五礦資源有限公司

MINMETALS RESOURCES LIMITED

(Formerly known as "Oriental Metals (Holdings) Company Limited")
(Incorporated in Hong Kong with limited liability)

(Stock Code: 1208)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2005

The Board of directors (the "Board") of Minmetals Resources Limited (formerly known as "Oriental Metals (Holdings) Company Limited") is pleased to announce the unaudited condensed consolidated profit and loss account of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2005 (the "period"), together with the comparative figures for the corresponding period in 2004, and the unaudited condensed consolidated balance sheet of the Group as at 30 June 2005 together with the audited comparative figures as at 31 December 2004 as below. The interim financial report has been reviewed by the Company's audit committee and reviewed by the Company's auditors, PricewaterhouseCoopers, in accordance with Statement of Auditing Standard 700 "Engagements to review interim financial reports" issued by the Hong Kong Institute of Certified Public Accountants.

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Note	Six months ended 30 June **2005** **(Unaudited)** ***HK$'000***	 2004 (Unaudited) (Restated) *HK$'000*
Turnover	*3*		
Continuing operations		**664,215**	640,139
Discontinuing operations	*4*	**–**	30,008
		664,215	670,147
Cost of sales		**(596,314)**	(570,655)
Gross profit		**67,901**	99,492
Other revenues	*3*	**4,396**	791
		72,297	100,283
Selling expenses		**(23,055)**	(20,809)
Administrative expenses		**(22,841)**	(31,025)
Reversal of consolidated losses upon deconsolidation of a subsidiary	*4*	**–**	91,645
Other income, net	*5*	**81,618**	8,964
Operating profit	*3*		
Continuing operations		**108,019**	77,917
Discontinuing operations	*4*	**–**	71,141
		108,019	149,058
Finance costs	*6*	**(8,701)**	(9,441)
Share of profits less losses of associated companies		**7,787**	2,461
Profit before income tax	*7*		
Continuing operations		**107,105**	73,216
Discontinuing operations	*4*	**–**	68,862
		107,105	142,078
Income tax credit/(expense)	*8*	**1,078**	(4,748)
Profit for the period		**108,183**	137,330
Attributable to:			
Equity holders of the Company		**100,345**	130,976
Minority interest		**7,838**	6,354
		108,183	137,330
Basic earnings per share	*9*	**HK$0.17**	HK$0.23
Basic earnings per share from continuing operations	*9*	**HK$0.17**	HK$0.11
Interim dividend	*10*	**–**	–

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	30 June 2005 (Unaudited) HK$'000	31 December 2004 (Audited) (Restated) HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	*11*	**470,921**	292,231
Investment properties	*11*	**15,286**	7,090
Leasehold land and land use rights	*11*	**9,567**	8,943
Construction in progress	*11*	**34,118**	203,008
Interests in associated companies		**57,101**	43,059
Long-term receivables		**4,717**	4,717
Deferred income tax assets		**13,294**	7,843
		605,004	566,891
Current assets			
Inventories		**215,740**	224,518
Trade receivables, prepayments and other receivables	*12*	**219,235**	266,775
Amounts due from fellow subsidiaries		**–**	24,959
Bills discounted to banks or endorsed to suppliers		**328,268**	–
Pledged bank deposits		**20,782**	14,648
Cash and cash equivalents		**259,857**	176,236
		1,043,882	707,136
Total assets		**1,648,886**	1,274,027
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		**30,367**	30,367
Reserves		**491,983**	391,638
		522,350	422,005
Minority interest		**186,142**	178,963
Total equity		**708,492**	600,968
LIABILITIES			
Non-current liabilities			
Bank loans	*14*	**94,340**	94,340
Deferred income		**27,758**	28,302
		122,098	122,642
Current liabilities			
Trade payables and accrued charges	*13*	**249,381**	291,920
Bills payable		**22,838**	18,116
Trade payables under endorsed bills		**269,740**	–
Advances from banks for bills discounted		**58,528**	–
Income tax liabilities		**12,148**	14,721
Provisions		**–**	6,792
Bank loans	*14*	**205,661**	218,868
		818,296	550,417
Total liabilities		**940,394**	673,059
Total equity and liabilities		**1,648,886**	1,274,027
Net current assets		**225,586**	156,719
Total assets less current liabilities		**830,590**	723,610

Notes to the condensed consolidated accounts

1. Basis of preparation and accounting policies

These unaudited condensed consolidated interim accounts, which do not constitute statutory accounts, have been prepared in accordance with the applicable disclosure requirements set out in Appendix 16 to the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

These condensed interim accounts should be read in conjunction with the 2004 annual accounts. The accounting policies and methods of computation used in the preparation of these condensed consolidated interim accounts are consistent with those used in the accounts for the year ended 31 December 2004 except that the Group has changed certain of its accounting policies following its adoption of new/revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (which include all HKASs and interpretations (HKAS-Ints) (collectively referred to as "new HKFRSs")) issued by the HKICPA which are effective for accounting periods commencing on or after 1 January 2005. The Group has not early adopted any new HKFRSs which have not yet been effective in the preparation of these condensed consolidated interim accounts.

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

2. Change in accounting policies

In 2005, the Group adopted new HKFRSs below, which are relevant to its operations. The 2004 comparatives have been amended as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 20	Accounting for Government Grants and Disclosure of Government Assistance
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings Per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment Property
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations
HKAS-Int 21	Income Taxes – Recovery of Revalued Non-Depreciable Assets

The adoption of the above new HKFRSs has the following impacts on the Group's accounting policies:

(a) The adoption of HKASs 1, 2, 7, 8, 10, 12, 14, 16, 18, 19, 20, 21, 23, 24, 27, 28, 33, 36, 37, HKFRS 3 and HKAS-Int 21 do not result in substantial changes to the Group's accounting policies. In summary:

- HKAS 1 has affected the presentation of minority interests, share of net after-tax results of associated companies and other disclosures.
- HKAS 7, 8, 16, 27 and 28 affect certain classifications and disclosures of the accounts.
- HKAS 24 has affected the identification of related parties and some other related party disclosures.
- HKAS 2, 10, 12, 14, 18, 19, 20, 21, 23, 33, 36, 37, HKFRS 3 and HKAS-Int 21 do not have material effect as the Group's accounting policies already comply with those standards.

(b) The adoption of HKAS 17 has resulted in a change in accounting policy relating to leasehold land. Leasehold land and buildings were previously accounted for as finance leases and were stated at cost or valuation less accumulated depreciation and accumulated impairment losses. In accordance with HKAS 17, a lease of land and building should be split into a lease of land and a lease of building according to their fair value at inception. A lease of land is an operating lease and a lease of building is a finance lease unless the two elements cannot be allocated reliably, in which case the entire lease is classified as a finance lease. Pursuant to these requirements, the land premium paid for distinguishable leasehold land is accounted for as an operating lease and amortised over its unexpired lease term, whereas undistinguishable leasehold land and building is stated collectively at cost or valuation less accumulated depreciation and accumulated impairment losses.

The adoption of HKAS 17 resulted in:

(i) Property, plant and equipment decreased and leasehold land and land use rights increased by approximately HK$9,567,000 as at 30 June 2005; and

(ii) Property, plant and equipment decreased and leasehold land and land use rights increased by approximately HK$8,943,000 as at 31 December 2004; and

(iii) No increase or decrease in reserves as at 1 January 2004 and 1 January 2005.

(c) The adoption of HKAS 32 and HKAS 39 has resulted in the change in accounting policy for recognition, measurement, derecognition and disclosure of financial instruments. The Group's discounted bills with recourse, which were previously disclosed as contingent liabilities, have been accounted for as collateralised bank advances prospectively on and after 1 January 2005, as the financial assets derecognition conditions as stipulated in HKAS 39 have not been fulfilled. Similar to discounted bills, bills endorsed to suppliers, which were previously net off against trade payables, have been accounted for as trade payables under endorsed bills prospectively on and after 1 January 2005.

The adoption of HKAS 32 and 39 resulted in:

(i) Bills discounted to banks or endorsed to suppliers increased, trade payables under endorsed bills increased and advances from banks for bills discounted increased by approximately HK$328,268,000, HK$269,740,000 and HK$58,528,000 respectively as at 30 June 2005; and

(ii) No increase or decrease in reserves as at 1 January 2005.

(d) The adoption of HKAS 40 has resulted in a change in accounting policy for the Group's investment properties. In prior years, increases in the valuation of investment properties were credited to the investment properties revaluation reserve while decreases in the valuation of investment properties were firstly set off against increases on earlier valuations on a portfolio basis and thereafter charged to the profit and loss account. Following the adoption of HKAS 40, the Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in the profit or loss account for the period in which they arise. The Group has applied the relevant transitional provisions in HKAS 40 and elected to apply HKAS 40 from 1 January 2005 onwards. The amount held in revaluation reserve amounting to approximately HK$779,000 at 1 January 2005 has been transferred to the Group's accumulated losses.

(e) In the current period, the Group has applied HKFRS 2 which requires an expense to be recognised where the Group acquires goods and services in exchange for shares or rights over shares, or in exchange for other asset equivalent in value to a given number of shares or rights over shares. The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of directors' and employees' share options of the Company determined at the date of grant of the share options over the vesting period. Prior to the application HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. The Group has not applied HKFRS 2 to share options granted on or before 7 November 2002 or vested before 1 January 2005 in accordance with the relevant transitional provisions.

3. Segment information

(a) By business segments

The Group's operations comprise the following main business segments:

Trading	:	Trading of nonferrous metals
Aluminium fabrication	:	Production and sales of aluminium foils and extrusions, aluminium cans and containers and packing products
Copper refinery and plica tubes production	:	Production and sales of plica tubes, copper rods, copper wires, copper cathodes and copper blisters

Six months ended 30 June (Unaudited)

	Continuing operations															
	Trading		**Aluminium fabrication**		**Copper refinery and plica tubes production**		**Corporate and others**		**Sub-total**		**Discontinuing operations**		**Elimination of inter-segment transactions**		**Total**	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Turnover	**29,386**	85,640	**620,027**	538,657	**16,052**	15,842	**–**	–	**665,465**	640,139	**–**	30,008	**(1,250)**	–	**664,215**	670,147
Other revenues	**790**	–	**1,737**	116	**412**	120	**1,746**	543	**4,685**	779	**–**	12	**(289)**	–	**4,396**	791
Segment results	**28,250**	45,422	**14,416**	21,589	**9,497**	4,566	**56,145**	6,340	**108,308**	77,917	**–**	71,141	**(289)**	–	**108,019**	149,058
Finance costs															**(8,701)**	(9,441)
Share of profits less losses of associated companies	**–**	–	**6,624**	(23)	**1,163**	2,484	**–**	–	**7,787**	2,461	**–**	–	**–**	–	**7,787**	2,461
Income tax credit/ (expense)															**1,078**	(4,748)
Profit for the period															**108,183**	137,330

(b) By geographical segments

The Group's activities are conducted predominately in the People's Republic of China ("PRC") except that a small portion of its turnover is derived from other countries.

Six months ended 30 June (Unaudited)

	PRC		**Hong Kong**		**Singapore**		**Others**		**Elimination of inter-segment transactions**		**Total**	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
External revenues	**580,933**	552,735	**4,646**	1,153	**–**	85,640	**79,886**	30,619	**(1,250)**	–	**664,215**	670,147
Contribution to gross profit	**51,359**	54,122	**703**	193	**–**	40,053	**15,839**	5,124	**–**	–	**67,901**	99,492

4. Discontinuing operations

Discontinuing operations for the six months ended 30 June 2004 comprise the operations of (i) Zhangzhou International Aluminium Container Company Limited ("ZIAC"), a 60% owned subsidiary of the Group engaging in the manufacturing of aluminium cans, and (ii) Yixing Jinfeng Copper Materials Company Limited ("YJCM"), a 58% owned subsidiary of the Group engaging in the production and sale of copper wires.

ZIAC was deconsolidated from the Group and a reversal of accumulated consolidated losses of approximately HK$91,645,000 was recorded during the six months ended 30 June 2004, which represents the release of the Group's share of ZIAC's net liabilities and exchange reserve.

5. Other income, net

	Six months ended 30 June	
	2005	2004
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Reversal of provision/(Provision) for bad and doubtful debts		
– Amounts due from associated companies	**13,311**	942
– Receivables and prepayments	**54,599**	(2,590)
Reversal of provision for a guarantee given to a third party	**6,792**	–
Write back of trade payables and accrued charges	**5,831**	–
Government grant income	**544**	–
Accounts payable waived	**–**	9,673
(Provision)/Reversal of provision for impairment in value of property, plant and equipment and construction in progress		
– Properties	**–**	1,146
– Others	**(11)**	3,538
Provision for impairment in value of investments in securities	**–**	(1,959)
Others	**552**	(1,786)
	81,618	8,964

6. Finance costs

	Six months ended 30 June	
	2005	2004
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Bank loans wholly repayable within five years	**8,700**	12,920
Other loans wholly repayable within five years	**1**	32
	8,701	12,952
Less: Interest capitalised in construction in progress	**–**	(3,511)
	8,701	9,441

No interest was capitalised for the six months ended 30 June 2005. The capitalisation rate applied to funds borrowed and used for construction in progress was 5.58% per annum for the six months ended 30 June 2004.

7. Profit before income tax

Profit before income tax is determined after charging and crediting the followings:

	Six months ended 30 June	
	2005	2004
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Charging:		
Depreciation	**17,891**	20,116
Loss on disposal of fixed assets	**2**	4,786
Staff costs (including pension costs of HK$5,132,000 (2004: HK$4,658,000) and directors' emoluments)	**33,584**	31,717
Operating lease rentals on land and buildings	**1,117**	816
Exchange loss, net	**123**	84
Crediting:		
Interest income	**2,381**	658

8. Income tax credit/(expense)

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profit for the period. Taxation on profits arising from other jurisdictions has been calculated on the estimated assessable profit for the period at the rates prevailing in the relevant jurisdictions.

	Six months ended 30 June	
	2005	2004
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current income tax		
– PRC Enterprise Income Tax	**(4,373)**	(2,661)
Deferred income tax credit/(charge)	**5,451**	(2,087)
Income tax credit/(expense)	**1,078**	(4,748)

Share of taxation attributable to associated companies for the six months ended 30 June 2005 of approximately HK$162,000 (2004: HK$994,000) are included in the condensed consolidated profit and loss account as share of profits less losses of associated companies.

9. Earnings per share

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of approximately HK$100,345,000 (2004: HK$130,976,000) and the weighted average number of 607,349,612 ordinary shares (2004: 578,618,040 ordinary shares) in issue during the period.

The calculation of basic earnings per share from continuing operations is based on the Group's profit attributable to shareholders from continuing operations of approximately HK$100,345,000 (2004: HK$62,114,000) and the same denominator used in the calculation of the basic earnings per share above.

No disclosure of diluted earnings per share or diluted earnings per share from continuing operations has been presented because the effect is anti-dilutive (the exercise price of the Company's options was higher than the average market price for the shares).

10. Interim dividend

The directors do not recommend the payment of interim dividend for the six months ended 30 June 2005 (2004: Nil).

11. Capital expenditure

	Property, plant and equipment (Unaudited) *HK$'000*	Investment properties (Unaudited) *HK$'000*	Leasehold land and land use rights (Unaudited) *HK$'000*	Construction in progress (Unaudited) *HK$'000*
Net book value as at 1 January 2005	292,231	7,090	8,943	203,008
Additions	991	–	1,132	27,095
Properties received as repayment of debts	–	7,400	–	–
Transferred from construction in progress to property, plant and equipment	195,985	–	–	(195,985)
Depreciation	(17,383)	–	(508)	–
Provision for impairment	(11)	–	–	–
Reclassification	(796)	796	–	–
Disposals	(96)	–	–	–
Net book value as at 30 June 2005	470,921	15,286	9,567	34,118

12. Trade receivables, prepayments and other receivables

The Group normally grants a credit period ranging from 30 days to 90 days to its trade customers. Included in the Group's trade receivables, prepayments and other receivables are trade receivables balance, net of provision for doubtful debts, of approximately HK$140,232,000 (2004: HK$217,655,000). An aging analysis of such trade receivables is shown as follows:

	30 June 2005 (Unaudited) *HK$'000*	%	31 December 2004 (Audited) *HK$'000*	%
Less than 6 months	**132,933**	**95**	199,290	92
6 months – 1 year	**5,505**	**4**	7,729	4
Over 1 year	**1,794**	**1**	10,636	4
	140,232	**100**	217,655	100

The carrying amounts of trade receivables, prepayments and other receivables approximate their fair value.

13. Trade payables and accrued charges

Included in the Group's trade payables and accrued charges are trade payables balance of approximately HK$86,166,000 (2004: HK$125,399,000). An aging analysis of such trade payables is shown as follows:

	30 June 2005 (Unaudited) *HK$'000*	%	31 December 2004 (Audited) *HK$'000*	%
Less than 6 months	**85,999**	**99**	112,583	90
6 months – 1 year	**56**	**–**	4,631	4
1 – 2 years	**15**	**–**	5,247	4
Over 2 years	**96**	**1**	2,938	2
	86,166	**100**	125,399	100

14. Bank loans

	30 June 2005 (Unaudited) *HK$'000*	31 December 2004 (Audited) *HK$'000*
Repayable within one year or on demand		
– Secured bank loans	**202,832**	206,605
– Unsecured bank loans	**2,829**	12,263
Included under current liabilities	**205,661**	218,868
Repayable between one and two years		
– Secured bank loans	**94,340**	47,170
Repayable between two and five years		
– Secured bank loans	**–**	47,170
Included under non-current liabilities	**94,340**	94,340
	300,001	313,208

Carrying amounts of the bank loans approximate their fair value.

As at 30 June 2005, certain property, plant and equipment, leasehold land and land use rights as well as construction in progress of the Group with a total net book value of approximately HK$454,155,000 (2004: HK$410,000,000) and bank deposits of approximately HK$20,782,000 (2004: HK$14,648,000) were pledged to banks to secure certain banking facilities of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

On 30 December 2004, the Company entered into a conditional acquisition agreement to acquire certain alumina and aluminium businesses of China Minmetals Non-ferrous Metals Company Limited. On 30 June 2005, the Group despatched a circular (for a very substantial acquisition, connected transactions and reverse takeover involving a new listing application, continuing connected transactions and change of company name) in relation to the acquisition. The resolutions approving these transactions were duly passed by the Company's extraordinary meeting on 25 July 2005. Through the acquisition, the Group aims to widen its alumina related operation by increasing its business scale. With the change of company name, the Company believes it can better reflect its relationship with China Minmetals, leverage on the "Minmetals" brand and establish the future strategic plan for the Group.

RESULTS

Group's turnover for the six months ended 30 June 2005 amounted to HK$664.2 million, representing a slight decrease of 1% when compared to the corresponding period in last year. The consolidated profit attributable to shareholders decreased by 23% to HK$100.3 million. A higher profit was recorded in the corresponding period last year because it included certain non-recurring profits of approximately HK$68.9 million derived from discontinuing operations (which mainly comprised the reversal of consolidated losses of approximately HK$91.6 million resulting from the liquidation of a subsidiary). If only the continuing operations are considered, profit before income tax increased by 46% when compared to the same period last year.

During the period, direct industrial investments reported continued improvement. Besides, with dedicated effort made by the Group, the expediting work of the outstanding receivables brought forward from previous years also showed results.

BUSINESS REVIEW

Trading Operation

The long-term alumina supply contract of the Group was expired in 2004. No renewal was made after its expiry on 31 December 2004 because the parties could not agree on a price which was mutually acceptable.

Despite this, the Group sought to develop other trading opportunities. In the first half of 2005, the Group achieved a turnover of approximately HK$29.4 million in nonferrous metals trading.

Direct Industrial Investments

The Group's direct industrial investments comprise aluminium fabrication, copper refinery and plica tubes production. During the period, the turnover derived from direct industrial investments accounted for approximately 96% of the Group's total turnover, giving rise to the increase in contribution to the Group's profit.

Qingdao M.C. Packaging Limited, an associated company of the Group, turned back into profit-making during the period. In view of its sustained improvement, certain impairment provisions previously provided were written back. Accordingly, the Group's share of profit of associated companies in total increased by approximately HK$5.3 million.

The performance of the direct industrial investments, which principally affected the Group's results for the period, is analysed as follows:

Aluminium Fabrication Business

North China Aluminium Company Limited ("NCA")

NCA is a subsidiary owned as to 51% by the Group. NCA achieved a sales volume of approximately 29,000 tonnes in current period, up 14% compared to that of the same period last year. The newly refurbished aluminium cold mill greatly enhanced NCA's production capacity. As a result, the sales of aluminium foil coil, strip and PS plate increased sharply by approximately 96%. Although the increase in NCA's sales of aluminium foils can keep pace with the growth of China's aluminium consumption, NCA has been facing more fierce competition than before. Decreasing production costs enabled its rivals to lower their product prices day after day. Apart from adjusting its product mix to cope with the market changes and competition, NCA has been streamlining its different operations in order to better manage the challenges from market competition and increase its profitability. In particular, a specialised technological unit was established to carry out production cost savings and quality enhancement studies.

Qingdao M.C. Packaging Limited ("QDMC")

QDMC is an associated company owned as to 20% by the Group. In the current period, QDMC sold more than 200 million aluminium cans. Its turnover and profit also recorded significant improvement when compared to previous period.

Copper Refinery and Plica Tubes Production

Yingkou OrienMet Plica Tube Company Limited ("YOPT")

YOPT is a subsidiary owned as to 51% by the Group. Affected by counterfeit and pirated products, the total sales volume of YOPT decreased by 10%. However, by adjusting its sales mix, YOPT still accomplished a slight growth in its turnover. In markets like machinery engineering, shipbuilding, automobile manufacturing industries and electrical power stations, some product categories even recorded satisfactory increase in turnover. In order to protect the company's long-term interest, YOPT has been adopting various measures to alleviate the effect of the counterfeit and pirated products.

Changzhou Jinyuan Copper Company Limited ("CZJY")

CZJY is an associated company owned as to 25% by the Group. During the period, major reform of certain production processes, high copper prices as well as the volatile fluctuation of copper cathode prices caused significant influence to the daily sales and production operations of CZJY. Meanwhile, CZJY has reset its operating strategy from revenue-maximisation to profit-maximisation. Its rapid responses to the changes in market condition can enhance its competitiveness in the market.

Financial Resources and Cash Flow
The financial position and liquidity of the Group continued to show healthy development during the period. As at 30 June 2005, the Group's total assets and net assets amounted to HK$1,648.9 million and HK$708.5 million respectively, up 29% and 18% from the last year end.

For the period under review, the net cash generated from operating activities amounted to approximately HK$137.2 million. The net cash used in investing activities (mainly for the purchases of plant and equipment as well as additions to construction in progress) amounted to approximately HK$31.5 million. The net cash used in financing activities (mainly for the repayment of bank loans) amounted to approximately HK$22.1 million. The cash and cash equivalents of the Group as a result increased by approximately HK$83.6 million when compared to 31 December 2004.

The bank debt to equity ratio, which is measured as total bank loans (net of cash balances) as a proportion of shareholders' equity improved significantly from 29% at 31 December 2004 to 4% at 30 June 2005.

As at 30 June 2004, the Group had cash in hand and cash deposits of approximately HK$280.6 million (all are unpledged except for the bank deposits of approximately HK$20.8 million), of which 61% and 35% were denominated in United States Dollars ("USD") and Renminbi ("RMB") respectively, while the remaining was in Hong Kong dollars ("HKD").

As at 30 June 2004, the Group's total outstanding bank loans amounted to approximately HK$300.0 million, of which approximately HK$94.3 million was repayable after one year. All the bank loans were denominated in Renminbi and at fixed interest rates.

Acquisition of Subsidiaries
On 30 December 2004, the Company entered into an acquisition agreement with its related companies, China Minmetals Non-ferrous Metals Company Limited ("CMN") and Top Create Resources Limited ("Top Create"), for the acquisition (the "Acquisition") of certain subsidiaries of CMN which are mainly engaged in sourcing alumina and other aluminium products in the international markets and in the supply of such alumina to aluminium smelters in the PRC. The consideration for the acquisition of HK$2,886 million will be satisfied in full by the allotment and issue of 1,009,090,909 new shares of the Company to Top Create at HK$2.86 per share, representing about 166.15% of the existing number of issued share capital of the Company as at 31 December 2004.

The resolution approving the Acquisition was duly passed at the Company's extraordinary general meeting held on 25 July 2005. However, the completion of the Acquisition is subject to the fulfillment of a number of conditions precedent, details of which can be referred to the circular dated 30 June 2005 issued by the Company as well as the announcements dated 30 December 2004, 19 January 2005, 29 June 2005 and 25 July 2005 jointly issued by CMN and the Company.

Except the above, there was no material acquisition or disposal of subsidiary or associated company during the period.

Capital Expenditure
The Group's total capital expenditure was approximately HK$29.2 million for the period. It was mainly used for the acquisition and upgrade of plant and machinery. As at 30 June 2005, the Group's outstanding commitments in this respect were approximately HK$48.0 million.

Charge on Assets
Certain property, plant and equipment, leasehold land and land use rights as well as construction in progress of the Group with an aggregate net book value of approximately HK$454.2 million as at 30 June 2005 and bank deposits of approximately HK$20.8 million were pledged to banks to secure certain banking facilities of the Group.

Foreign Exchange Risk
The Group continues to adopt a prudent policy regarding foreign exchange risk exposure. During the period, most of its business transactions were conducted in HKD, USD or RMB, the foreign exchange risk exposure of the Group was minimal. Hence, no financial hedging instrument was used by the Group in this regard.

Overall speaking, the recent revaluation of RMB by The People's Bank of China on 21 July 2005 is favourable (though not yet reflected in this interim result) to the Group. The major impact can be analysed from the following perspectives:

- Trading operation
  No direct impact. Majority of the trading receipts and payments of the Group's trading operation is denominated in USD. So long as the exchange rate peg between HKD and USD is maintained, it is not foreseen that the Group will be exposed to significant exchange rate risk exposure on this aspect.

- Bank deposits
  Favourable impact. As indicated in previous section of this report, most of the Group's bank deposits were denominated in either USD or RMB (approximately 61% in USD and 35% in RMB as at 30 June 2005), the appreciation of RMB will have favorable result to the Group.

- Operating exposure of the PRC direct industrial investments
  No significant impact. This is because: (i) the amount of overseas sales is not significant to the total income of the Group's PRC subsidiaries and associated companies and (ii) imported materials will cost lesser than before and hence can partially offset the decline in their export sales revenue if any.

- Translation exposure for the PRC direct industrial investments
  Favourable impact. The total net assets as shared by the Group in its PRC subsidiaries and associated companies amounted to approximately RMB249.9 million as at 30 June 2005. Translation gains will be recorded on consolidation if RMB appreciates against HKD.

Unless there is a significant devaluation in RMB, it is not expected the above foreign exchange exposure would have any material adverse impact on the Group in the foreseeable future.

Contingent liabilities

As at 30 June 2005, the Group had contingent liabilities in respect of the following:

(a) The Company provided corporate guarantees to a financial institution in respect of the banking facilities extended to an associated company amounting to approximately HK$23.6 million (2004: HK$23.6 million).

(b) The Group had unsettled tax payables in respect of certain properties in the PRC which may result in potential additional charges. No provision has been made by the Group since the amount of additional charges, if any, cannot be reliably determined. The directors of the Company are of the opinion that the potential additional charges are not expected to exceed HK$1.4 million (2004: HK$1.3 million).

Employee

As at 30 June 2005, the Group employed about 2,500 staff (not including the staff of the associated companies). The total staff costs (including the directors' emoluments) for the period was approximately HK$33.6 million. The Group adopts a pay policy in line with market practice and will offer different training programmes to staff as and when required.

Outlook

The China economy continues to maintain a healthy development. Driven by the growth in construction, transportation, power industries and home appliances industry, the nonferrous metals market for the second half of 2005 in general remains optimistic. Nevertheless, periodical price fluctuations and intensified market competition would undermine company's performance. Therefore, in addition to expanding its existing businesses, the Group will strive to duly complete the acquisition of the alumina and aluminium businesses as injected by its ultimate controlling shareholder, aiming to increase its business scale and to strengthen its core operation. The Company believes that after enlargement the Group can leverage on its industrial expertise and experience as well as the competitive advantages to diversify its operations and expand into other nonferrous metals market. Armed with these strengths, the Company aims to further enhance its profitability and return on assets.

CHANGE OF COMPANY NAME

Pursuant to the special resolution in respect of the change of Company's name from "Oriental Metals (Holdings) Company Limited (東方鑫源(集團)有限公司)" to "Minmetals Resources Limited (五礦資源有限公司)" was duly passed by the shareholders at the extraordinary general meeting of the Company held on 25 July 2005 and the Certificate of Change of Name of the Company was issued by the Registrar of Companies in Hong Kong on 4 August 2005, the name of the Company was changed with effect from 4 August 2005.

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

During the six months ended 30 June 2005, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

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. Mr. Chan Wai Dune 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 controls of the Group. The audit committee has reviewed the unaudited condensed consolidated accounts of the Group for the six months ended 30 June 2005.

REMUNERATION COMMITTEE

The Company had established a remuneration committee with written terms of reference on 11 April 2005 pursuant to the provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules. The committee comprises three independent non-executive directors, namely Mr. Liu Hongru, Mr. Chan Wai Dune and Mr. Ting Leung Huel, Stephen, and two executive directors, namely Mr. Lin Xizhong (chairman) and Mr. Xu Huizhong (president). Mr. Ting Leung Huel, Stephen is the chairman of the remuneration committee. The remuneration committee is principally responsible for formulating and making recommendation to the Board on the Group's policy and structure for all remuneration of the directors of the Company and senior management of the Group.

CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout the period of the six months ended 30 June 2005, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules except for the following deviations:

Code Provision A.4.1

Code A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election.

All the non-executive directors of the Company do not have a specific term of appointment. However, in accordance with article 101 of the articles of association of the Company, at each annual general meeting, one third of the directors for the time being (except those directors appointed by the Board under article 85 to fill a casual vacancy or as an addition to the Board shall be subject to retirement and shall be eligible for re-election at the first annual general meeting after their appointment), save and except the managing director(s), or, if their number is not three or a multiple of three, then the number nearest one-third, shall retire from office.

Code Provision A.4.2 (last sentence)

Code A.4.2 (last sentence) stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

Article 101 of the articles of association of the Company does not require the managing director(s) of the Company to retire from his office at each annual general meeting. Mr. Xu Huizhong, the executive director and president (or managing director) of the Company, had voluntarily retire from his office and was re-elected at the annual general meeting of the Company held on 18 May 2005 notwithstanding that he was not required to do so by the articles of association of the Company.

In order to ensure full compliance with Code A.4.2, a special resolution will be proposed to amend the relevant provisions of the articles of association of the Company at the forthcoming annual general meeting so that every director of the Company shall be subject to retirement by rotation at least once every three years.

Code Provision B.1.4 Note 1

Code B.1.4 stipulates that the remuneration committee should make available its terms of reference, explaining its role and the authority delegated to it by the Board. Code B.1.4 Note 1 stipulates that the requirement could be met by making it available on request and by including the information on the issuer's website.

The Company had established a remuneration committee on 11 April 2005 but its terms of reference have not been posted on the Company's website. The construction of the Company's website had been completed on 25 August 2005 and the terms of reference of the remuneration committee were posted on the Company's website on the same date.

Code Provision C.3.3

Code C.3.3 stipulates that the terms of reference of the audit committee should include at least the duties set out in the Code.

The terms of reference of the audit committee have been revised to incorporate all the duties set out in Code C.3.3 and were approved by the Board on 25 August 2005. They will be posted on the Company's website on 26 August 2005.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the revised Listing Rules which came into effect on 31 March 2004 as its code of conduct regarding securities transactions by directors ("Code of Conduct").

Having made specific enquiry of all the directors of the Company, all of them confirmed that they have complied with the Code of Conduct during the six months ended 30 June 2005.

By order of the Board
Xu Huizhong
Director and President

Hong Kong, 25 August 2005

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

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