine | Sepon Mines | Golden Grove Mine | Rosebery Mine | Other Operations | Group          |
| <b>Segment assets</b>                             | 437.6   | 230.8       | 654.1        | 753.3       | 328.7             | 281.2         | 287.5            | 2,973.2        |
| Investments accounted for using the equity method |         |             |              |             |                   |               |                  | 227.3          |
| Available for sale financial assets               |         |             |              |             |                   |               |                  | 164.1          |
| Deferred income tax assets                        |         |             |              |             |                   |               |                  | 98.8           |
| Current income tax assets                         |         |             |              |             |                   |               |                  | 3.5            |
|   |         |             |              |             |                   |               |                  | <u>3,466.9</u> |
| <b>Segment liabilities</b>                        | 172.4   | 154.3       | 150.8        | 262.8       | 114.7             | 80.4          | 1,848.9          | 2,784.3        |
| Deferred income tax liabilities                   |         |             |              |             |                   |               |                  | 20.1           |
| Current income tax liabilities                    |         |             |              |             |                   |               |                  | 129.1          |
|   |         |             |              |             |                   |               |                  | <u>2,933.5</u> |
| At 31 December 2009                               |         |             |              |             |                   |               |                  |                |
| <i>US\$ Million</i>                               | Trading | Fabrication | Century Mine | Sepon Mines | Golden Grove Mine | Rosebery Mine | Other Operations | Group          |
| <b>Segment assets</b>                             | 477.0   | 202.8       | 630.8        | 630.7       | 316.8             | 242.3         | 354.8            | 2,855.2        |
| Investments accounted for using the equity method |         |             |              |             |                   |               |                  | 171.5          |
| Deferred income tax assets                        |         |             |              |             |                   |               |                  | 70.6           |
| Current income tax assets                         |         |             |              |             |                   |               |                  | 0.9            |
|   |         |             |              |             |                   |               |                  | <u>3,098.2</u> |
| <b>Segment liabilities</b>                        | 128.7   | 120.1       | 80.0         | 176.9       | 85.6              | 71.3          | 1,162.0          | 1,824.6        |
| Deferred income tax liabilities                   |         |             |              |             |                   |               |                  | 0.8            |
| Current income tax liabilities                    |         |             |              |             |                   |               |                  | 60.7           |
|   |         |             |              |             |                   |               |                  | <u>1,886.1</u> |

No geographical segment information is presented as the information is not available and the cost to develop it would be excessive.



#### 4. Other Income and Expenses

(a) Other (losses) / gains — net

|  | <b>2010</b>         | 2009                                     |
|--|---------------------|--|
|  | <i>US\$ Million</i> | <i>US\$ Million</i><br><i>(Restated)</i> |
| Exchange (losses) / gains — net                        | <b>(13.2)</b>       | 7.2                                      |
| Net gains/(losses) in derivative financial instruments | <b>12.0</b>         | (0.5)                                    |
| Fair value gains on investment properties              | <b>0.3</b>          | —  |
| Other expenses   | <b>(0.6)</b>        | (0.1)                                    |
|  | <b><u>(1.5)</u></b> | <b><u>6.6</u></b>                        |

(b) Other operating expenses

|   | <b>2010</b>          | 2009                                     |
|---|----------------------|--|
|   | <i>US\$ Million</i>  | <i>US\$ Million</i><br><i>(Restated)</i> |
| Other operating expenses                    | <b>(57.1)</b>        | (48.8)                                   |
| Contributions to defined contribution plans | <b>(13.5)</b>        | (5.9)                                    |
| Operating lease expenses                    | <b>(13.1)</b>        | (11.9)                                   |
| Provision for impairment of receivables     | <b>(2.6)</b>         | (6.4)                                    |
|   | <b><u>(86.3)</u></b> | <b><u>(73.0)</u></b>                     |

(c) Other income

|   | <b>2010</b>         | 2009                                     |
|---|---------------------|--|
|   | <i>US\$ Million</i> | <i>US\$ Million</i><br><i>(Restated)</i> |
| Proceeds from sale of other assets                                    | <b>4.3</b>          | —  |
| Agency Commission   | <b>2.2</b>          | —  |
| Sales of by-products and other services income                        | <b>1.0</b>          | 0.9                                      |
| Gains on disposal of property, plant and equipment                    | <b>0.6</b>          | 0.1                                      |
| Compensation received from customers for cancellation<br>of contracts | <b>—</b>            | 1.3                                      |
| Other Income  | <b>3.0</b>          | 1.2                                      |
|   | <b><u>11.1</u></b>  | <b><u>3.5</u></b>                        |

## 5. Operating Profit

Operating profit is determined after charging the following:

|  | 2010                | 2009                               |
|--|---------------------|------------------------------------|
|  | <i>US\$ Million</i> | <i>US\$ Million<br/>(Restated)</i> |
| Cost of inventories  | <b>1,761.7</b>      | 845.6                              |
| Employee benefit expense (including Directors' emoluments) | <b>280.5</b>        | 130.4                              |
| Depreciation and amortisation                              | <b>318.5</b>        | 175.0                              |
| Contracting and consulting expenses                        | <b>166.7</b>        | 56.3                               |
| Royalties expense  | <b>76.7</b>         | 37.0                               |
| Energy cost  | <b>125.1</b>        | 74.3                               |
| Operating lease rental on properties                       | <b>13.4</b>         | 12.4                               |
| Auditor's remuneration                                     | <b>1.1</b>          | 1.1                                |

## 6. Finance Costs - Net

|  | 2010                | 2009                               |
|--|---------------------|------------------------------------|
|  | <i>US\$ Million</i> | <i>US\$ Million<br/>(Restated)</i> |
| Finance costs  |                     |                                    |
| - Interest on borrowings wholly repayable within five years      | <b>(23.2)</b>       | (13.4)                             |
| - Interest on borrowings not wholly repayable within five years  | <b>(8.8)</b>        | (7.4)                              |
| - Interest for discounted bills                                  | <b>(0.5)</b>        | (0.5)                              |
| - Fair value losses on interest rate swaps                       | <b>(0.5)</b>        | (3.1)                              |
| - Unwind of discount provisions                                  | <b>(17.7)</b>       | (7.7)                              |
|  | <b>(50.7)</b>       | (32.1)                             |
| Less: Interest expense capitalised into construction in progress | <b>1.2</b>          | 1.6                                |
|  | <b>(49.5)</b>       | (30.5)                             |
| Finance income   |                     |                                    |
| - Interest income  | <b>8.6</b>          | 4.2                                |
| Finance costs — net  | <b>(40.9)</b>       | (26.3)                             |

Capitalisation rate of 5.9% per annum (2009: 5.9%) was used, representing the weighted average rate of the cost of borrowings to finance the construction in progress.

## 7. Income Tax (Expense)/Benefit

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 (2009: US\$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.

|                              | <b>2010</b>           | 2009                              |
|------------------------------|-----------------------|-----------------------------------|
|                              | <i>US\$ Million</i>   | <i>US\$ Million</i><br>(Restated) |
| Current income tax expense   |                       |                                   |
| PRC corporate income tax     | <b>(6.3)</b>          | (3.4)                             |
| Overseas income tax          | <u><b>(151.0)</b></u> | <u>(43.3)</u>                     |
|                              | <b>(157.3)</b>        | (46.7)                            |
| Deferred income tax          | <u><b>27.6</b></u>    | <u>51.2</u>                       |
| Income tax (expense)/benefit | <u><b>(129.7)</b></u> | <u>4.5</u>                        |

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the applicable tax rate to profits of the consolidated companies as follows:

|   | <b>2010</b>           | 2009                              |
|---|-----------------------|-----------------------------------|
|   | <i>US\$ Million</i>   | <i>US\$ Million</i><br>(Restated) |
| Profit before income tax  | <u><b>560.1</b></u>   | <u>220.3</u>                      |
| Calculated at a taxation rate of 25% (2009: 25%)                              | <b>(140.0)</b>        | (55.0)                            |
| Effect of different taxation rates in other countries                         | <b>(46.2)</b>         | (11.7)                            |
| Non-taxable/(non—deductible) amounts (net)                                    | <b>(6.3)</b>          | 17.6                              |
| Recognition and utilisation of previously unrecognised<br>deferred tax assets | <b>65.8</b>           | 54.0                              |
| Under provision in prior years  | <u><b>(3.0)</b></u>   | <u>(0.4)</u>                      |
| Income tax (expense)/benefit  | <u><b>(129.7)</b></u> | <u>4.5</u>                        |

*Note:* The taxation rates applicable in Australia and Laos are 30% and 33% respectively.

## 8. Loss attributable to equity holders of the Company

The loss attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of US\$1.7 million (2009: US\$142.9 million).

## 9. Earnings per share

### (a) Basic

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company and the weighted average number of ordinary shares in issue during the year, as adjusted to reflect for the 2010 Business Combination.

|  | <b>2010</b>             | <b>2009</b>                        |
|--|-------------------------|------------------------------------|
|  | <i>US\$ Million</i>     | <i>US\$ Million<br/>(Restated)</i> |
| Profit attributable to equity holders of the Company   | <u>409.4</u>            | <u>215.8</u>                       |
|  | <b>Number of shares</b> |                                    |
|  | <b>2010</b>             | <b>2009</b>                        |
|  | <i>'000</i>             | <i>'000</i>                        |
| Weighted average number of ordinary shares in issue  | <b>2,026,217</b>        | 2,026,385                          |
| Adjustment for the weight average number of ordinary shares to reflect the business combination of MMG | <u>940,779</u>          | <u>551,580</u>                     |
| Weighted average number of ordinary shares used in the calculation of the basic earnings per share     | <u>2,966,996</u>        | <u>2,577,965</u>                   |
| Basic earnings per share   | <u>US 13.80 cents</u>   | <u>US 8.37 cents</u>               |

### (b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: share options and PSCS. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options. The PSCS are assumed to have been converted into ordinary shares.

|  | <b>2010</b>         | <b>2009</b>                        |
|--|---------------------|------------------------------------|
|  | <i>US\$ Million</i> | <i>US\$ Million<br/>(Restated)</i> |
| Profit attributable to equity holders of the Company | <u>409.4</u>        | <u>215.8</u>                       |

|  | Number of shares     |                      |
|--|----------------------|----------------------|
|  | 2010                 | 2009                 |
|  | '000                 | '000                 |
| Weighted average number of ordinary shares used in the calculation of the basic earnings per share   | 2,966,996            | 2,577,965            |
| Adjustments for:   |                      |                      |
| — Share options  | 2,380                | —                    |
| — Perpetual sub-ordinated convertible securities   | <u>1,560,000</u>     | <u>914,630</u>       |
| Weighted average number of ordinary shares used in the calculation of the diluted earnings per share | <u>4,529,376</u>     | <u>3,492,595</u>     |
| Diluted earnings per share   | <u>US 9.04 cents</u> | <u>US 6.18 cents</u> |

## 10. Dividends

No interim dividend was paid (2009: US\$Nil) and the Directors do not recommend the payment of a final dividend for the year ended 31 December 2010 (2009: US\$Nil).

## 11. Commitments

### (a) Operating leases

The Group leases various warehouses, offices and factory premises under non-cancellable operating leases. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

|   | The Group           |                                    |
|---|---------------------|------------------------------------|
|   | 2010                | 2009                               |
|   | <i>US\$ Million</i> | <i>US\$ Million<br/>(Restated)</i> |
| Not later than one year                           | 3.8                 | 3.4                                |
| Later than one year but not later than five years | 18.6                | 12.9                               |
| Later than five years                             | <u>8.9</u>          | <u>6.6</u>                         |
|   | <u>31.3</u>         | <u>22.9</u>                        |

(b) **Capital and non-capital commitments**

Commitments for acquisition of capital and non-capital commitments contracted for at the reporting date but not recognised as liabilities, payable are set out in the table below.

|   | <b>The Group</b>    |                                   |
|---|---------------------|-----------------------------------|
|   | <b>2010</b>         | <b>2009</b>                       |
|   | <i>US\$ Million</i> | <i>US\$ Million</i><br>(Restated) |
| Not later than one year                           | <b>41.0</b>         | 43.3                              |
| Later than one year but not later than five years | <b>18.2</b>         | 13.0                              |
| Later than five years                             | <u>—</u>            | <u>0.9</u>                        |
|   | <u><b>59.2</b></u>  | <u>57.2</u>                       |

As at 31 December 2010, the Group had the following capital commitments not provided for:

|                                      | <b>The Group</b>    |                                   |
|--------------------------------------|---------------------|-----------------------------------|
|                                      | <b>2010</b>         | <b>2009</b>                       |
|                                      | <i>US\$ Million</i> | <i>US\$ Million</i><br>(Restated) |
| Property, plant and equipment (Note) |                     |                                   |
| Contracted but not provided for      | <b>4.7</b>          | 3.4                               |
| Authorised but not contracted for    | <u>—</u>            | <u>3.6</u>                        |
|                                      | <u><b>4.7</b></u>   | <u>7.0</u>                        |

*Note:* The capital commitments are for the upgrade and expansion of the Group's production facilities in aluminium fabrication business.

**12. Deferred income tax — The Group**

(a) The movements on the deferred income tax assets/(liabilities) account are as follows:

| <i>US\$ Million</i>                         | <b>Property,<br/>Plant and<br/>Equipment</b> |             | <b>Provisions</b>  |             | <b>Tax Losses</b> |             | <b>Write-down<br/>of<br/>inventories</b> |             | <b>Alumina<br/>purchasing<br/>rights</b> |             | <b>Others</b>     |             | <b>Total</b>       |             |
|---|--|-------------|--------------------|-------------|-------------------|-------------|--|-------------|--|-------------|-------------------|-------------|--------------------|-------------|
|   | <b>2010</b>                                  | <b>2009</b> | <b>2010</b>        | <b>2009</b> | <b>2010</b>       | <b>2009</b> | <b>2010</b>                              | <b>2009</b> | <b>2010</b>                              | <b>2009</b> | <b>2010</b>       | <b>2009</b> | <b>2010</b>        | <b>2009</b> |
|   | <i>(Restated)</i>                            |             | <i>(Restated)</i>  |             | <i>(Restated)</i> |             | <i>(Restated)</i>                        |             | <i>(Restated)</i>                        |             | <i>(Restated)</i> |             | <i>(Restated)</i>  |             |
| At 1 January, as previously reported        | —  | —           | —                  | —           | —                 | —           | —  | 4.2         | (14.9)                                   | (16.1)      | 4.3               | 3.1         | (10.6)             | (8.8)       |
| Change in accounting policy                 | —  | —           | —                  | —           | —                 | —           | —  | —           | 14.9                                     | 16.1        | —                 | —           | 14.9               | 16.1        |
| Business combination under common control   | <b>51.7</b>                                  | —           | —                  | —           | <b>13.8</b>       | —           | —  | —           | —  | —           | —                 | —           | <b>65.5</b>        | —           |
| At 1 January, as restated                   | <b>51.7</b>                                  | —           | —                  | —           | <b>13.8</b>       | —           | —  | 4.2         | —  | —           | 4.3               | 3.1         | <b>69.8</b>        | 7.3         |
| Acquired through business combinations      | —  | 17.1        | —                  | —           | —                 | —           | —  | (5.8)       | —  | —           | —                 | —           | —                  | 11.3        |
| Credited/ (charged) to the income statement | (23.8)                                       | 34.6        | <b>62.8</b>        | —           | (13.8)            | 13.8        | —  | 1.6         | —  | —           | 2.4               | 1.2         | 27.6               | 51.2        |
| Credited/(charged) to equity                | —  | —           | —                  | —           | —                 | —           | —  | —           | —  | —           | (18.8)            | —           | (18.8)             | —           |
| Exchange differences                        | —  | —           | —                  | —           | —                 | —           | —  | —           | —  | —           | 0.1               | —           | 0.1                | —           |
| At 31 December                              | <u><b>27.9</b></u>                           | <u>51.7</u> | <u><b>62.8</b></u> | <u>—</u>    | <u>—</u>          | <u>13.8</u> | <u>—</u>                                 | <u>—</u>    | <u>—</u>                                 | <u>—</u>    | <u>(12.0)</u>     | <u>4.3</u>  | <u><b>78.7</b></u> | <u>69.8</u> |

- (b) The Group only recognises deferred tax assets for deductible temporary differences and unused tax losses if it is probable that future taxable amounts will be available to utilise those temporary differences and tax losses. Management will continue to assess the recognition of deferred tax assets in future reporting periods. At 31 December 2010, the Group has unrecognised deferred tax assets in respect of the following items:

|                                  | <b>2010</b><br><i>US\$ Million</i> | 2009<br><i>US\$ Million</i><br><i>(Restated)</i> |
|----------------------------------|------------------------------------|--|
| Tax losses                       | <b>5.1</b>                         | 5.6  |
| Deductible temporary differences | <u><b>55.2</b></u>                 | <u>121.0</u>                                     |
|                                  | <u><b>60.3</b></u>                 | <u>126.6</u>                                     |

- (c) Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to income tax levied by the same taxation authority on either the taxation entity or different taxation entities, there is an intention to settle the balances on a net basis. The following amounts, determined after appropriate offsetting, are shown in the balance sheet:

|                                 | <b>2010</b><br><i>US\$ Million</i> | 2009<br><i>US\$ Million</i><br><i>(Restated)</i> |
|---------------------------------|------------------------------------|--|
| Deferred income tax assets      | <b>98.8</b>                        | 70.6   |
| Deferred income tax liabilities | <u><b>(20.1)</b></u>               | <u>(0.8)</u>                                     |
|                                 | <u><b>78.7</b></u>                 | <u>69.8</u>                                      |

### 13. Trade and other receivables — The Group

In the aluminium operations, the majority of sales derived from the trading segment are under the arrangement of delivery upon payment from customers, with the remaining amounts on letters of credit while for the aluminium fabrication and other industrial operations segment, sales are normally made with credit periods ranging from 30 to 90 days. The majority of sales for mining

operations are made under contractual arrangements whereby provisional payment is received promptly after delivery and the balance within 30 to 90 days from delivery. The ageing analysis of the trade receivables is as follows:

|   | <b>2010</b>         |                       | 2009                                       |            |
|---|---------------------|-----------------------|--|------------|
|   | <i>US\$ Million</i> | <i>% US\$ Million</i> | <i>(Restated)</i><br><i>% US\$ Million</i> | <i>%</i>   |
| Trade receivables                           |                     |                       |  |            |
| Less than 6 months                          | <b>145.2</b>        | <b>95.3</b>           | 115.5                                      | 94.3       |
| 6 months - 1 year                           | <b>0.5</b>          | <b>0.3</b>            | 0.8  | 0.7        |
| 1 — 2 years                                 | <b>0.6</b>          | <b>0.4</b>            | 0.4  | 0.3        |
| Over 2 years                                | <b>6.0</b>          | <b>4.0</b>            | 5.8  | 4.7        |
|   | <b><u>152.3</u></b> | <b><u>100</u></b>     | <u>122.5</u>                               | <u>100</u> |
| Less: Provision for impairment              | <b><u>(6.9)</u></b> |                       | <u>(7.0)</u>                               |            |
| Trade receivables - net                     | <b>145.4</b>        |                       | 115.5                                      |            |
| Bills receivable                            | <b>150.0</b>        |                       | 78.9                                       |            |
| Prepayments, deposits and other receivables | <b><u>65.0</u></b>  |                       | <u>89.3</u>                                |            |
|   | <b><u>360.4</u></b> |                       | <u>283.7</u>                               |            |

*Note:* Bills receivable are with maturity of less than 6 months. As at 31 December 2010, bills receivable of approximately US\$117.1 million (2009: US\$51.0 million) were discounted to banks or endorsed to suppliers.

As at 31 December 2010, the Group's trade receivables included an amount of US\$1.2 million (2009: US\$3.8 million), which was due from a related company of the Group.

The carrying amounts of the Group's trade and bills receivables are denominated in the following currencies:

|            | <b>2010</b>         | 2009                                     |
|------------|---------------------|--|
|            | <i>US\$ Million</i> | <i>US\$ Million</i><br><i>(Restated)</i> |
| Renminbi   | <b>175.8</b>        | 95.4                                     |
| US dollars | <b><u>119.6</u></b> | <u>99.0</u>                              |
|            | <b><u>295.4</u></b> | <u>194.4</u>                             |



Movements on the provision for impairment of trade receivables are as follows:

|  | <b>2010</b>         | 2009                               |
|--|---------------------|------------------------------------|
|  | <i>US\$ Million</i> | <i>US\$ Million<br/>(Restated)</i> |
| At 1 January                             | <b>6.4</b>          | 6.2                                |
| Provision for impairment of receivables  | <b>0.6</b>          | 1.0                                |
| Receivables written off as uncollectable | <u><b>(0.1)</b></u> | <u>(0.2)</u>                       |
| At 31 December                           | <u><b>6.9</b></u>   | <u>7.0</u>                         |

As at 31 December 2010, trade receivables of US\$6.9 million were impaired (2009: US\$7.0 million). The ageing analysis of these receivables is as follows:

|                    | <b>2010</b>         | 2009                               |
|--------------------|---------------------|------------------------------------|
|                    | <i>US\$ Million</i> | <i>US\$ Million<br/>(Restated)</i> |
| Less than 6 months | <b>0.7</b>          | 0.2                                |
| 6 months - 1 year  | —                   | 0.6                                |
| 1 - 2 years        | <b>0.4</b>          | 0.4                                |
| Over 2 years       | <u><b>5.8</b></u>   | <u>5.8</u>                         |
|                    | <u><b>6.9</b></u>   | <u>7.0</u>                         |

As at 31 December 2010, trade receivables of US\$3.1 million (2009: US\$1.7 million) were past due but not impaired. These receivables were aged within one year.

Prepayments, deposits and other receivables consist of the following:

|   | <b>2010</b>         | 2009                               |
|---|---------------------|------------------------------------|
|   | <i>US\$ Million</i> | <i>US\$ Million<br/>(Restated)</i> |
| Prepayments                                   | <b>33.0</b>         | 39.4                               |
| Cash accounts kept at futures brokerage firms | <b>9.3</b>          | 18.1                               |
| Value added tax refundable                    | <b>8.2</b>          | 13.9                               |
| Other   | <u><b>14.5</b></u>  | <u>17.9</u>                        |
|   | <u><b>65.0</b></u>  | <u>89.3</u>                        |

As at 31 December 2010, the prepayments, deposits and other receivables of the Group included an amount of US\$7.9 million (2009: US\$6.4 million), which was due from the intermediate and ultimate holding companies and fellow subsidiaries of the Group.

Note: As at 31 December 2010, the Group's other receivables included an amount due from an aluminium smelter of approximately US\$12.4 million (2009: US\$12.6 million), representing certain prepayments previously made by the Group for its tolling operation and were re-designated as other receivables upon the cancellation of the tolling contracts with this

aluminium smelter. A power generation unit of this aluminum smelter was pledged as collateral for these receivables. As at 31 December 2010, in view of the uncertainty of the recoverability of these receivables, a provision for impairment of approximately US\$12.4 million (2009: US\$6.3 million) was provided for.

#### 14. Other Financial Assets — The Group

|                                      | <b>2010</b>         | 2009                               |
|--------------------------------------|---------------------|------------------------------------|
|                                      | <i>US\$ Million</i> | <i>US\$ Million<br/>(Restated)</i> |
| Derivative financial instruments (a) | <b>0.2</b>          | 0.5                                |
| Time deposits (b)                    | <b>12.8</b>         | 28.0                               |
| Pledged bank deposits (c)            | <u><b>6.4</b></u>   | <u>4.5</u>                         |
|                                      | <u><b>19.4</b></u>  | <u>33.0</u>                        |

##### (a) Derivative financial instruments

|                               | <b>2010</b>         |                     | 2009                |                     |
|-------------------------------|---------------------|---------------------|---------------------|---------------------|
|                               | <b>Assets</b>       | <b>Liabilities</b>  | <i>Assets</i>       | <i>Liabilities</i>  |
|                               | <i>US\$ Million</i> | <i>US\$ Million</i> | <i>US\$ Million</i> | <i>US\$ Million</i> |
|                               |                     |                     | <i>(Restated)</i>   | <i>(Restated)</i>   |
| Carried at fair value         |                     |                     |                     |                     |
| - Aluminium futures contracts | <b>0.2</b>          | <b>(1.2)</b>        | 0.5                 | (8.7)               |
| - Interest rate swaps         | <u>—</u>            | <u>—</u>            | <u>—</u>            | <u>(1.4)</u>        |
| Total, current portion        | <u><b>0.2</b></u>   | <u><b>(1.2)</b></u> | <u>0.5</u>          | <u>(10.1)</u>       |

The table below set out the details of the outstanding aluminium futures contracts as at 31 December 2010 and 2009.

|  | <b>2010</b>       |                    | 2009        |             |
|--|-------------------|--------------------|-------------|-------------|
|  |                   |                    | (Restated)  |             |
| Contract type                            | <b>Buy</b>        | <b>Sell</b>        | Buy         | Sell        |
| Quantity (tonnes)                        | <b>3,050</b>      | <b>18,080</b>      | 5,625       | 37,595      |
| Notional principal amount (US\$ Million) | <u><b>7.2</b></u> | <u><b>43.8</b></u> | <u>11.5</u> | <u>83.6</u> |

(b) **Time deposits**

Time deposits represent the deposits with banks with initial terms of maturity over three months. The weighted average effective interest rate as at 31 December 2010 was 2.15% (2009: 1.0%). These deposits have an average maturity of 269 days (2009: 291 days). The balance is denominated in the following currencies:

|            | <b>2010</b>         | 2009                              |
|------------|---------------------|-----------------------------------|
|            | <i>US\$ Million</i> | <i>US\$ Million</i><br>(Restated) |
| Renminbi   | <b>12.8</b>         | 12.8                              |
| US dollars | <u>—</u>            | <u>15.2</u>                       |
|            | <b><u>12.8</u></b>  | <b><u>28.0</u></b>                |

(c) **Pledged bank deposits**

|                       | <b>The Group</b>    |                     | <b>The Company</b>                |                                   |
|-----------------------|---------------------|---------------------|-----------------------------------|-----------------------------------|
|                       | <b>2010</b>         | 2009                | <b>2010</b>                       | 2009                              |
|                       | <i>US\$ Million</i> | <i>US\$ Million</i> | <i>US\$ Million</i><br>(Restated) | <i>US\$ Million</i><br>(Restated) |
| Pledged bank deposits | <b><u>6.4</u></b>   | <b><u>4.5</u></b>   | <b><u>—</u></b>                   | <b><u>—</u></b>                   |

Certain banking facilities of the Group are secured by the pledged bank deposits.

The carrying amount of pledged bank deposits are denominated in RMB.

15. **Cash and cash equivalents**

|                            | <b>The Group</b>    |                     | <b>The Company</b>                |                                   |
|----------------------------|---------------------|---------------------|-----------------------------------|-----------------------------------|
|                            | <b>2010</b>         | 2009                | <b>2010</b>                       | 2009                              |
|                            | <i>US\$ Million</i> | <i>US\$ Million</i> | <i>US\$ Million</i><br>(Restated) | <i>US\$ Million</i><br>(Restated) |
| Cash and cash equivalents  |                     |                     |                                   |                                   |
| - Cash at bank and in hand | <b>198.6</b>        | 280.2               | <b>7.1</b>                        | 3.3                               |
| - Money market funds       | <b>—</b>            | 0.7                 | <b>—</b>                          | —                                 |
| - Short-term bank deposits | <b><u>199.6</u></b> | <b><u>190.2</u></b> | <b><u>10.0</u></b>                | <b><u>37.2</u></b>                |
|                            | <b><u>398.2</u></b> | <b><u>471.1</u></b> | <b><u>17.1</u></b>                | <b><u>40.5</u></b>                |

The weighted average effective interest rate on short-term bank deposits as at 31 December 2010 was 1.4% (2009: 0.4%). These deposits have an average maturity of 24 days (2009: 48 days).

The carrying amounts of the cash and cash equivalents and are denominated in the following currencies:

|                    | <b>The Group</b>                   |                                    | <b>The Company</b>                                      |   |
|--------------------|------------------------------------|------------------------------------|---|---|
|                    | <b>2010</b><br><i>US\$ Million</i> | <b>2009</b><br><i>US\$ Million</i> | <b>2010</b><br><i>US\$ Million</i><br><i>(Restated)</i> | <b>2009</b><br><i>US\$ Million</i><br><i>(Restated)</i> |
| US dollars         | <b>256.9</b>                       | 230.0                              | <b>15.5</b>   | 38.0  |
| Renminbi           | <b>88.3</b>                        | 57.8                               | —   | —   |
| Australian dollars | <b>47.8</b>                        | 177.6                              | —   | —   |
| Hong Kong dollars  | <b>3.0</b>                         | 3.3                                | <b>1.6</b>  | 2.5   |
| Others             | <b>2.2</b>                         | 2.4                                | —   | —   |
|                    | <b><u>398.2</u></b>                | <u>471.1</u>                       | <b><u>17.1</u></b>                                      | <u>40.5</u>   |

#### 16. Share capital

|  | <b>Number of</b><br><b>ordinary shares</b> |                            | <b>Nominal value</b>               |                                    |
|--|--|----------------------------|------------------------------------|------------------------------------|
|  | <b>2010</b><br><i>'000</i>                 | <b>2009</b><br><i>'000</i> | <b>2010</b><br><i>US\$ Million</i> | <b>2009</b><br><i>US\$ Million</i> |
| Authorised:  |  |                            |                                    |                                    |
| Ordinary shares of<br>\$HK0.05 each                    |  |                            |                                    |                                    |
| At 1 January   | <b>6,000,000</b>                           | 6,000,000                  | <b>38.5</b>                        | 38.5                               |
| Increase in authorised<br>share capital                | <b><u>12,000,000</u></b>                   | —                          | <b><u>76.9</u></b>                 | —                                  |
| At 31 December   | <b><u>18,000,000</u></b>                   | <u>6,000,000</u>           | <b><u>115.4</u></b>                | <u>38.5</u>                        |
| Issued and fully paid:                                 |  |                            |                                    |                                    |
| At 1 January   | <b>2,026,217</b>                           | 2,029,105                  | <b>13.0</b>                        | 13.0                               |
| Shares repurchased and<br>cancelled during the<br>year | —  | (2,088)                    | —                                  | —                                  |
| Shares repurchased in<br>2008 and cancelled in<br>2009 | —  | (800)                      | —                                  | —                                  |
| Issue of new shares                                    | <b><u>940,779</u></b>                      | —                          | <b><u>6.0</u></b>                  | —                                  |
| At 31 December   | <b><u>2,966,996</u></b>                    | <u>2,026,217</u>           | <b><u>19.0</u></b>                 | <u>13.0</u>                        |

*Notes:*

- (a) Pursuant to a resolution passed on 9 December 2010, the authorised share capital of the Company was increased from HK\$300,000,000 (equivalent to US\$38.5 million) divided into 6,000,000,000 shares to HK\$900,000,000 (equivalent to US\$115.4 million) divided into 18,000,000,000 shares by the creation of an additional 12,000,000,000 new shares of HK\$0.05 each. These shares rank pari passu in all respects with the then existing shares.
- (b) The Company issued 940,779,090 new shares on 31 December 2010 to Album Enterprises as part of the purchase consideration for the acquisition of the entire issued share capital of Album Resources. These shares rank pari passu in all respects with the then existing shares. The fair value of the new shares issued at the completion date of the acquisition amounted to approximately US\$652.6 million (HK\$5.39 per share).
- (c) In 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 (equivalent to approximately US\$18,000) 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 2009, amounting to approximately HK\$3,016,000 (equivalent to approximately US\$387,000) and HK\$30,000 (equivalent to US\$4,000) respectively, were deducted from the retained profits.

**17. Trade and other payables — The Group**

The aging analysis of the trade payables is as follows:

|                                     | 2010                |                       | 2009              |          |
|-------------------------------------|---------------------|-----------------------|-------------------|----------|
|                                     | <i>US\$ Million</i> | <i>% US\$ Million</i> | <i>(Restated)</i> | <i>%</i> |
| Trade payables                      |                     |                       |                   |          |
| Less than 6 months                  | <b>186.5</b>        | <b>99.7%</b>          | 179.3             | 99.4%    |
| 6 months - 1 year                   | <b>0.3</b>          | <b>0.2%</b>           | 1.0               | 0.5%     |
| 1 - 2 years                         | <b>0.1</b>          | <b>0.0%</b>           | 0.1               | 0.1%     |
| Over 2 years                        | <b>0.2</b>          | <b>0.1%</b>           | —                 | 0.0%     |
|                                     | <b>187.1</b>        | <b>100.0%</b>         | 180.4             | 100.0%   |
| Other payables and accruals         | <b>107.9</b>        |                       | 16.8              |          |
| Trade payables under endorsed bills | <b>73.5</b>         |                       | 26.0              |          |
|                                     | <b>368.5</b>        |                       | 223.2             |          |

As at 31 December 2010, the Group's trade payables included US\$Nil (2009: US\$3.8 million), which was due to a related company of the Group. As at 31 December 2010, the Group's accruals, included payables in respect of the transaction cost arising from the 2010 Business Combination of approximately US\$78.1 million (2009: US\$Nil), of which approximately US\$74.4 million are denominated in A\$.

## 18. Events after balance sheet date

Other than the matters noted below, there have been no matters subsequent that have occurred to the reporting date which have significantly affected, or may significantly affect the Group's operations, results or state of affairs in future years.

### *Discontinued and available for sale assets*

Subsequent to year end, it was resolved by the Board of the Company on 28 March 2011 that the trading and fabrication operations (the disposal group) are to be made available for immediate sale in their present condition, subject to receipt of all other necessary shareholder and regulatory approvals. These trading and fabrication operations will therefore become discontinued operations held available-for-sale with effect from 1 January 2011.

## **OTHER INFORMATION**

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

The register of members of the Company will be closed from Tuesday, 10 May 2011 to Monday, 16 May 2011, 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 (AGM) of the Company to be held on Monday, 16 May 2011, 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 Monday, 9 May 2011.

### **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 (CG Code) in Appendix 14 of the Rules Governing the Listing of Securities (Listing Rules) on The Stock Exchange of Hong Kong Limited throughout the year ended 31 December 2010 except for the deviation from code provision A4.1 in relation to Dr. Peter Cassidy's service agreement.

Code provision 4.1 requires that Non-Executive Directors should be appointed for a specific term, subject to re-election. Each of the Non-Executive Directors of the Company has entered into a service agreement with the Company for a specific term of three years, except Dr. Peter Cassidy. Dr. Peter Cassidy's service agreement commences on 31 December 2010 and can be terminated by the Company with one month prior written notice. However, as the case with all other Directors of the Company, his respective terms of office are subject to re-election by shareholders at the next general meeting (in the case of filling a casual vacancy) or at the next AGM (in the case of an addition to the Board) following his appointment in accordance with the articles of association of the Company. Every Director (including Dr. Peter Cassidy) is also subject to retirement by rotation at least once every three years at the AGM.

The Company has also adopted a Board Charter to outline the manner in which its constitutional powers and responsibilities will be exercised, delegated and/or discharged. The Board Charter is adopted on the basis that strong corporate governance can add to the performance of the Company, create shareholder value and engender the confidence of the investment market.

### **Audit Committee**

The Audit Committee of the Company comprises three independent non-executive directors, namely Dr. Peter Cassidy, Mr. Ting Leung Huel, Stephen and Mr. Loong Ping Kwan and one Non-Executive Director, 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 2010.

### **Securities Transactions by Directors**

The Company has adopted a Securities Trading Policy for directors of the Company on terms no less exacting than the required standard of the Model Code for Securities Transactions by Directors of Listed Issuers (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 Securities Trading Policy during the year ended 31 December 2010.

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

During the year ended 31 December 2010, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

## **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 2010 of the Company will be despatched to the shareholders and will be available on the websites of the 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**  
**Andrew Gordon Michelmore**  
*CEO and Executive Director*

Hong Kong, 28 March 2011

*As at the date of this announcement, the board of directors of the Company comprises eleven directors, of which four are executive directors, namely Mr. Hao Chuanfu (Vice Chairman), Mr. Andrew Gordon Michelmore, Mr. David Mark Lamont and Mr. Li Liangang; four are non-executive directors, namely Mr. Li Fuli (Chairman), Mr. Jiao Jian, Mr. Xu Jiqing and Mr. Wang Lixin; and three are independent non-executive directors, namely Mr. Ting Leung Huel, Stephen, Mr. Loong Ping Kwan and Dr. Peter William Cassidy.*



**Media enquiries:**

Bruce Loveday

Investor Relations

T +61 3 9288 0956

M +61 447 596 590

E [bruce.loveday@mmg.com](mailto:bruce.loveday@mmg.com)

Kathleen Kawecki

Communications Coordinator

T +61 3 9288 0996

M +61 400 481 868

E [kathleen.kawecki@mmg.com](mailto:kathleen.kawecki@mmg.com)

Jenni Bolton

Communications Coordinator

T +61 3 9288 0738

M+61 400 933 694

E [jenni.bolton@mmg.com](mailto:jenni.bolton@mmg.com)

**Hong Kong:**

**Kreab Gavin Anderson**

Richard Barton

T +852 2218 9988

M +852 9308 1056

E [rbarton@kreabgavinanderson.com](mailto:rbarton@kreabgavinanderson.com)

Shelldy Cheung

T +852 2218 9966

E [scheung@kreabgavinanderson.com](mailto:scheung@kreabgavinanderson.com)

Sunny Tang

T +852 2218 9956

E [stang@kreabgavinanderson.com](mailto:stang@kreabgavinanderson.com)