五礦資源有限公司

MINMETALS RESOURCES LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 1208)

2005 ANNUAL RESULTS ANNOUNCEMENT

- The completion of the acquisition of Minmetals Aluminium enlarged the operation of the Group and established the platform for future expansion on the supply-chain business of alumina-related products as well as other non-ferrous metals and resources businesses.
- Since the acquisition of Minmetals Aluminium was completed in the last quarter of 2005, the contribution of Minmetals Aluminium to the Group have not yet been fully reflected in 2005. The total revenue and consolidated net profit of Minmetals Aluminium amounted to approximately HK$8.812 billion (2004: HK$6.921 billion) and HK$448.7 million (2004: HK$373.6 million) respectively for the year ended 31 December 2005. The contribution to the Group's total revenue and profit by Minmetals Aluminium amounted to HK$2.017 billion and HK$56.2 million (including a negative goodwill recognised of HK$80.9 million in the acquisition) respectively for the period from 6 October 2005 to 31 December 2005.
- Due to the adoption of the new Hong Kong Financial Reporting Standards, the Group had to remeasure and recognise the derivative financial instruments at their fair value at the balance sheet date, which reduced its profit by approximately HK$110.1 million. Profit attributable to the shareholders for 2005 was approximately HK$181.7 million.

The Board of Directors (the "Board") of Minmetals Resources Limited (the "Company") is pleased to announce the audited results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2005.

MANAGEMENT DISCUSSION AND ANALYSIS

In October 2005, the Group completed the acquisition of the alumina and aluminium businesses (mainly comprised of Minmetals Aluminium Company Limited and its subsidiaries (collectively referred as "Minmetals Aluminium" thereafter)) from its ultimate holding company, China Minmetals Corporation. Through the acquisition, the Group significantly enlarged its operation and established the platform for the future development of the supply-chain businesses on alumina-related products as well as other non-ferrous metals and resources.

As the acquisition was completed on 6 October 2005, the Group has consolidated less than three months' results of Minmetals Aluminium. Therefore, the benefits generated from the acquisition to the Group's results has not been fully reflected in 2005. In addition, the Group has adopted the new/revised Hong Kong Financial Reporting Standards ("new HKFRS") with effect from 1 January 2005. To a certain extent, this also affected current year's results of the Group (Please refer to the paragraphs below for details).

The total revenue and consolidated net profit of Minmetals Aluminium amounted to approximately HK$8,812 million (2004: RMB7,336 million; equivalent to HK$6,921 million) and approximately HK$448.7 million (2004: RMB396.0 million; equivalent to HK$373.6 million) respectively for the year ended 31 December 2005. The contribution to the Group's total revenue and profit by Minmetals Aluminium amounted to HK$2,017 million and HK$56.2 million (including a negative goodwill of HK$80.9 million recognised in the acquisition) respectively for the period from 6 October 2005 to 31 December 2005.

The Group's profit attributable to the shareholders for the year ended 31 December 2005 was approximately HK$181.7 million, which was approximately HK$36.0 million lower than that of 2004. The major reasons are as follows:

1. The net profit of 2004 included an one-off deconsolidation profit of HK$97.4 million. Such non-recurring item was in relation to the reversal of consolidated losses upon deconsolidation of two non-performing subsidiaries. There was no similar amount in 2005; and

2. The acquisition of Minmetals Aluminium completed in October 2005 and contributed approximately HK$56.2 million profit (including a negative goodwill of HK$80.9 million recognised in the acquisition) to the Group for a period of less than 3 months.

In 2005, because of the change in accounting standards in Hong Kong, the Group had to remeasure and recognise the aluminium futures contracts, foreign exchange forward contracts, interest rate swap and aluminium options (collectively referred as "derivative financial instruments" thereafter) at their fair value at the balance sheet date. These derivative financial instruments were newly acquired in the acquisition of Minmetals Aluminium. Such remeasurement reduced the Group's profit for the year ended 31 December 2005 by approximately HK$110.1 million.

These derivative financial instruments were entered into by Minmetals Aluminium in accordance with its hedging policies. They are solely used for hedging and risk management purposes; speculation is strictly prohibited. Upon the completion of the acquisition in October 2005, Minmetals Aluminium had to follow the new HKFRS to prepare its financial statements. Although it only used the derivative financial instruments for hedging and risk management purposes, it could not fulfill the documentation requirements under the new HKFRS, which was effective from 1 January 2005. Therefore, the outstanding derivative financial instruments have to be remeasured and stated at their fair value at the balance sheet date and the changes in fair value were charged to current year's income statement.

The above remeasurement affected the timing of recognition of the gains/losses derived from these derivative financial instruments, causing a mismatch between the recognition of gains/losses on these derivative financial instruments and the items being hedged for.

In order to prevent the volatility caused to the Group's results by such remeasurement, Minmetals Aluminium has redesigned its hedging procedures and the related documentation system after becoming subsidiaries of the Group since October 2005 so as to satisfy the hedge accounting requirements under the new HKFRS. Preliminary software testing has already been completed in March 2006. System installation and actual running can be implemented in April 2006. The new system can assist the Group to check whether future trading transactions of derivatives can fulfill the hedge accounting requirements under the new HKFRS.

The above accounting treatments in fact made no tangible adverse impact on the Group business operations. The Group's as well as the newly acquired Minmetals Aluminium's business operations and financial positions continue to be strong and healthy. After the transitional period in 2005, the Group believes that benefits of the enlarged operation can be crystallised in the forthcoming years and further propel the growth of the Group's business.

FINANCIAL REVIEW

The Group's 2005 consolidated financial results included less than three months' results of Minmetals Aluminium (mainly alumina trading) from 6 October 2005 (completion date of the acquisition) and the full year results of the Group's original businesses which consist of non-ferrous metal trading, aluminum fabrication and some other industrial investments in the People's Republic of China ("PRC").

The Group's turnover for year 2005 amounted to approximately HK$3,332.8 million, representing an increase of HK$2,044.3 million or 158.7% compared to that in 2004. The Group's turnover is mainly derived from alumina trading and aluminium fabrication businesses, which accounted for approximately 62% and 37% of the Group's 2005 turnover respectively. The remaining balance of 1% came from other industrial investments.

Although the Group achieved major breakthrough in its sales revenue for 2005, its gross profit increased by only 57.6% compared to last year. It is mainly because a long-term alumina purchase contract under the original trading business of the Group expired in 2004 and caused a reduction of gross profit of about HK$70.1 million. As a result, the gross profit margin decreased from 15.0% in 2004 to 9.1% in 2005.

The increase in other revenues mainly due to the increase in interest income as a result of the increase in surplus cash. The significant increase in the scale of the trading operation caused the selling and administrative expenses as a percentage of turnover decreased. The turnover in 2005 increased by 158.7% as compared to 2004 whilst the selling expenses and administrative expenses increased by only 51.1% and 6.0% respectively.

The 2005 other losses-net was about HK$37.0 million and mainly comprised:

(1) The net realised losses for derivative financial instruments of approximately HK$23.6 million;

(2) The net unrealised losses of HK$110.1 million for fair value changes on the outstanding derivative financial instruments of Minmetals Aluminium resulted from the adoption of the new HKFRS in 2005; and

(3) Other gains of approximately HK$87.8 million from the write-back of provisions made in prior years. During the year, the Group made significant effort in the collection and clearance of the historical accounts payable, guarantees and accounts receivable of which provisions had been previously made.

The Group's operating profit for 2005 was approximately HK$229.1 million which was HK$23.1 million less than the amount in 2004. It was mainly due to the abovementioned HK$110.1 million fair value changes on the outstanding derivative financial instruments resulted from the adoption of the new HKFRS.

The Group's finance costs increased from approximately HK$16.4 million in 2004 to approximately HK$26.6 million in 2005, of which about HK$8.1 million was incurred by the business operation of Minmetals Aluminium after the completion of the acquisition on 6 October 2005. Such additional finance costs represented the interest expenses incurred on the bank loans of approximately HK$616.2 million in relation to the initial payments for the long-term alumina supply contract with Alcoa (refer to the details below). In addition, the increase in the aluminium fabrication business also increased the demand for financing and thus the finance costs.

During the year, the performance of the associated companies continued to improve and the share of profits in associated companies increased by approximately HK$15.9 million to approximately HK$25.0 million.

As a result of various reasons mentioned above, the Group's profit attributable to the shareholders decreased by approximately HK$36.0 million from approximately HK$217.7 million in 2004 to approximately HK$181.7 million in 2005.

SEGMENTS REVIEW

The Group's business consists of three main business segments: (1) trading; (2) aluminium fabrication; and (3) other industrial operations and port logistics services.

TRADING BUSINESS

Trading business accounted for approximately 62% of the Group's turnover in 2005 and the majority was from alumina trading with a small percentage from the trading of other non-ferrous metals. The Group's trading volume increased significantly after the acquisition of Minmetals Aluminium. In a period of less than 3 months starting from 6 October 2005, its alumina trading volume already reached 406,000 tonnes, with sales revenue of approximately HK$2,015.3 million. These figures far exceeded the whole year results of 2004 with trading volume of 59,000 tonnes and sales revenue of HK$164.8 million. Thus the operation and market share of the Group has been greatly enhanced. In term of trading volume, Minmetals Aluminium is the largest importer of alumina in the PRC market and has established strong business relationship with more than half of the aluminium smelters in the PRC.

In order to secure stable supply of alumina and reducing the influence caused by the price fluctuation in the spot market, Minmetals Aluminium adopted strategies to diversify sources of supply and sign long-term contracts with suppliers. Among the long-term contracts on hand, Alcoa contract is the largest one and accounted for approximately 21% of Minmetals Aluminium's 2005 total purchase. Alcoa contract is for a term of 30 years (until June 2027) with a purchase quantity of 400,000 tonnes per annum. This enables Minmetals Aluminium to source alumina at prices which correlate to Alcoa's production costs as if Minmetals Aluminium was an alumina refiner owning a bauxite mine.

ALUMINIUM FABRICATION BUSINESS

Aluminium fabrication business accounted for approximately 37% of the Group's turnover. The Group via its 51% owned subsidiary, North China Aluminium Company Limited ("North China Aluminium"), engaged in the production and sales of aluminium foils and extrusions.

The aluminium foils market continues to expand with the growth in the home electronic appliances, construction, transportation, packaging and publishing businesses in the PRC. The sharp increase in the raw material costs for aluminium ingots caused the upsurge of the production costs of North China Aluminium. In order to maintain its product competitiveness, North China Aluminium limited the increase of its sales price, thus causing pressure on its profit margin. Foreseeing the challenge, North China Aluminium has well prepared itself already. Its production capacity increased substantially after the completion of the upgrade and modernisation of its aluminium cold mills. Sales volume in 2005 increased to about 59,491 tonnes, a 19% increase over 2004. Given the fierce market competition, North China Aluminium still managed to achieve a 2% increase in gross profit. In future, North China Aluminium will strive to enhance its product quality so as to win more support from its customers.

OTHER INDUSTRIAL OPERATIONS AND PORT LOGISTICS SERVICES

Other industrial operations and port logistics services accounted for approximately 1% of the Group's turnover. The contribution to the Group's profit from this segment amounted to approximately HK$39.0 million, of which approximately HK$14.0 million was derived from subsidiaries in this segment and approximately HK$25.0 million represented the share of profits in associated companies.

This business segment consists of:

(1) Yingkou Orienmet Plica Tube Company Limited ("Yingkou Orienmet"), which is owned as to 51% by the Group and is principally engaged in the production and sales of flexible metal conduits; and four PRC associated companies, which are engaged in the production and sales of copper rods, aluminium cans, copper cathodes and copper blisters; and

(2) Enterprises under the newly acquired Minmetals Aluminium, including Minmetals Non-ferrous Lianyungang Company Limited ("Minmetals Lianyungang") which is owned as to 90% by the Group and is engaged in port logistics services; and Sino Nickel Pty Limited ("Sino Nickel"), which is owned as to 40% by the Group and is engaged in nickel trading.

Concerning the subsidiaries in this segment, Yingkou Orienmet, with its professional design and patented technology continued to maintain satisfactory profit margin. However, the counterfeit and pirated products affected Yingkou Orienmet and caused the decline in 2005 sales. To protect its interest, Yingkou Orienmet will take more stringent measures and legal action to suppress patent invasion. For Minmetals Lianyungang, its main function is to provide port logistics services like obtaining customs clearance, unloading and packing of alumina to Minmetals Aluminium. With the storage facilities at Lianyungang and other major PRC coastal ports, Minmetals Aluminium can provide more flexible and convenient logistics services to meet the needs of its customers.

On the associated companies side, although the upsurge of the raw material costs did different harm to the businesses, their operating performance in general have showed improvement over last year. In 2005, the major contributors to the increase in the Group's share of profits in associated companies are Changzhou Jinyuan Copper Company Limited ("Changzhou Jinyuan Copper"), Qingdao M.C. Packaging Limited and the newly acquired Sino Nickel.

FINANCIAL RESOURCES, CASH FLOW AND GEARING RATIO

The financial position and liquidity of the Group continued to show healthy development. The acquisition of Minmetals Aluminium substantially enlarged the Group's operation and assets base. As at 31 December 2005, the Group's total assets and net assets amounted to HK$7,524.5 million and HK$3,284.0 million respectively, increased 491% and 446% from last year end.

For the year 2005, the net cash used in operating activities amounted to approximately HK$207.9 million. Net cash generated from investing activities amounted to approximately HK$653.8 million, mainly represented the cash of approximately HK$689.6 million acquired as a result of the acquisition of Minmetals Aluminium less the capital expenditures for construction in progress of approximately HK$44.0 million. The net cash generated from financing activities amounted to approximately HK$422.6 million, of which approximately HK$219.8 million was from the placing of new shares and about HK$204.2 million was from the net increase in bank loans. As a result of these activities, the cash and cash equivalents of the Group increased by approximately HK$761.9 million to approximately HK$938.1 million at 31 December 2005.

As at 31 December 2005, the Group had cash on hand and cash deposits of approximately HK$987.7 million (all are unpledged except for the deposits of approximately HK$49.7 million placed in certain PRC banks), of which about 35% and 37% were denominated in US dollars and Renminbi respectively, while the remaining balance was denominated in Hong Kong dollars and Australian dollars.

As at 31 December 2005, the Group's total bank borrowings were approximately HK$1,151.3 million. This included bank loans of approximately HK$874.4 million borrowed by the newly acquired business – Minmetals Aluminium, which was primarily used to finance its initial payments for the alumina purchasing rights and trading operation. The remaining balance of the bank borrowings was used in the aluminium fabrication business and other industrial operations. The maturity profile of the bank borrowings is as follows:

Maturity profile	***HK$ million***
Within 1 year	533.8
Between 1 and 2 years	617.5

About 66% of the bank loans was at floating interest rate and 34% was at fixed interest rate. Approximately 76% and 24% of the Group's bank loans were denominated in US dollars and Renminbi respectively. In 2005, the interest rates of the Group's bank borrowings were in the range from 3.5% to 7.3%.

As at 31 December 2005, net gearing (defined as bank debts less cash and cash equivalents and pledged bank deposits, divided by capital and reserves attributable to the Company's equity holders) was 5.3% (2004: 29.0%).

ACQUISITION OF SUBSIDIARIES

On 6 October 2005, the Company completed the acquisition of the equity interest in Minmetals Aluminium and its subsidaires (which are principally engaged in alumina and aluminium businesses) from a subsidiary of China Minmetals Corporation, the Group's ultimate holding company by issuing

1,009,090,909 new shares. The acquired business contributed approximately HK$2,017.2 million sales revenue and net profit of approximately HK$56.2 million (including a negative goodwill of HK$80.9 million recognised in the acquisition) to the Group for the period from 6 October 2005 to 31 December 2005.

SHARES ISSUE

The Company issued and allotted 1,009,090,909 shares on 6 October 2005 to Top Create Resources Limited, a wholly-owned subsidiary of the Company's ultimate holding company, as the purchase consideration for the entire issued share capital of Peak Strategic Industries Limited, which is the holding company of Minmetals Aluminium.

To maintain the public float of not less than 25% after the completion of the acquisition of Minmetals Aluminium, the Company and Coppermine Resources Limited (the Company's immediate holding company for the period from 12 January 2004 to 5 October 2005) placed an aggregate of 278,000,000 shares to independent third parties. In this placing, the Company issued 98,000,000 new shares and the net proceeds of approximately HK$219.8 million has been used by the Group as working capital for its trading operation.

As at 31 December 2005, the Company had 1,714,440,521 shares in issue.

CAPITAL EXPENDITURE

The Group's total capital expenditure for the year was approximately HK$50.7 million. It was mainly used for the purchase and upgrade of plant and machinery. As at 31 December 2005, the Group's outstanding commitments in this respect were approximately HK$50.6 million.

Furthermore, two shareholders of Changzhou Jinyuan (an associated company owned as to 25% by the Group) intended to dispose 29% interest of Changzhou Jinyuan they held in aggregate. Other shareholders, with mutual agreement after discussion, agreed to acquire the interest of these two shareholders disposed in accordance with the percentages of interest they currently held in the company. As such, the Group will increase its interest in Changzhou Jinyuan by 11%. The estimated amount involved is about HK$19.0 million and will be funded by the Group's internal funding. Changzhou Jinyuan has been running satisfactorily and has contributed stable income to the Group in the past. Increasing the Group's interest in Changzhou Jinyuan will not only increase the profit contribution derived therefrom but also enhance the business opportunities between the two parties.

CHARGE ON ASSETS

As at 31 December 2005, the charge on the Group's assets included:

(a) (i) all the equity interests of Sino Mining Alumina Limited ("Sino Mining"), a subsidiary of the Group; (ii) all the assets of Sino Mining; (iii) the Group's initial payments for alumina purchasing rights; and (iv) certain bank deposits of the Group amounting to approximately HK$36.4 million have been pledged to a bank to secure the bank loan in relation to the initial payments for the alumina purchasing rights.

(b) Certain property, plant and equipment and land use rights of the Group with a total net book amount of approximately HK$399.8 million and bank deposits of approximately HK$13.3 million were pledged to banks to secure certain banking facilities of the Group.

CONTINGENT LIABILITIES

As at 31 December 2005, the Group's contingent liabilities are:

(a) The Company provided a corporate guarantee to a bank in respect of the banking facilities extended to an associated company amounting to approximately HK$24.0 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 additional charges. No provision has been made by the Group since the amount of additional charges, if any, cannot be reliably determined. It is estimated that the potential additional charges will not exceed HK$1.4 million (2004: HK$1.3 million).

RISK MANAGEMENT

The Group's overall financial risk management programme focuses on the unpredictability of the financial markets, optimising the level of financial risks the Group can bear, and minimising any potential adverse effects on the financial performance of the Group. The purpose of which is to ensure that transactions undertaken are in accordance with the Group's policies and not for speculative purpose.

(a) Commodity price risk

To hedge against the adverse impact that the volatility in alumina and aluminium prices could have on the Group's businesses, the Group enters into aluminium futures contracts on the London Metal Exchange. Pursuant to its internal hedging policies and guidelines, the Group does not and is prohibited to enter into aluminium futures contracts for speculative purposes.

(b) Foreign exchange risk

The Group's major businesses are conducted in United State dollars ("USD"), Renminbi ("RMB") and Australian dollars ("AUD"). Given the exchange rate peg between Hong Kong dollars ("HKD") and USD is maintained, it is not foreseen that the Group will be exposed to significant exchange rate risk exposure for the transactions conducted in USD. For the year ended 31 December 2005, 77.6% of the Group turnover was denominated in RMB. As at 31 December 2005, the total net assets as shared by the Group in its PRC subsidiaries and associated companies amounting to approximately HK$390.0 million were denominated in RMB. Fluctuation of exchange rate of RMB against HKD could affect the Group's results of operation. The exchange rate fluctuation between AUD and USD will affect the purchase cost of alumina under a long-term purchase contract of approximately 400,000 tonnes per year from 1997 to 2027. The Group hedges against this AUD exchange exposure by using forward foreign exchange contracts.

(c) Interest rate risk

The Group's interest rate risk mainly arises from bank borrowings. Floating rate bank borrowings expose the Group to cash flow interest rate risk. At 31 December 2005, bank borrowings of approximately HK$762.7 million were at floating rates. When considered appropriate, the Group uses interest rate swaps to manage cash flow interest rate risk exposure associated with borrowings issued at floating rates.

EMPLOYEE

As at 31 December 2005, the Group employed approximately 2,400 staff (the two subsidiaries engaged in the industrial production, North China Aluminium and Yingkou Orienmet, employed about 2,252 and 83 staff respectively). The total staff costs (including the directors' emoluments) for the year was approximately HK$75.6 million. The Group adopts a remuneration policy in line with market practice and makes reference to each individual experience and performance. Apart from the general remuneration package, the Group also grants share options and discretionary bonus to eligible staff based on their performance and contribution to the Group. The Group regards quality staff as one of the key factors to corporate success. Various forms of professional training are provided to employees as and when necessary.

PROSPECT

Given robust development of the global economy, in particular the rapid economic growth in developing countries, it is believed the metal product market in general will remain prosperous in the coming years. Save for potential and modest price adjustment for certain metal products from time to time, the general prices will maintain at relatively high level.

Keeping its focus on the core operations, the Group is committed to maintaining its competitive edge and expanding market share to further consolidate its dominance in the PRC import alumina market. At the same time, the Group will also closely monitor and analyse market changes to further reinforce its efforts in market research, analysis and forecast and to control risks from price fluctuation and maximise efficiency through prudent hedging.

Pursuant to the Non-competition Agreement between the Company and the controlling shareholder, the Company will actively engage in the negotiation and implementation of acquisition of Sherwin Alumina L.P. and Guangxi Huayin Aluminium Company Limited ("Huayin Aluminium"), thereby steadily push ahead with the construction and operation of Huayin Aluminium to secure the source of alumina. Under the direction of the Company's development strategy, the Company will further consolidate its business chain by extending the upstream and downstream operations with a focus on the core business, so as to realise a stronger grip and direction on the resources. In addition, it is the Company's intention to identify target aluminium smelters and aggressively prepare for and proceed with relevant acquisition projects in accordance with the requirements of acquisition regulations and regulatory rules, with an aim of consolidating its value chain, business model and sales channel of alumina.

As for business expansion, the Group will further consider the opportunities of acquisition of other non-ferrous metal businesses and assets from the controlling shareholder. The addition of core assets will facilitate the Group in consolidating its business foundation, thereby enhancing its core competitiveness and profitability for diversification. In addition, the Group will also improve its strategic management of investee companies. It plans to adjust product mix to a more market-oriented portfolio and implement technology and facilities upgrades, so as to persistently improve its product quality, lower costs and enhance its competitiveness.

On the front of corporate governance, the Company will further enhance its governance structure and transparency, thereby improving investors' knowledge of the Company's operations. Apart from that, efforts will be committed to reinforce internal management to effectively control operating risks.

Building on the concerted efforts of the Group's staff, we are confident to achieve win-win solutions for our cooperation partners and the Company, so as to create value for our shareholders.

RESULTS
Consolidated Income Statement

	Note	**2005** *HK$'000*	2004 *HK$'000* (Restated)
Turnover	*3*	**3,332,765**	1,288,485
Cost of sales		**(3,028,661)**	(1,095,538)
Gross profit		**304,104**	192,947
Other income	*3*	**14,708**	5,539
		318,812	198,486
Selling expenses		**(63,136)**	(41,779)
Administrative expenses		**(70,445)**	(66,429)
Negative goodwill recognised		**80,873**	–
Reversal of consolidated losses upon deconsolidation of subsidiaries		**–**	97,350
Other (losses)/gains-net	*4*	**(36,982)**	64,611
Operating profit	*5*	**229,122**	252,239
Finance costs	*6*	**(26,555)**	(16,403)
Share of profits less losses of associated companies		**25,046**	9,135
Profit before income tax		**227,613**	244,971
Income tax expense	*7*	**(24,532)**	(10,551)
Profit for the year		**203,081**	234,420
Attributable to:			
Equity holders of the Company		**181,746**	217,726
Minority interest		**21,335**	16,694
		203,081	234,420
Basic earnings per share	*8*	**HK$0.21**	HK$0.37
Dividends	*9*	**–**	–

Consolidated Balance Sheet

	Note	2005 HK$'000	2004 HK$'000 (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment		**504,190**	292,231
Investment properties		**14,730**	7,090
Land use rights		**11,992**	8,943
Construction in progress		**5,415**	203,008
Interests in associated companies		**85,116**	43,059
Alumina purchasing rights		**3,601,301**	–
Long-term receivables		**4,808**	4,717
Available-for-sale financial assets		**313,663**	–
Deferred income tax assets		**23,849**	7,843
		4,565,064	566,891
Current assets			
Inventories		**943,797**	224,518
Trade and other receivables	*10*	**274,019**	266,775
Amount due from an intermediate holding company		**182,925**	–
Alumina purchasing rights		**293,160**	–
Amounts due from fellow subsidiaries		**–**	24,959
Derivative financial instruments		**6,009**	–
Bills endorsed to suppliers		**216,011**	–
Bills discounted to banks		**55,779**	–
Pledged bank deposits		**49,659**	14,648
Cash and cash equivalents		**938,086**	176,236
		2,959,445	707,136
Total assets		**7,524,509**	1,274,027
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		**85,722**	30,367
Reserves		**2,995,301**	391,638
		3,081,023	422,005
Minority interest		**203,019**	178,963
Total equity		**3,284,042**	600,968

	Note	**2005**	2004
		HK$'000	*HK$'000*
			(Restated)
LIABILITIES			
Non-current liabilities			
Deferred income		**27,138**	28,302
Provision for sales contract obligations		**24,859**	–
Derivative financial instruments		**14,970**	–
Deferred income tax liabilities		**688,438**	–
Bank loans		**617,477**	94,340
		1,372,882	122,642
Current liabilities			
Trade and other payables	*11*	**728,405**	291,920
Bills payable		**63,191**	18,116
Trade payables under endorsed bills		**216,011**	–
Advances from banks for bills discounted		**55,779**	–
Amounts due to fellow subsidiaries		**6,890**	–
Provision for sales contract obligations		**1,033,799**	–
Provisions for other liabilities and charges		**–**	6,792
Derivative financial instruments		**165,931**	–
Income tax liabilities		**63,738**	14,721
Bank loans		**533,841**	218,868
		2,867,585	550,417
Total liabilities		**4,240,467**	673,059
Total equity and liabilities		**7,524,509**	1,274,027
Net current assets		**91,860**	156,719
Total assets less current liabilities		**4,656,924**	723,610

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-sales financial assets, financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss and investment properties, which are carried at fair value.

The Hong Kong Institute of Certified Public Accountants ("HKICPA") has issued a number of new/revised HKFRS which are effective for accounting periods beginning on or after 1 January 2005. The changes to the Group's accounting policies and the effect of adopting these new/revised HKFRS are set out in Note 2 below.

2. The adoption of new/revised HKFRS

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

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings Per Share
HKAS 36	Impairment of Assets
HKAS 38	Intangible 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/revised HKFRS has the following impacts on the Group's accounting policies:

(a) The adoption of HKASs 1, 2, 7, 8, 10, 16, 21, 23, 24, 27, 28, 33, 36, 38, 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.
- HKASs 7, 8, 16, 27 and 28 affect certain classifications and disclosures of the financial statements.
- HKAS 24 has affected the identification of related parties and some other related party disclosures.
- HKASs 2, 10, 21, 23, 33, 36, 38, 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 buildings are 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 land use rights increased by approximately HK$11,992,000 as at 31 December 2005;

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

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

(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 to banks 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 HKAS 39 resulted in:

(i) Bills endorsed to suppliers and trade payables under endorsed bills increased by approximately HK$216,011,000 as at 31 December 2005;

(ii) Bills discounted to banks and advances from banks for bills discounted increased by approximately HK$55,779,000 as at 31 December 2005; and

(iii) No increase/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 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 income statement. 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 income statement 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 year, 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 and vested before 1 January 2005 in accordance with the transitional provisions set out in paragraph 53 of HKFRS 2.

The HKICPA has issued a number of new/revised HKFRSs that are effective for accounting periods commencing on or after 1st January 2006. The Group has started considering the potential impact of these HKFRSs. Based on the preliminary assessment, the Group believes that the adoption of these HKFRSs, if applicable, will not result in substantial changes to the Group's accounting policies. The Group has not early adopted these new/revised HKFRSs, if applicable, in the financial statements for the year ended 31st December 2005, as follows:

HKAS 1 (Amendment)	Capital disclosure[1]
HKAS 19 (Amendment)	Actuarial gains and losses, group plan and disclosures[2]
HKAS 21 (Amendment)	Net investment in a foreign operation[2]
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions[2]
HKAS 39 (Amendment)	The fair value option[2]
HKAS 39 and HKFRS 4 (Amendment)	Financial guarantee contracts[2]
HKFRS 6	Exploration for and evaluation of mineral resources[2]
HKFRS 7	Financial instruments: disclosures[1]
HKFRS-int 3	Emission rights[2]
HKFRS-int 4	Determining whether an arrangement contains a lease[2]
HKFRS-int 5	Rights to interests arising from decommissioning, restorationand environmental rehabilitation funds[2]

1: Effective for accounting period commencing on or after 1 January 2007.

2: Effective for accounting period commencing on or after 1 January 2006.

3. Segment information

(a) By business segments

At 31 December 2005, the Group's operations comprised the following main business segments:

Trading	:	Trading of alumina and other nonferrous metals
Aluminium fabrication	:	Production and sale of aluminium foils and extrusions
Other industrial operations and port logistics services	:	(i) Other industrial operations include production and sale of plica tubes, aluminium cans, copper rods, copper cathodes and copper blisters. (ii) Port logistics services include customs clearance, unloading and packing alumina and receiving and delivering of alumina at the port of Lianyunggang in the PRC.

	For the year ended 31 December 2005					
	Trading *HK$'000*	**Aluminium fabrication** *HK$'000*	**Other industrial operations and port logistics services** *HK$'000*	**Corporate and others** *HK$'000*	**Inter-segment elimination** *HK$'000*	**Total** *HK$'000*
Revenues						
Sales of alumina and other nonferrous metals	**2,086,494**	**–**	**–**	**–**	**(35,683)**	**2,050,811**
Manufacturing of aluminium foils and extrusions	**–**	**1,252,890**	**–**	**–**	**(2,982)**	**1,249,908**
Manufacturing of other nonferrous metals products	**–**	**–**	**30,213**	**–**	**–**	**30,213**
Logistics agency fees	**–**	**–**	**3,322**	**–**	**(1,489)**	**1,833**
Others	**6,951**	**3,632**	**(682)**	**6,384**	**(1,577)**	**14,708**
	2,093,445	**1,256,522**	**32,853**	**6,384**	**(41,731)**	**3,347,473**
Results						
Segment results	**46,588**	**38,474**	**13,991**	**131,638**	**(1,569)**	**229,122**
Finance costs						**(26,555)**
Share of profits less losses of associated companies	**–**	**–**	**25,046**	**–**	**–**	**25,046**
Income tax expense						**(24,532)**
Profit for the year						**203,081**

	For the year ended 31 December 2004					
	Trading	Aluminium fabrication	Other industrial operations and port logistics services	Corporate and others	Inter-segment elimination	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenues						
Sales of alumina and other nonferrous metals	164,778	–	–	–	–	164,778
Manufacturing of aluminium foils and extrusions	–	1,058,593	–	–	–	1,058,593
Manufacturing of other nonferrous metals products	–	–	65,114	–	–	65,114
Others	150	3,000	952	1,437	–	5,539
	164,928	1,061,593	66,066	1,437	–	1,294,024
Results						
Segment results	87,158	47,138	86,536	31,407	–	252,239
Finance costs						(16,403)
Share of profits less losses of associated companies	–	–	9,135	–	–	9,135
Income tax expense						(10,551)
Profit for the year						234,420

(b) *By geographical segments*

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

	2005		2004	
	Revenue	**Contribution to gross profit**	Revenue	Contribution to gross profit
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
PRC	**3,008,366**	**251,728**	1,055,315	114,906
Others	**526,068**	**56,914**	238,709	78,041
Inter-segment elimination	**(186,961)**	**(4,538)**	–	–
	3,347,473	**304,104**	1,294,024	192,947

4. Other (losses)/gains-net

	2005	2004
	HK$'000	*HK$'000*
Unrealised net gains/(losses) for derivative financial instruments	**(110,148)**	–
– Aluminium futures contracts	**(107,971)**	–
– Foreign exchange forward contracts	**(3,625)**	–
– Interest rate swaps	**8,706**	–
– Aluminium options	**(7,258)**	–
Realised net gains/(losses) for derivative financial instruments	**(23,578)**	–
– Aluminium futures contracts	**(18,550)**	–
– Foreign exchange forward contracts	**1,838**	–
– Interest rate swaps	**(6,914)**	–
– Aluminium options	**48**	–
Reversal of provision for impairment of receivables		
– Trade and other receivables	**59,814**	24,161
– Amounts due from associated companies	**15,279**	1,885
– Amounts due from fellow subsidiaries	**–**	24,959
Reversal of provision for a guarantee given to a third party	**6,857**	–
Write back of trade payables and accrued charges	**5,831**	–
Trade payables waived by creditors	**–**	9,673
Amortisation of deferred income	**1,691**	–
Reversal of provision for/(provision for) impairment loss of property, plant and equipment and construction in progress		
– Properties	**14**	(481)
– Others	**2,393**	8,975
Exchange gains/(losses), net	**1,003**	(121)
Government grant income	**866**	715
Gain/(loss) on disposal of property, plant and equipment	**36**	(4,884)
Gain on disposal of investment securities	**–**	119
Provision for impairment loss of investment securities	**–**	(1,959)
Fair value losses on investment properties	**(556)**	–
Others	**3,516**	1,569
	(36,982)	64,611

5. Operating profit

Operating profit is determined after charging the following:

	2005	2004
	HK$'000	*HK$'000*
Staff costs (including directors' emoluments)	**75,617**	70,520
Depreciation and amortisation	**44,589**	41,748
Operating lease rentals on properties	**2,550**	2,359
Auditors' remuneration	**1,800**	900
Provision for inventory obsolescene	**572**	2,500
Direct operating expenses arising from investment properties that generate rental income	**325**	217
Direct operating expenses arising from investment properties that did not generate rental income	**318**	53

6. Finance costs

	2005	2004
	HK$'000	*HK$'000*
Bank loans wholly repayable within five years	**26,554**	23,360
Other loans wholly repayable within five years	**1**	33
	26,555	23,393
Less: Interest capitalised in construction in progress	**–**	(6,990)
	26,555	16,403

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

7. Income tax

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

	2005	2004
	HK$'000	*HK$'000*
Current income tax		
– Hong Kong profits tax	**–**	8
– PRC enterprise income tax	**(24,398)**	(5,486)
– Overseas income tax	**(1,241)**	–
	(25,639)	(5,478)
Deferred income tax credit/(expense)	**1,107**	(5,073)
Income tax expense	**(24,532)**	(10,551)

8. Earnings per share

The calculation of basic earnings per share is based on the Group's profit attributable to equity holders of the Company of approximately HK$181,746,000 (2004: HK$217,726,000) and the weighted average number of 871,231,555 ordinary shares (2004: 593,062,328 ordinary shares) in issue during the year.

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

9. Dividends

No interim dividend was paid and the directors do not recommend the payment of a final dividend for the year ended 31 December 2005. (2004: Nil)

As at the end of 2005, the accumulated losses of the Company amounted to approximately HK$913,184,000. Under the laws of Hong Kong pursuant to which the Company is incorporated, dividends may only be declared out of the Company's accumulated realised profits so far as not previously utilised by distribution or capitalisation, less the Company's accumulated realised losses, so far as not previously written off in a reduction or reorganisation of capital duly made. Therefore, in order for the Company to declare and pay a dividend, it will be necessary for the Company to (a) earn profits in excess of such accumulated losses and/or (b) successfully implement a proposal to reduce the Company's share premium account for the purpose of eliminating the Company's accumulated losses.

The Company is undertaking a capital reduction proposal, which is subject to the approval of the Company's shareholders at an extraordinary general meeting and consent of the Court in Hong Kong.

10. Trade and other receivables

The majority of sales derived from the 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 fabrication and other industrial operations, sales are normally made with credit periods ranging from 30 days to 90 days.

Included in the Group's trade and other receivables are trade receivables, net of provision for impairment, of approximately HK$230,380,000 (2004: HK$217,655,000). An aging analysis of such trade receivables is shown as follows:

	2005		2004	
	HK$'000	***%***	*HK$'000*	*%*
Less than 6 months	**232,554**	**77**	199,291	69
6 months – 1 year	**4,770**	**2**	11,370	4
Over 1 year	**63,994**	**21**	76,687	27
	301,318	**100**	287,348	100
Less: Provision for impairment of receivables	**(70,938)**		(69,693)	
	230,380		217,655	

11. **Trade and other payables**

Included in the Group's trade and other payables are trade payables of approximately HK$196,426,000 (2004: HK$125,399,000). An aging analysis of such trade payables is shown as follows:

	2005		2004	
	HK$'000	*%*	*HK$'000*	*%*
Less than 6 months	**196,264**	**100**	112,583	90
6 months – 1 year	**25**	**–**	4,631	4
1 – 2 years	**26**	**–**	5,247	4
Over 2 years	**111**	**–**	2,938	2
	196,426	**100**	125,399	100

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.

DIVIDENDS

The Board do not recommend the payment of a final dividend for the year.

CLOSURE OF BOOK

The Transfer Books and Register of Members will be closed from 10 May 2006 to 15 May 2006, both days inclusive, during this period no transfer of shares will be effected. In order to qualify for attending the annual general meeting of the Company to be held on 15 May 2006, all transfers accompanied by the relevant share certificates must be lodged with the share registrar of the Company, Computershare Hong Kong Investor Services Limited, at 17/F., Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on 9 May 2006.

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

During the year ended 31 December 2005, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the code provisions set out in the Code on Corporate Governance Practice in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the year ended 31 December 2005 except for the following deviations:

(i) code provision A.4.1 in respect of non-executive directors should be appointed for a specific term.

To comply with the code provision A.4.1, each of the non-executive directors of the Company has entered into a service contract with the Company for a term of three years commencing from 6 October 2005 but is subject to retirement and re-election in accordance with the articles of association of the Company.

(ii) code provision A.4.2 in respect of every director including those appointed for a specific term should be subject to retirement by rotation at least once every three years

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

(iii) code provision B.1.4 Note 1 in respect of the remuneration committee should make available its terms of reference

The terms of reference of the remuneration committee were posted on the Company's website immediately after the completion of the construction of the website on 25 August 2005 and has complied with code provision B.1.4 Note 1.

(iv) code provision C.3.3 in respect of the terms of reference of the audit committee should include at least the duties set out in the same code.

The revised terms of reference of the audit committee incorporating all the duties set out in code provision C.3.3 were approved by the Board on 25 August 2005 and were posted on the Company's website.

MODE CODE FOR 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 regarding securities transactions by the directors.

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. 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 system of the Group. The audit committee has reviewed the audited financial statements of the Group for the year ended 31 December 2005.

REVIEW OF FINANCIAL STATEMENTS

The Group's audited financial statements for the year ended 31 December 2005 including the accounting principles and practices adopted have been reviewed by the Company's audit committee in conjunction with the Company's external auditors. Besides, this preliminary results announcement has been agreed with the Company's external auditors.

PUBLICATION OF DETAILED RESULTS ANNOUNCEMENT ON THE STOCK EXCHANGE'S WEBSITE

A detailed announcement containing all the information in respect of the Company required by paragraphs 45 and 45A of Appendix 16 to the Listing Rules will be published on the Stock Exchange's website in due course.

By order of the Board
Xu Huizhong
Director and President

Hong Kong, 31 March 2006

As at the date of this announcement, the board of directors of the Company comprises eleven directors, of which two are executive directors, namely Mr. Xu Huizhong and Mr. Wang Lixin; six are non-executive directors, namely Mr. Zhou Zhongshu (Chairman), Dr. Zhu Guang (Vice Chairman), Ms. Shen Ling, Mr. Zhang Shoulian, Mr. Li Linhu and Mr. Zong Qingsheng; and three are independent non-executive directors, namely Mr. Liu Hongru, Mr. Chan Wai Dune and Mr. Ting Leung Huel, Stephen.

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