



五礦資源有限公司

MINMETALS RESOURCES LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 1208)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2007

Financial Highlights

	2007	2006	Change
	<i>HK\$ million</i>	<i>HK\$ million</i>	
Revenue	10,505	12,829	-18%
Profit attributable to equity holders of the Company	846	865	-2%
Earnings per share			
- Basic	HK\$0.453	HK\$0.505	-10%
- Diluted	HK\$0.451	HK\$0.500	-10%
Dividend per share			
Interim – Paid	0.5 HK cent	-	
Final – Proposed	2.5 HK cents	-	
Total assets increased by 20% to HK\$9,724 million.			
Equity attributable to the Company's equity holders increased by 49% to HK\$6,308 million.			

The board of Directors (the “Board”) of Minmetals Resources Limited (the “Company” or “Minmetals Resources”) is pleased to announce the consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2007, together with the comparative figures for 2006. The financial information set out in this announcement below does not constitute the Group's statutory financial statements for the year ended 31 December 2007, 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, PricewaterhouseCoopers.

CONSOLIDATED INCOME STATEMENT

	Note	Year ended 31 December	
		2007 HK\$'000	2006 HK\$'000
Revenue	3	10,504,622	12,829,280
Cost of sales		(9,569,107)	(11,390,423)
Gross profit		935,515	1,438,857
Selling expenses		(88,167)	(104,664)
Administrative expenses		(175,396)	(153,191)
Reversal of provision for/(Provision for) impairment of alumina purchasing rights	4	257,622	(877,613)
Reversal of provision for sales contract obligations		-	288,395
Fair value losses on convertible bonds		(182,032)	-
Other income	5	90,534	26,919
Other gains/(losses) – net	6	164,149	(83,881)
Operating profit	7	1,002,225	534,822
Finance costs – net	8	(63,909)	(29,150)
Share of profits less losses of associates		34,259	29,870
Profit before income tax		972,575	535,542
Income tax (expense)/credit	9	(110,761)	343,066
Profit for the year		861,814	878,608
Attributable to:			
Equity holders of the Company		845,658	865,320
Minority interest		16,156	13,288
		861,814	878,608
Dividends	10		
Interim – paid		10,057	-
Final – proposed		51,468	-
		61,525	-
Earnings per share	11		
Basic		HK\$0.453	HK\$0.505
Diluted		HK\$0.451	HK\$0.500

CONSOLIDATED BALANCE SHEET

		<u>As at 31 December</u>	
		2007	2006
Note		HK\$'000	HK\$'000
Non-current assets			
	Property, plant and equipment	522,688	538,892
	Investment properties	9,820	9,590
	Land use rights	15,252	16,053
	Construction in progress	13,933	4,576
	Interests in associates	87,242	47,885
	Alumina purchasing rights	2,745,755	2,622,149
	Long-term receivables	32,100	-
	Available-for-sale financial assets	476,084	450,933
	Deferred income tax assets	15,401	19,915
		<u>3,918,275</u>	<u>3,709,993</u>
Current assets			
	Inventories	897,057	598,579
	Trade and bills receivables	1,344,290	937,890
	Prepayments, deposits and other receivables	620,639	163,406
	Amounts due from fellow subsidiaries and an intermediate holding company	2,489	7,779
	Derivative financial instruments	20,146	818
	Pledged bank deposits	41,145	38,209
	Cash and cash equivalents	2,880,370	2,668,075
		<u>5,806,136</u>	<u>4,414,756</u>
	Total assets	<u>9,724,411</u>	<u>8,124,749</u>
Capital and reserves attributable to the Company's equity holders			
	Share capital	102,936	85,722
	Reserves	6,205,156	4,139,659
		<u>6,308,092</u>	<u>4,225,381</u>
	Minority interest	<u>251,828</u>	<u>220,206</u>
	Total equity	<u>6,559,920</u>	<u>4,445,587</u>

CONSOLIDATED BALANCE SHEET (Continued)

		As at 31 December	
		2007	2006
Note		HK\$'000	HK\$'000
Non-current liabilities			
	Deferred income	25,064	25,824
	Derivative financial instruments	11,563	7,968
	Deferred income tax liabilities	140,159	163,572
	Bank borrowings	475,799	-
	Convertible bonds	-	980,137
		652,585	1,177,501
Current liabilities			
	Trade and bills payables	828,612	642,318
	Accruals, receipts in advance and other payables	440,977	365,387
	Advances from banks for bills discounted	478,260	295,699
	Amounts due to ultimate holding company, an intermediate holding company, fellow subsidiaries and associates	8,679	1,506
	Derivative financial instruments	5,612	58,853
	Income tax liabilities	30,938	65,728
	Bank borrowings	718,828	1,072,170
		2,511,906	2,501,661
Total liabilities		3,164,491	3,679,162
Total equity and liabilities		9,724,411	8,124,749
Net current assets		3,294,230	1,913,095
Total assets less current liabilities		7,212,505	5,623,088

NOTES

1. Basis of preparation

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

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 Company’s accounting policies.

2. Adoption of new/revised accounting standards, amendments and interpretations

The Group has adopted, for the first time, the following new Standards, amendments to existing Standards and interpretations issued by the Hong Kong Institute of Certified Public Accountants, which are effective for the Group’s financial year beginning on 1 January 2007. The adoption of these new Standards, amendments to existing Standards and interpretations had no material effect on how the results and financial position for the current or prior periods are prepared and presented. Accordingly, no prior period adjustment is required.

HKAS 1 (Amendment)	Presentation of Financial Statements: Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 “Financial Reporting in Hyperinflationary Economics”
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment

The Group has not early adopted the following new Standards, amendment to existing Standards and interpretations that have been issued but not yet effective for the financial year ended on 31 December 2007. The Group is in the process of assessing their impact on the Group’s results and financial position.

HKAS 1 (Revised)	Presentation of Financial Statements ¹
HKAS 23 (Revised)	Borrowing Costs ¹
HKFRS 8	Operating Segments ¹
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions ²
HK(IFRIC)-Int 12	Service Concession Arrangements ³
HK(IFRIC)-Int 13	Customer Loyalty Programmes ⁴
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction ³

¹ Effective for annual periods beginning on or after 1 January 2009

² Effective for annual periods beginning on or after 1 March 2007

³ Effective for annual periods beginning on or after 1 January 2008

⁴ Effective for annual periods beginning on or after 1 July 2008

3. Segment information

By business segments

At 31 December 2007, the Group's operations comprised the following major business segments:

- Trading : Trading of alumina and other non-ferrous metals
- Aluminium fabrication : Production and sale of aluminium foils and extrusions
- Copper fabrication and plica tubes production : Production and sale of copper rods, copper wires and plica tubes
- Port logistics services and other industrial operations : Port logistics services include customs clearance, unloading and packing alumina as well as receiving and delivering of alumina at the port of Lianyungang in the PRC; and
- Other industrial operations include production and sale of aluminium cans and copper cathodes

For the year ended 31 December 2007

	Trading HK\$'000	Aluminium fabrication HK\$'000	Copper fabrication and plica tubes production HK\$'000	Port logistics services and other industrial operations HK\$'000	Corporate and others HK\$'000	Inter- segment elimination HK\$'000	Total HK\$'000
External sales	5,373,038	1,936,377	3,194,165	1,042	-	-	10,504,622
Inter-segment sales	423,678	1,291	-	4,135	-	(429,104)	-
Revenue	5,796,716	1,937,668	3,194,165	5,177	-	(429,104)	10,504,622
Segment result	1,065,984	58,840	69,009	(2,729)	(6,847)	-	1,184,257
Fair value losses on convertible bonds							(182,032)
Finance costs – net							(63,909)
Share of profits less losses of associates							34,259
Income tax expense							(110,761)
Profit for the year							861,814
Minority interest							(16,156)
Profit attributable to equity holders of the Company							845,658

3. Segment information (Continued)

By business segments (Continued)

For the year ended 31 December 2006							
	Trading <i>HK\$'000</i>	Aluminium fabrication <i>HK\$'000</i>	Copper fabrication and plica tubes production <i>HK\$'000</i>	Port logistics services and other industrial operations <i>HK\$'000</i>	Corporate and others <i>HK\$'000</i>	Inter- segment elimination <i>HK\$'000</i>	Total <i>HK\$'000</i>
External sales	9,078,017	1,516,553	2,233,407	1,303	-	-	12,829,280
Inter-segment sales	208,405	3,148	-	5,176	-	(216,729)	-
Revenue	<u>9,286,422</u>	<u>1,519,701</u>	<u>2,233,407</u>	<u>6,479</u>	<u>-</u>	<u>(216,729)</u>	<u>12,829,280</u>
Segment results	489,073	51,325	28,952	3,494	(38,015)	(7)	534,822
Finance costs – net							(29,150)
Share of profits less losses of associates							29,870
Income tax credit							<u>343,066</u>
Profit for the year							<u>878,608</u>
Minority interest							<u>(13,288)</u>
Profit attributable to equity holders of the Company							<u>865,320</u>

By geographical segments

The Group's activities are conducted predominately in the mainland China except that a small portion of its turnover is derived from other areas.

	2007		2006	
	Turnover <i>HK\$'000</i>	Contribution to gross profit <i>HK\$'000</i>	Turnover <i>HK\$'000</i>	Contribution to gross profit <i>HK\$'000</i>
Mainland China	9,986,888	944,079	12,541,206	1,350,043
Others	946,838	(4,430)	1,498,293	98,895
Inter-segment elimination	(429,104)	(4,134)	(1,210,219)	(10,081)
Total	<u>10,504,622</u>	<u>935,515</u>	<u>12,829,280</u>	<u>1,438,857</u>

4. Reversal of provision for impairment of alumina purchasing rights

In response to the changes in market forecasts and the rebound of alumina market prices, the Group appointed independent professional appraisers to perform a valuation of its alumina purchasing rights as at 30 June 2007. Based on the valuation result, the directors of the Company decided to reverse the provision for impairment of alumina purchasing rights by HK\$257,622,000 in the first half of 2007.

In view of the fact that alumina prices showed no substantial movements since the above valuation and there were no significant changes in market conditions and forecasts in the foreseeable future, the Company's Directors considered that no further adjustments to the provision for impairment in alumina purchasing rights were necessary in the second half of 2007.

5. Other income

	2007 HK\$'000	2006 HK\$'000
Government grant and tax refund on reinvestment in a PRC subsidiary	70,945	873
Sales of by-products and other services income	6,702	5,250
Reversal of provision for impairment of receivables	4,767	10,115
- Trade and other receivables	3,640	6,223
- Amounts due from associates	1,127	3,892
Amortisation of deferred income	2,450	2,315
Reversal of provision for property tax and surcharges	2,037	-
Rental income from investment properties	268	268
Compensation received from customer for cancellation of contract	-	5,943
Reversal of provision for impairment of construction in progress	-	209
Others	3,365	1,946
	90,534	26,919

6. Other gains/(losses) - net

	2007 HK\$'000	2006 HK\$'000
Exchange gains – net	124,680	11,425
Net gain/(loss) on derivative financial instruments	35,528	(135,530)
- Aluminium forward contracts	31,003	(153,568)
- Aluminium options	-	10,613
- Copper futures contracts	848	4,840
- Foreign exchange forward contracts	3,677	2,585
Fair value gain on investment properties	2,430	60
Gain on disposal of an associate	1,360	-
Gain on disposal of property, plant and equipment	51	146
Gain on disposal of available-for-sale financial assets	-	31,956
Gain/(Loss) on disposal of investment properties	100	(456)
Negative goodwill recognised	-	8,518
	164,149	(83,881)

7. Operating profit

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

	2007	2006
	HK\$'000	HK\$'000
Auditor's remuneration	2,366	2,382
Depreciation	66,018	58,448
Amortisation		
- Land use rights	1,986	1,716
- Alumina purchasing rights	134,016	394,699
(Reversal of provision for)/Provision for inventory impairment	(5,284)	75,119
Realisation of provision for sales contract obligations	-	(770,263)
Employee benefit expenses (including directors' emoluments)	105,522	109,322
Operating lease rental on properties	4,020	4,123

8. Finance costs - net

	2007	2006
	HK\$'000	HK\$'000
Finance costs		
- Interest on bank borrowings wholly repayable within five years	(90,316)	(92,619)
- Interest on convertible bonds wholly repayable within five years	(46,980)	(4,034)
- Fair value (loss)/gain on interest rate swaps	(10,793)	22,961
	(148,089)	(73,692)
Finance income		
- Interest income on short-term bank deposits	84,180	44,542
Finance costs - net	(63,909)	(29,150)

9. Income tax (expense)/credit

No provision for Hong Kong profits tax has been made as the Group has no estimated assessable profit generated in Hong Kong for the year (2006: 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.

	2007	2006
	HK\$'000	HK\$'000
Current income tax (expense)/credit		
Hong Kong profits tax	-	512
PRC enterprise income tax	(126,248)	(177,212)
Overseas income tax	(1,619)	(3,961)
	(127,867)	(180,661)
Deferred income tax credit	17,106	523,727
Income tax (expense)/credit	(110,761)	343,066

10. Dividends

	2007	2006
	HK\$'000	HK\$'000
Interim dividend paid of 0.5 HK cent (2006: Nil) per ordinary share	10,057	-
Proposed final dividend of 2.5 HK cents (2006: Nil) per ordinary share	51,468	-
	61,525	-

A final dividend of 2.5 HK cents (2006: Nil) per ordinary share has been proposed by the directors and is subject to the shareholders' approval at the forthcoming annual general meeting. Based on the number of ordinary shares in issue on 31 December 2007, the amount of 2007 proposed final dividend is approximately HK\$51,468,000. These financial statements do not reflect this dividend payable.

11. Earnings per share

(a) Basic

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company of approximately HK\$845,658,000 (2006: HK\$865,320,000) and the weighted average number of 1,865,763,775 ordinary shares (2006: 1,714,440,521 ordinary shares) in issue during the year.

(b) Diluted

The calculation of diluted 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 after adjusting for the dilutive potential ordinary shares in respect of the share options not yet exercised as well as any convertible bonds in issue. The effect of the assumed conversion of convertible bonds in issue for the year ended 31 December 2007 is anti-dilutive.

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Profit attributable to equity holders of the Company	845,658	865,320
Add : Interest expense on convertible bonds	-	4,034
Profit used to determine diluted earnings per share	845,658	869,354
	Number of shares	Number of shares
Weighted average number of ordinary shares in issue	1,865,763,775	1,714,440,521
Add : Dilutive potential ordinary shares in respect of		
- Share options	7,919,253	-
- Convertible bonds	-	23,416,462
Adjusted weighted average number of ordinary shares in issue	1,873,683,028	1,737,856,983
Diluted earnings per share	HK\$0.451	HK\$0.500

12. Trade and bills receivables

Majority of the Group's sales derived from trading of alumina are under the arrangement of delivery upon payment from customers, with the remaining amounts are on letters of credit. For the aluminium and copper fabrication, sales are normally made with credit periods ranging from 30 to 90 days. An aging analysis of the trade receivables is shown as follows:

	2007		2006	
	HK\$'000	%	HK\$'000	%
Trade receivables				
Less than 6 months	257,099	82	275,199	81
6 months – 1 year	3,769	1	2,583	1
Over 1 year	54,857	17	63,094	18
	<u>315,725</u>	<u>100</u>	<u>340,876</u>	<u>100</u>
Provision for impairment of receivables	(59,828)		(65,144)	
Trade receivables – net	<u>255,897</u>		<u>275,732</u>	
Bills receivable (Note)	<u>1,088,393</u>		<u>662,158</u>	
	<u>1,344,290</u>		<u>937,890</u>	

Note: Bills receivable are with maturity of less than 6 months, of which approximately HK\$795,634,000 (2006: HK\$554,968,000) has been discounted to banks or endorsed to suppliers.

13. Share Capital

	Number of shares <i>in thousand</i>	Ordinary shares HK\$'000
Authorised:		
Ordinary shares of HK\$0.05 each as at 31 December 2007 and 31 December 2006	<u>6,000,000</u>	<u>300,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.05 each as at 1 January 2006 and 31 December 2006	1,714,441	85,722
Conversion of convertible bonds into ordinary shares	341,880	17,094
Exercise of share options	<u>2,400</u>	<u>120</u>
At 31 December 2007	<u>2,058,721</u>	<u>102,936</u>

14. Capital reorganisation

In January 2007, the Company filed a petition to the high court of the Hong Kong Special Administrative Region to seek the court's confirmation of the cancellation the special capital reserve account of the Company and the reduction of the share premium account of the Company for the purpose of eliminating the accumulated losses of the Company as at 31 October 2006. On 13 February 2007, the court ordered that the cancellation of the special capital reserve account of HK\$125,374,000 and the reduction of the share premium account by HK\$764,428,000 was confirmed.

15. Reserves

Included in the Group's reserves was an undistributable reserve – special capital reserve – amounting to approximately HK\$69,084,000 as at 31 December 2007.

In relation to the capital reorganisation as mentioned in Note 14 above, the Company has provided an undertaking (“Undertaking”) in relation to its petition to the court that as long as any debt or liability of or claim against the Company as at the effective date of the aforementioned capital reorganisation remains outstanding, the Company should credit the following amounts to a special reserve (the “Special Reserve”):

- (i) all retained profits, if any, accruing to the Company between 1 November 2006 and 13 February 2007 (the effective date of the aforementioned capital reorganisation);
- (ii) any recovery in excess of the written down value of or the reversal of impairment loss in respect of certain investments in subsidiaries, listed securities, properties and loans or receivables of the Company as at 31 October 2006; and
- (iii) an amount equal to the change in fair value in respect of certain share options not yet vested as at 31 October 2006.

The standing to the credit of the Special Reserve shall not be treated as realised profit. It shall be treated as an undistributable reserve of the Company for the purposes of Section 79C of the Hong Kong Companies Ordinance. For the year ended 31 December 2007, an amount of approximately HK\$69,084,000 was credited to the Company's special capital reserve in accordance with the Undertaking.

16. Trade and bills payables

An aging analysis of the trade payables is shown as follows:

	2007		2006	
	HK\$'000	%	HK\$'000	%
Trade payables				
Less than 6 months	509,608	99	245,173	95
6 months – 1 year	969	1	4,134	2
1 – 2 years	625	-	7,767	3
Over 2 years	37	-	102	-
	<u>511,239</u>	<u>100</u>	<u>257,176</u>	<u>100</u>
Trade payables under endorsed bills	317,373		259,269	
Bills payable	-		125,873	
	<u>828,612</u>		<u>642,318</u>	

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

2007 was a year of flux in which the Group faced numerous difficulties as well as opportunities. The concerted efforts of the Group's directors, management and staff have tided Minmetals Resources through this challenging year. During the year, the Group expanded its tolling operation and put forward investments in up-stream and down-stream operations at a faster pace, moving a step forward to a more integrated supply chain business.

During the year, the Group recorded turnover of HK\$10,504.6 million and profit attributable to the Company's equity holders of HK\$845.7 million, representing decrease of 18% and 2% respectively over 2006. Although the Group's turnover in 2007 – as affected by the surging supply of domestically produced alumina in the People's Republic of China ("PRC") – showed a decline, overall net profit was still basically maintained at 2006's level. In fact, if excluding the non-recurring loss of HK\$182.0 million in relation to the fair value changes of convertible bonds, the Group's profit for 2007 indeed increased by 19% over last year.

FINANCIAL REVIEW

Turnover

The Group's fabrication businesses showed satisfactory growth in 2007. However, this cannot fully offset the decline in the trading business. Overall, the total turnover of the Group decreased by 18% compared with the previous year. The changes in the turnover of the different business segments of the Group are set out below.

	<u>2007</u>	2006	<u>Increase/(Decrease)</u>	
	<u>HK\$ million</u>	HK\$ million	HK\$ million	%
Trading	5,796.7	9,286.4	(3,489.7)	(38)
Aluminium fabrication	1,937.6	1,519.7	417.9	27
Copper fabrication and plica tubes production	3,194.2	2,233.4	960.8	43
Port logistics services and other industrial operations	5.2	6.5	(1.3)	(20)
Inter-segment elimination	(429.1)	(216.7)		
Total	<u>10,504.6</u>	<u>12,829.3</u>	(2,324.7)	(18)

Given the robust economic growth in the PRC, the demand for aluminium and copper products has been growing rapidly, particularly for the transportation, power transmission, home appliances and mechanical engineering industries. Most of these industries posted double-digit growth in 2007 and showed high demand for the Group's products. During the year, the turnover of the Group's aluminium and copper fabrication businesses increased by 27% and 43% respectively. But for the trading business, turnover dropped by 38%, partly because of the volume decline and partly because of the lower alumina prices.

Gross profit

During the year, gross profit decreased by HK\$503.3 million or 35% to HK\$935.5 million. This was mainly due to the drop in the trading volume of alumina from approximately 1,927,000 tonnes in 2006 to approximately 1,128,000 tonnes in 2007 and the change in overall gross profit margin.

Overall gross profit margin fell from 11.2% in 2006 to 8.9% in 2007, primarily attributable to the facts that: (i) certain long-term sales contracts were ended in 2006 and thus affecting the Group's withstanding power to cope with downward price adjustments of alumina and (ii) copper fabrication business, which margin was lower than those of other business segments, accounted for a larger portion of the Group's total turnover in 2007.

Selling expenses

The Group's selling expenses moved in line with the decrease in turnover, reducing by 16% to HK\$88.2 million. Selling expenses to turnover ratio was 0.8%, similar to last year's level.

Administrative expenses

The Group's administrative expenses rose by 15% from HK\$153.2 million in 2006 to HK\$175.4 million in 2007, mainly due to: (i) additional legal and other professional charges were incurred for several investment projects undertaken during the year; and (ii) salary adjustments as well as the implementation of performance-based reward systems in certain PRC subsidiaries led to higher salaries and other related costs. Administrative expenses to turnover ratio increased from 1.2% in 2006 to 1.7% in 2007.

Re-assessment of alumina purchasing rights

Because of the drastic decline in alumina prices in the third quarter of 2006, in accordance with an independent valuation report, the Group made a provision for impairment of alumina purchasing rights of HK\$877.6 million and wrote back a provision of HK\$288.4 million for sales contract obligations in 2006.

In the first half of 2007, alumina prices recovered a lot and moved in a more narrow range. In view of this, another independent valuation was performed on 30 June 2007. Based on this valuation, the Group reversed part of the above provision for impairment of alumina purchasing rights, amounting to HK\$257.6 million. The Company's directors considered that no further adjustments to this provision were necessary in the second half of the year because alumina prices showed no substantial movements and there were no significant changes in market conditions and forecasts in the foreseeable future since the last valuation.

Fair value losses on convertible bonds

In the first half of 2007, the Group incurred losses of HK\$182.0 million for the fair value changes on its convertible bonds. With the removal of a cash settlement option relating to the bonds (details of which can be referred to the joint announcement issued by the Company and First Harvest Limited, a wholly owned subsidiary of the Company, on 20 June 2007), no such losses were then reported in the second half of the year.

Other income

Other income increased from HK\$26.9 million in 2006 to HK\$90.5 million in 2007. The increase was mainly due to the tax refund granted to the Group as a result of its reinvestment in a PRC subsidiary .

Other gains/(losses) - net

The Group recorded other gains – net of HK\$164.1 million in 2007 and other losses – net of HK\$83.9 million in 2006. The change was mainly related to the increase in exchange gains of HK\$113.3 million as a result of the appreciation of Renminbi against other currencies over the year as well as the turnaround in the fair value of aluminium forward contracts from a loss of HK\$153.6 million in 2006 to a gain of HK\$31.0 million in 2007.

In order to hedge against the price risk on alumina trading, the Group enters into aluminium forward contracts from time to time to lock up the profit. According to the Group's policy, such derivative transactions are only allowed for hedging and risk management purposes. Speculation is strictly prohibited. Broadly speaking, alumina and aluminium prices were basically in an upward trend from 2005 to 2006 and in a downward trend from 2006 to 2007. So, by taking positions in aluminium forward sales contracts (the purpose was to hedge against the possible price drops in the physical trade), the Group recorded a gain in 2007 and a loss in 2006.

Finance costs - net

During the year, finance costs – net of the Group increased by HK\$34.8 million to HK\$63.9 million. It was mainly due to the increase in fair value loss on interest rate swaps and interest on convertible bonds.

Share of profits less losses in associates

The Group's associates posted satisfactory results in 2007. Their profits as shared by the Group increased from HK\$29.9 million in 2006 to HK\$34.3 million in 2007. The increase was mainly contributed by Sino Nickel Pty Ltd ("Sino Nickel") and Qingdao M.C. Packaging Limited ("QDMC").

Sino Nickel (40% owned) is mainly engaged in the trading of nickel concentrate. With higher trade volume and average selling price of nickel concentrate, Sino Nickel provided after-tax profit contribution of HK\$30.8 million to the Group, representing 56% increase over the previous year.

QDMC (20% owned), mainly engaged in the sales and production of aluminium can, achieved remarkable profit growth for the year by implementing various product cost-saving measures. In 2007, after-tax profit contribution from QDMC amounted to HK\$3.4 million, representing 188% increase over the previous year.

BUSINESS REVIEW

Shown below is a review on the results of Group's principal business segments for the year.

Trading

In 2007, trading business accounted for 51% of the Group's external turnover (2006: 71%) and contributed HK\$1,066.0 million (2006: HK\$489.1 million) to the Group's operating profit. Alumina and aluminium ingots remained the major trading products for the year, representing about 74% and 26% respectively of the external turnover of this segment.

2007 was a year of challenges for the Group's trading segment. Surging local supply and hiking freight charges added much difficulty to the import trade of alumina. The volume of imported alumina into the PRC substantially decreased in 2007.

Compared to the volatile fluctuations in 2006, the market prices of alumina moved in a more narrow range in 2007. In 2006, prices once reached historical high of approximately RMB6,500 per tonne in the first-half of the year but quickly plunged into a low level of approximately RMB2,500 per tonne by the year end. After that, in 2007, prices rebounded rapidly in the first quarter and found support at the level of RMB3,900 per tonne. In the second quarter, prices weakened slightly and hovered around RMB3,600 to RMB3,900 per tonne. Alumina prices then remained relatively stable throughout the third quarter. And in the last two months of the year, prices started to rise again. By the end of 2007, market prices reached the level of about RMB4,200 to RMB4,500 per tonne.

Lower trade volume and average selling price led to a decline in the turnover of the Group's alumina trade. Set out below is a comparison of the sales volume, turnover and average selling price of which in 2007 and 2006.

Alumina Trading	2007			2006		
	First six months	Last six months	Full year	First six months	Last six months	Full year
Sales volume ('000 tonnes)	543	585	1,128	1,042	885	1,927
Turnover (HK\$ million)	1,874	2,080	3,954	4,553	3,071	7,624
Average selling price*						
(HK\$ per tonne)	3,450	3,558	3,506	4,369	3,470	3,956
(US\$ per tonne)	442	456	449	560	445	507
(RMB per tonne)	3,380	3,486	3,435	4,529	3,598	4,102

* For illustrative purpose only, conversions between HK\$ and RMB were based on the exchange rate of HK\$1: RMB0.9796 for 2007 and HK\$1: RMB1.0367 for 2006, conversions between US\$ and HK\$ were based on the exchange rate of US\$1: HK\$7.80 for both 2007 and 2006.

By leveraging on its competitive strengths in the imported alumina market, the Group expanded the tolling operation in 2007. Tolling is a process which involves the delivery of alumina by the Group to an aluminium smelter for processing into aluminium ingots and the on-sale of aluminium ingots by the Group to its customers. The Group's tolling operation produced approximately 108,000 tonnes of aluminium ingots in 2007, of which 24,600 tonnes were supplied to the Group's aluminium fabrication for its production use and the remaining 83,400 tonnes were for external sales. External sales of aluminium ingots increased by 10% to HK\$1,412.9 million in 2007.

Aluminium Fabrication

The Group engages in aluminium fabrication through a 51% owned subsidiary, North China Aluminium Company Limited ("NCA"). This segment accounted for 18% (2006: 12%) of the Group's external turnover and contributed HK\$58.8 million (2006: HK\$51.3 million) to the Group's operating profit for the year.

The upgrade and modernisation of production lines in previous years brought fruitful results to NCA in 2007. Enhanced production capacity enabled the successful implementation of its sales expansion plan. By more extensive development in overseas markets and the gradual shift of production to high value-added aluminium foils, NCA achieved remarkable growth during the year, with turnover and operating profit increased by 28% and 15% respectively. Total sales volume reached a record high of approximately 77,000 tonnes, representing 21% increase over previous year.

During the year, NCA focused its efforts on streamlining its operational structure, improving product quality control and adopting a more customer-oriented selling approach to meet customers' needs. Through which, it has won widespread acceptance among local and overseas customers, particularly in the aluminium foil stock and light gauge aluminium foil markets.

To provide for further growth, NCA has started to build a new aluminium foil production plant in its existing factory site, which is located in the Heibei Province, PRC. The total construction cost is about RMB333 million (equivalent to approximately HK\$356 million). It is expected that trial production can start by the end of 2008. Upon completion, the facility can expand NCA's annual aluminium foil production capacity by 25,000 tonnes or about 30% to 105,000 tonnes.

In order to enhance the Group's flexibility and efficiency in execution of its business strategy to develop a more integrated supply chain business, the Group announced its plan to increase its equity stake in NCA in June 2007, which included the acquisition of a further 16.31% equity interest in and a capital injection to NCA. When completed, the Group's interest in NCA will rise to approximately 73%.

Copper Fabrication and Plica Tubes Production

This segment accounted for 30% (2006: 17%) of the Group's external turnover and contributed HK\$69.0 million (2006: HK\$29.0 million) to the Group's operating profit in 2007.

The Group engages in copper fabrication through a 36% owned jointly controlled entity, Changzhou Jinyuan Copper Company Limited ("Changzhou Jinyuan"). During the year, Changzhou Jinyuan contributed turnover of HK\$3,167.4 million (2006: HK\$2,201.5 million) and operating profit of HK\$64.9 million (2006: HK\$24.0 million) respectively to the Group. Demands for copper rod and copper wire remained high throughout the year, even in traditional non-peak season. In 2007, sales volume of copper rod and copper wire of Changzhou Jinyuan increased by 22% and 73% respectively. Total sales quantity was about 189,000 tonnes. Volume growth, together with the lower production cost as a result of higher output, helped to boost the yield of Changzhou Jinyuan.

The Group engages in plica tubes production through a 51% owned subsidiary, Yinkou Orient Plica Tube Company Limited. Affected by the strong competition and price-cutting, operating profit contribution from plica tubes business to the Group decreased from HK\$5.0 million in 2006 to HK\$4.1 million in 2007.

OTHER FINANCIAL INFORMATION

Financial Resources and Liquidity

The Group's financial and liquidity position remained strong for 2007. Total assets and equity attributable to the Company's equity holders increased by 19.7% and 49.3% respectively to HK\$9,724.4 million and HK\$6,308.1 million respectively as at end of the year. As at 31 December 2007, current ratio was 2.3 (2006: 1.8).

As at 31 December 2007, the Group was in a net cash position of HK\$1,248.6 million, representing cash and bank deposits of HK\$2,921.5 million less total borrowings of HK\$1,672.9 million (comprising bank borrowings of HK\$1,194.6 million and advances from banks for discounted bills of HK\$478.3 million). Hence, gearing ratio (defined as total borrowings less cash and bank deposits divided by shareholders' equity) is not applicable.

The Group's cash and bank deposits, amounting to HK\$2,921.5 million as at 31 December 2007, were mainly denominated in Hong Kong dollars (21%), Renminbi (58%) and US dollars (20%).

During the year, the Group's total borrowings increased from HK\$1,367.9 million to HK\$1,672.9 million, mainly due to the increase in advances from banks for discounted bills. There is no particular seasonality of the Group's bank borrowings. As at 31 December 2007, the profile of the Group's bank borrowings was as follows:

- (1) 47% were in Renminbi and 53% were in US dollars;
- (2) 56% were in fixed rate and 44% were in floating rate;
- (3) 60% were repayable within 1 year, 4% were repayable between 1 and 2 years, 12% were between 2 and 5 years and 24% were repayable after 5 years.

Significant Investments Held

In 2007, the Group made no addition or disposal for the equity securities it held in Sino Gold Limited (a gold mining company with primary listing in Australia and secondary listing in Hong Kong). As at 31 December 2007, the Group held approximately 10 million shares in Sino Gold Limited, with a market value of approximately HK\$476.1 million, representing an appreciation of approximately HK\$25.2 million or 6% over previous year. These securities were classified as available-for-sale financial assets in the Group's consolidated balance sheet and their fair value changes were recognised in equity.

Material Acquisitions and Disposals

(a) Acquisition of equity interests and additional investments in NCA

In June 2007, Riseup Dragon Limited, a wholly owned subsidiary of the Company, entered into an agreement to acquire 16.31% equity interest in NCA, a subsidiary engaged in aluminium fabrication and owned as to 51% by the Group before this acquisition. The consideration was approximately RMB72.9 million (equivalent to approximately HK\$75.1 million). After this acquisition, the Group will also provide a capital injection in cash of RMB98.8 million (equivalent to approximately HK\$101.8 million) to NCA to support the construction of a new production plant.

The above-mentioned acquisition, already completed in mid-January 2008, has increased the Group's stake in NCA to 67.31%. The above-mentioned capital injection, to be completed in later time of 2008, will further increase the Group's stake in NCA to approximately 73%. For further details, please refer to the Company's announcement dated 25 June 2007.

(b) Investment in Qinghai Province Investment Group Limited ("Qinghai Investment")

In October 2007, the Company announced that the Group had entered into agreements in relation to the investment of 20% stake in Qinghai investment. The total equity contribution to be made by the Group is approximately RMB680.3 million (equivalent to approximately HK\$700.7 million) and deposits of approximately US\$28.7 million (equivalent to approximately HK\$223.6 million) was made before the end of 2007.

Qinghai Investment is a Sino-foreign equity joint venture in the PRC. Its principal business activities are investment in industrial, energy resource, infrastructure and agricultural businesses. Its major assets include aluminium smelters, hydro power plants, coal reserves and aluminium fabrication plant under construction.

The Group's investment in Qinghai Investment is a step forward for its integrated supply chain for aluminium business. It will help establish a long-term and stable supply relationship with Qinghai Investment's aluminium smelting business for the Group's alumina sales. This investment is expected to also open the door for the Group's future resources and business development opportunities in the Qinghai Province, PRC. For further details, please refer to the Company's circular issued on 2 November 2007.

(c) Acquisition of equity interest in Guangxi Huayin Aluminium Company Limited ("Guangxi Huayin")

In November 2007, the Company announced that the Group had entered into agreements in relation to the acquisition of 33% equity interest in Guangxi Huayin for a consideration of approximately RMB856.0 million (equivalent to approximately HK\$890.2 million). This acquisition has been approved by the Company's independent shareholders in the extraordinary general meeting held on 18 December 2007 and the acquisition is expected to be completed in the first half of 2008.

Guangxi Huayin is a company established in the PRC for the purpose of an alumina project to develop bauxite resources in the Guangxi region of the PRC and to engage in the production and sale of alumina and related products. Guangxi Huayin has a planned annual alumina production capacity of 1.6 million tonnes.

The Group's investment in Guangxi Huayin is expected to increase its secured source of alumina for its trading business and represents a good leverage on its existing market position to achieve further vertical integration by extending to the upstream alumina production aspect of the business chain. For more details, please refer to the Company's circular issued on 26 November 2007.

(d) Disposal of investment properties

In March 2007, the Group disposed certain investment properties located in Macau with a carrying value of HK\$2.2 million and realised a gain of HK\$0.1 million.

(e) Disposal of interest in an associate

In April 2007, the Group disposed its 30% equity interest in an associate, Huludao Orientmet Copper Company Limited, and recognised a gain of HK\$1,360,000. Since full provision had already been made by the Group in previous years, the disposal of this investment did not have any adverse impact on the Group's result and financial position.

Save as disclose above, there was no material acquisition or disposal by the Group in 2007.

Share Capital and Convertible Bonds

During the year, the Company issued 341,880,278 ordinary shares for the conversion of convertible bonds and 2,400,000 ordinary shares for the exercise of share options. As a result of these, the issued share capital of the Company increased to approximately HK\$102,936,000 as at 31 December 2007.

As all convertible bonds of the Group had been converted into ordinary shares of the Company during the year, there were no convertible bonds outstanding as at 31 December 2007.

Contingent Liabilities

The Group had no material contingent liability as at 31 December 2007 (2006: an amount not exceeding HK\$1.5 million in relation to the potential additional charges for unsettled property taxes in the PRC).

Capital Expenditure and Commitments

The total capital expenditure of the Group amounted to approximately HK\$24.3 million for 2007, which was mainly used in the expansion and upgrade of production facilities in the Group's fabrication businesses.

As at 31 December 2007, the Group had the following capital commitments:

- (1) approximately HK\$397.7 million in relation to the construction of a new aluminium foil plant by NCA as well as the expansion of other production facilities; and
- (2) approximately HK\$1,566.6 million in relation to the acquisitions of equity interests in NCA, Qinghai Investment and Guangxi Huayin.

Charge on Assets

As at 31 December 2007, the following assets of the Group were pledged to certain banks for the banking facilities granted to the Group:

- (1) All the equity interests of a wholly owned subsidiary, Sino Mining Alumina Limited (“Sino Mining”) and all the assets of Sino Mining;
- (2) Certain property, plant and equipment and land use rights of the Group with a total carrying amount of approximately HK\$400.0 million; and
- (3) Bank deposits of approximately HK\$41.1 million.

Risk Management

The Group does not and is prohibited to enter into derivative contracts for speculative purpose. All derivative transactions are only allowed for the purpose of mitigating of risks arising from the Group’s operating activities. Shown below are the major risk exposures and the related hedges of the Group. Further details on risk management will be shown in the Company’s 2007 Annual Report.

(a) Commodity price risk

The Group has used aluminium forward contracts from time to time to hedge against the commodity price risk exposure on its alumina trading. As at 31 December 2007, the Group had a short position in aluminium forward contracts, with an amount of 13,000 tonnes of aluminium.

(b) Interest rate risk

To reduce the impact of interest rate fluctuation on its operation, the Group has arranged interest rate swaps for its floating-rate bank loans. The total notional principal amount of the outstanding interest rate swaps was approximately HK\$534 million as at 31 December 2007.

(c) Foreign exchange risk

The Group operates in Hong Kong, mainland China and Australia and is exposed to foreign exchange risk primarily with respect to Renminbi (“RMB”), Australian dollars (“AUD”) and the United States dollars (“USD”). Given the exchange rate peg between Hong Kong dollars (“HKD”) and USD, it is not foreseen that the Group will be exposed to significant exchange rate risk exposure for the transactions conducted in HKD or USD. However, exchange rate fluctuation between RMB or AUD and HKD could affect the Group’s performance and asset value. The Group had no outstanding foreign exchange forward contracts at 31 December 2007.

Human Resources

At 31 December 2007, the Group's headcount stood at approximately 2,400 (not including the employees of jointly controlled entity and associates), of which 15 were based in Hong Kong, 12 in Australia and the remaining in mainland China. The total staff costs, including the directors' emoluments, amounted to HK\$105.5 million for 2007.

The Group regards quality staff as one of the key factors to corporate success and has adopted salary policies in line with market and local practices. Share option benefit, discretionary bonus, and other incentives are offered to eligible staff based on their performance and contribution to the Group. In addition, the Group has provided training to its staff at different levels to enhance their personal growth and career development.

Outlook

Looking forward, Minmetals Resources has full confidence about our prospects in integration of our aluminium business chain and expansion into other non-ferrous metals businesses. We are devoted to perfect our corporate governance, to enhance transparency and to improve further our operation efficiency and return on assets. With experienced professional management team, dedicated employees and clear development objective, Minmetals Resources is well-positioned to provide shareholders with satisfactory returns and to maximise shareholder value.

We have always been persistent with our strategic positioning. That is "to ride on alumina and aluminium trading business, to develop an integrated business chain, to expand into other non-ferrous metals and resources businesses whenever appropriate, and to enable Minmetals Resources to become China Minmetals Corporation's overseas platform for its non-ferrous metals businesses."

FINAL DIVIDEND

The Board has resolved to recommend the payment of a final dividend of 2.5 HK cents per share for the year ended 31 December 2007. Subject to the approval of the shareholders at the annual general meeting to be held on 14 May 2008, the proposed final dividend will be paid on or about end of June 2008 to shareholders whose names appear on the register of members of the Company on 14 May 2008.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 8 May 2008 to 14 May 2008, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend and to be entitled to attend and vote at the annual general meeting to be held on 14 May 2008, 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 7 May 2008.

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 control, transparency and accountability to all the shareholders of the Company.

The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Listing Rules throughout the year ended 31 December 2007 except for the deviation from code provision E.1.2 that the chairman of the Board should attend the annual general meeting. The chairman of the Board had not attended the annual general meeting of the Company held on 17 May 2007 due to other business commitment. The chairman of the Board will endeavor to attend all future annual general meetings of the Company.

Securities Transactions by Directors

The Company has adopted a code for securities transactions by directors of the Company (the "Code of Conduct") on terms no less exacting than the required standard of the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. Having made specific enquiry with all the directors of the Company, all of them confirmed that they have complied with the required standard set out in the Model Code and the Code of Conduct during the year ended 31 December 2007.

Audit Committee

The audit committee of the Company comprises three independent non-executive directors, namely Mr. Liu Hongru, Mr. Chan Wai Dune and Mr. Ting Leung Huel, Stephen and one non-executive director, Mr. Zong Qingsheng. 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 2007.

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

During the year ended 31 December 2007, 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. The Annual Report 2007 of the Company will be despatched to the shareholders and will be available on the websites of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the Company respectively in due course.

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

Hong Kong, 31 March 2008

As at the date of this announcement, the board of directors of the Company comprises ten directors, of which two are executive directors, namely Mr. Xu Huizhong and Mr. Ren Suotang; five are non-executive directors, namely Mr. Zhou Zhongshu (Chairman), Ms. Shen Ling, Mr. Zong Qingsheng, Mr. Wang Lixin and Mr. Cui Hushan; and three are independent non-executive directors, namely Mr. Liu Hongru, Mr. Chan Wai Dune and Mr. Ting Leung Huel, Stephen.