五礦資源有限公司

MINMETALS RESOURCES LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 1208)

2006 Interim Results

Financial Highlights

The acquisition in October 2005 is delivering results:

	Six months ended 30 June 2006 HK$ million	2005 HK$ million	% Increase
Turnover	**6,858.4**	664.2	↑933%
Net profit	**579.6**	100.3	↑478%
Earnings per share	**HK$0.34**	HK$0.17	↑100%

Strong balance sheet and cash flow:

	At 30 June 2006 HK$ million
Total assets	**8,115.5**
Total cash & cash equivalents	**1,393.3**
Net assets value per share	**HK$2.31**

The Board of directors of Minmetals Resources Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2006. These interim results have been reviewed by the Company's audit committee and 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 ("HKICPA").

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

2006 is the first financial year that the Group consolidates the full-year results of the alumina and aluminium businesses (mainly comprised Minmetals Aluminium Company Limited and its subsidiaries, collectively referred as "Minmetals Aluminium" thereafter) acquired from our parent company, China Minmetals Corporation, since 6 October 2005. With enlarged business scale and leveraging on the "Minmetals" brand, the Group recorded encouraging results in the first half of this year.

Driven by the strong performance of the newly acquired businesses, the Group reported a turnover of HK$6,858.4 million, an increase of 933% over the last corresponding period and a net profit attributable to equity holders of the Company of HK$579.6 million, an increase of 478% from HK$100.3 million for the six months ended 30 June 2005. Earnings per share were HK$0.34 for the first half of 2006, compared to HK$0.17 for the same period in 2005.

FINANCIAL REVIEW

Turnover

For the six months ended 30 June 2006, the Group achieved significant increase in turnover, which was primarily attributed to the contribution from the trading business acquired. The table below sets out the change in the different business segments.

	Six months ended 30 June 2006 (Unaudited) HK$ million	2005 (Unaudited) HK$ million	% Increase
Trading business	**5,449.2**	29.4	↑18,435%
Aluminium fabrication business	**731.7**	618.7	↑18%
Other industrial operations and port logistics services	**677.5**	16.1	↑4,108%
Total	**6,858.4**	664.2	↑933%

The newly acquired alumina and aluminium businesses have greatly enhanced the operating scale of the Group's trading business since October last year and is now the most important revenue source of the Group. The Group's aluminium fabrication business as well as other industrial operations and port logistics services, however, also achieved impressive growth in turnover for the six months ended 30 June 2006.

Gross profit

The Group's gross profit for the period amounted to HK$1,037.5 million, an increase of HK$969.6 million or 1,428% from corresponding period last year. The Group's gross profit margin increased from 10.2% to 15.1%, which is primarily due to the higher contribution from the trading business – the most significant profit contributor of the Group.

Other gains, net

"Other gains, net" increased by HK$21.5 million during the first half of 2006, mainly due to increase in bank interest income. Strong cash flow was generated from the trading operation. The total cash generated from the Group's operating activities amounted to HK$553.1 million for the period, leading to the significant increase in the Group's bank balances and hence bank interest income.

Selling and administrative expenses

The Group's selling and administrative expenses in aggregate increased by HK$72.7 million from HK$45.9 million for the first half of 2005 to HK$118.6 million. The increase was mainly due to the expenses incurred by the trading business acquired in October 2005. Economies of scale and faster income growth have reduced the Group's cost-to-income ratio. Operating efficiency improved significantly, with selling expenses to turnover ratio decreased from 3.5% to 0.8% and administrative expenses to turnover ratio decreased from 3.4% to 0.9%.

Other operating income/expenses

As for other operating income/expenses, expenses of HK$46.3 million were recorded for the first six months in 2006 while income of HK$80.5 million was reported in last corresponding period. The significant change is mainly due to: (i) Decrease in the reversal of provision for impairment of receivables amounting to HK$62.8 million; and (ii) net loss of HK$72.0 million for derivative financial instruments (for more details, please refer to paragraph (a) "Commodity price risk" in the section headed "Risk Management" below).

Finance costs

Notwithstanding the increase in the Group's funding requirements as a result of the rapid business growth, the Group succeeded in controlling its finance costs by imposing tighter and more cost-conscious control measures on fund management. Finance costs for this six-month period were HK$43.5 million, an increase of HK$34.8 million over the same period last year. This was mainly due to the consolidation of the bank loans of the trading business acquired in October 2005. There were no such bank loans in the corresponding period last year.

Comparison with unaudited pro forma figures for the six months ended 30 June 2005 (For reference only)

As trading business is our main revenue and profit contributor, for reference, a comparison of the current period's unaudited income statement figures with the unaudited pro forma figures for the six months ended 30 June 2005 (extracted from the "Unaudited Pro Forma Combined Profit and Loss Account" disclosed in the Company's information circular dated 16 September 2005) is shown as follows:

	Six months ended 30 June		
	2006 (Unaudited consolidated figures) *HK$ million*	2005 (Unaudited pro forma combined figures) *HK$ million*	% Increase
Turnover	**6,858.4**	5,017.1	↑37%
Gross profit	**1,037.5**	536.1	↑94%
Operating profit	**899.6**	551.1	↑63%
Profit before income tax	**867.6**	546.1	↑59%
Profit for the period attributable to equity holders of the Company	**579.6**	431.9	↑34%
Gross profit ratio	**15.1%**	10.7%	↑4.4%

SEGMENTAL ANALYSIS

The Group's business comprises three main business segments: (1) Trading; (2) Aluminium fabrication; and (3) Other industrial operations and port logistics services.

Trading
The Group's trading business principally included the sourcing of alumina in the international market and on-sale of these alumina to aluminium smelters in the People's Republic of China ("PRC"). During the period, trading business accounted for 79% of the Group's turnover (2005: 5%) and contributed HK$879.7 million to the Group's operating profit. As a result of the contribution from Minmetals Aluminium, turnover increased substantially to HK$5,449.2 million for the six months ended 30 June 2006 as compared to HK$29.4 million for the same period in 2005. The following table sets forth data in relation to the alumina trading of the Group:

		(Unaudited) Six months ended 30 June		
Alumina Trading		**2006**	2005[2]	% Increase
Sales volume	*('000 tonnes)*	**1,042**	1,010	↑3.2%
Turnover[1]	*(HK$ million)*	**4,553**	3,430	↑32.7%
Average selling price	*(HK$ per tonne)*	**4,369**	3,396	↑28.7%

(1) The differences between the figures in the above table and the total of the trading segment represent the trading of aluminium ingots and other non-ferrous metals.

(2) These figures are extracted from the Company's information circular dated 16 September 2005. The amounts have not been consolidated into the Group's condensed consolidated income statement for the six months ended 30 June 2005 since the acquisition of Minmetals Aluminium was completed on 6 October 2005.

Owing to the growth in both trade volume and average selling price, the turnover as well as profit margin of the Group showed remarkable increase during the period.

Although alumina prices in the PRC market eased back somewhat in the first half of 2006, it is still remained high in a historical context. The price of imported alumina stayed high in the first quarter of 2006, with cost, insurance and freight price (CIF price) around US$680-690 per tonne. However, the increase in the supply of domestically produced alumina has driven down the imported alumina price to around US$530-540 per tonne (CIF price) in June 2006.

Grasping the high-price opportunity in the first half of 2006, Minmetals Aluminium has concentrated its efforts on promoting sales and maintaining its lead as the largest supplier of imported alumina in the PRC market. To strike a proper balance between return and risk, the Group has kept more alert on credit and inventory control in our trading business, securing high inventory turnover and low receivables balance, with inventory turnover maintained below 30 days, trade receivables at extremely low level of HK$4.6 million at 30 June 2006, and trade receivables turnover days stayed below 2 days.

Aluminium Fabrication
Aluminium fabrication business accounted for 11% (2005: 93%) of the Group's turnover and 2% (2005: 13%) of the Group's operating profit for the six months ended 30 June 2006. Although the turnover and profit contribution from this segment are not comparable to the trading segment, aluminium fabrication has still contributed impressive result to the Group. The Group believes that a more solid and diversified business foundation can enhance its overall competitiveness and long-term development. Therefore, in addition to the core trading business, the Group aims to develop itself as an integrated supply-chain conglomerate for non-ferrous metals. Aluminium fabrication as well as other downstream and upstream operations will be the next development focus.

Turnover of the Group's aluminium fabrication business for the first half of 2006 increased by 18% when compared to the same period in 2005. Intensified marketing efforts, enhanced production capacity, change of product mix to high-value added items, compounded by the upsurge of aluminium price, helped to boost the turnover. Although fierce competition together with the upsurge of raw materials, production and finance costs squeezed the business hard, its gross profit contribution to the Group still increased by 5% during the period.

The Group is now considering the upgrade and expansion of production line in its aluminium fabrication business. Besides, the Group will closely monitor the streamlining and rationalisation measures to be undertaken in the second half of this year with a view to enhance the long-term growth momentum as well as returns from this business segment.

Other Industrial Operations and Port Logistics Services
This segment accounted for 10% (2005: 2%) of the Group's turnover for the six months ended 30 June 2006. Near the end of March 2006, the Group increased its equity stake in a joint venture engaging in copper rods production. Due to the change, proportionate consolidation has been used to account for the Group's interest in this joint venture since April 2006. This joint venture is now the major contributor of revenue and profit in this segment. Owing to different industrial characteristics, the margin of copper rods business is not as high as other segments of the Group. For the six months ended 30 June 2006, this segment accounted for 3% of the Group's operating profit.

OTHER FINANCIAL INFORMATION

Financial Resources and Liquidity

The Group has maintained a strong financial and liquidity position for the first half of 2006. Total assets and total equity has increased 8% and 21% respectively to HK$8.12 billion and HK$3.97 billion respectively since the end of 2005. The current ratio was 1.09, based on current assets of HK$3.60 billion and current liabilities of HK$3.30 billion.

As at 30 June 2006, the Group had cash and cash equivalents and pledged bank deposits amounting to HK$1,432.3 million. If after deducting the total bank borrowings of HK$1,031.5 million, the Group was in a net cash surplus position of HK$400.8 million. Hence, gearing ratio (defined as bank borrowings less cash and cash equivalents and pledged bank deposits, divided by capital and reserves attributable to the Company's equity holders) is not applicable. About 29% and 50% of the cash and cash equivalents and pledged bank deposits held by the Group on 30 June 2006 were denominated in US dollars and Renminbi respectively, while the remaining balance was mainly denominated in Hong Kong dollars. With more than sufficient liquid funds on its daily operations, the Group will continue to pursue investment opportunities to deploy its cash resources. We are now actively pursuing and exploring business expansion and acquisition to enhance the profitability and value to our shareholders as mentioned in the "Outlook" section. The Group intends to deploy a portion of internal resources to finance these investment opportunities while any additional funding required will be via debt or equity financing activities deemed appropriate.

The Group's total bank borrowings, of which 57% bears interest at floating interest rate and 43% bears interest at fixed interest rate, reduced to HK$1,031.5 million at 30 June 2006 from HK$1,151.3 million at 31 December 2005. About 61% and 39% of the Group's bank loans were denominated in US dollars and Renminbi respectively. All bank borrowings at 30 June 2006 are repayable within one year. It is the Group's intention to refinance certain bank borrowings amounting to HK$592.8 million, which have been used for financing the initial payment for certain alumina purchasing rights and will be due in June 2007, on a long-term basis. Borrowings of the Group vary in accordance with shipment schedule and production plan and show no major seasonal fluctuation under normal circumstances.

Significant Investments Held and Material Acquisitions and Disposals

(a) *Investment securities*

By acquiring Minmetals Aluminium in October last year, the Group has also acquired those Australia-listed equity securities (relating to the metals and resources mining sector) with market value of HK$203.8 million held by Minmetals Aluminium. To partially lock up the gains on these investments resulting from the hiking metals prices, the Group disposed certain securities during the period and realised a gain of HK$33.9 million. As at 30 June 2006, the market value of the securities held by the Group amounted to HK$361.1 million.

(b) *Increase in interest in Changzhou Jinyuan Copper Company Limited ("Changzhou Jinyuan")*

As disclosed in the 2005 Annual Report, the Group increased its equity in Changzhou Jinyuan from 25% to 36% towards the end of March 2006. The purchase consideration for the 11% interest acquired was HK$18.7 million and was settled by the Group's internal funds. Due to the change in shareholding structure and the composition of the board of directors, the classification of Changzhou Jinyuan has been changed from associate to jointly controlled entity since April 2006.

(c) *Bauxite and alumina joint venture*

In April 2006, a wholly owned subsidiary of the Group, Minmetals Aluminium, entered into a joint development agreement with Century Aluminium Company to explore the potential of developing a bauxite mine and an associated alumina refining facility in Jamaica.

An initial assessment on quality and quantity of the bauxite reserves will be performed. This initial pre-feasibility stage is currently expected to take approximately 18 months to complete and subject to the results of the pre-feasibility assessment, a full feasibility study for a bauxite mine and a new alumina refinery with a capacity of approximately 1.5 million tonnes of alumina per annum will be undertaken. Subject to, among others, the results of the assessment of the bauxite reserves and the full feasibility study, the parties may undertake the project and it is currently expected that the mine and the alumina refinery could be operational within three years following the completion of the full feasibility study.

Save as disclosed above, there were no material acquisitions or disposals of investments and subsidiaries during the six-month period.

Capital Expenditure

Capital expenditure for this six months period amounted to HK$19.2 million and capital commitments at 30 June 2006 amounting to HK$98.2 million. They are mainly related to the replacement and upgrade of production facilities used in the aluminium fabrication and other industrial operations of the Group.

Charge on Assets

As at 30 June 2006, the following Group's assets were used to secure the Group's bank borrowings:

(a) All the equity interests of a wholly owned subsidiary, Sino Mining Alumina Limited ("Sino Mining") and all the assets of Sino Mining;

(b) Certain property, plant and equipment and land use rights of the Group with a carrying amount of approximately HK$408.7 million;

(c) Certain inventories of the Group with a carrying amount of approximately HK$20.4 million; and

(d) Pledged bank deposits of the Group of approximately HK$39.0 million.

Contingent Liabilities

There is no material change in the contingent liabilities of the Group since 31 December 2005.

Risk Management

The Group does not and is prohibited to enter into derivative contracts for speculative purpose. All derivative contracts are only used for the purpose of mitigating or offsetting the risks arising from the operating activities. The Group's major risk exposures and the related hedges are as follows:

(a) Commodity price risk

As explained in 2005 Annual Report, the failure to fulfill the accounting's hedge effectiveness test requirements caused the Group to adjust the fair value changes on its open derivative contracts through the income statement at last year end. Such treatment caused a mismatch between the recognition of profit/loss on the derivative contracts and the items being hedged for. Out of the net losses for derivative financial instruments amounting to HK$72.0 million for the six months ended 30 June 2006, HK$70.2 million was attributed to the ineffective hedge contracts brought forward from 2005.

All ineffective hedge aluminium forward contracts brought forward from 2005 have been closed out in the first half of 2006 and hence will no longer pose any further impact on the Group. However, as a preventive measure, the Group has implemented a testing system in order to fulfill the accounting's hedge effectiveness test requirements.

The Group has performed hedge effectiveness tests in accordance with the relevant accounting standards on the aluminium forward contracts entered into by the trading operations in 2006 and the testing results have been reviewed. On an intra-group basis, the accounting hedge effectiveness test requirements have already been met. The following table sets out the Group's open position (without adjusting on a proportionate basis for the Group's share in the jointly controlled entity) in aluminium forward contracts at 30 June 2006.

	Open position at 30 June 2006	
Maturity profile	**Sell contracts (Under the trading business)** *(Tonnes)*	**Buy contracts (Under the aluminium fabrication business)** *(Tonnes)*
Second-half 2006	9,325	3,090
2007	19,575	–
2008	5,000	–
Total	33,900	3,090

(b) Foreign exchange risk

The Group's major businesses are conducted in United States dollars ("USD"), Renminbi ("RMB") and Australian dollars ("AUD"). Given the exchange rate peg between Hong Kong dollars ("HKD") and USD, it is not foreseen that the Group will be exposed to significant exchange rate risk exposure for the transactions conducted in USD. For the six months ended 30 June 2006, 79% of the Group turnover was denominated in RMB. At 30 June 2006, the total net assets shared by the Group in its PRC subsidiaries, associates and jointly controlled entity amounted to HK$441 million was denominated in RMB. Fluctuation of the exchange rate between RMB and HKD could affect the Group's performance. Exchange rate fluctuation between AUD and USD will partially affect the purchase cost of alumina under a long-term purchase contract with a quantity of 400,000 tonnes per year until 2027. The Group has hedged against this AUD exchange exposure by using forward contracts.

(c) Interest rate risk

The Group's interest rate risk mainly arises from bank borrowings. At 30 June 2006, 57% of the Group's bank borrowings amounting to HK$592.8 million bore interest at floating interest rate. The Group has used interest rate swaps to hedge against this risk if necessary.

Dividend

As the Company was still in accumulated losses, the Board of directors has decided not to declare any interim dividend for the six months ended 30 June 2006. However, it is the Company's intention to declare and pay dividends as early as possible if circumstances permit. The Company has been undertaking a capital reduction proposal to use its share premium to set off against its accumulated losses and will endeavor to complete the proposal as soon as possible. Nevertheless, the actual outcome and completion date are subject to the approval of shareholders' meeting and the consent of the Court in Hong Kong.

Human Resources

At the end of June 2006, the Group employed a total of approximately 2,560 employees, of which 16 were based in Hong Kong head office, 2,532 in mainland China and 12 in Australia. The total staff costs (including the directors' emoluments and share options granted to directors and employees) for the period was HK$67.6 million. In the first half of 2006, the Company's directors and certain eligible employees of the Group were awarded share options of the Company for their past and potential contributions to the Group. The Group has adopted a salary policy in line with market practice and has provided training to its staff as and when required.

OUTLOOK

The Group has a very strong growth and performance in the first six months of 2006. It is clear that the acquisition of alumina and aluminium related business from our parent company last year is delivering results and our business is on an upward trend. In 2006, alumina prices in the PRC market have showed adjustments and intensified market competition. However, save for the possible modest price adjustment for certain metal products from time to time and given the continuous economic growth in the PRC, industrialisation and urbanisation will inevitably drive up the growth in demand for base metals. The Group will endeavourer to maintain the profit margin and the competitive edge of our core business as well as the leading position in the PRC imported alumina market.

In addition to expanding our existing business, the Group will strive to push ahead the negotiation for the acquisition of Guangxi Huayin Aluminium Limited and Sherwin Alumina L.P. from our parent company. It is also the Company's intention to seek for viable acquisition target of aluminium smelters and aggressively prepare for and proceed the acquisition. For horizontal integration, when appropriate, the Company will consider to acquire other non-ferrous metals businesses and assets besides alumina and aluminium with an aim to develop ourselves as an integrated supply-chain conglomerate for non-ferrous metals.

Armed with the above plans and strategies, and with concerted effort of our staff, we are confident to enhance our profitability, return on assets and create value to our shareholders.

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

		Six months ended 30 June	
		2006	2005
		(Unaudited)	(Unaudited)
	Note	***HK$'000***	*HK$'000*
Turnover	*2*	**6,858,440**	664,215
Cost of sales		**(5,820,956)**	(596,314)
Gross profit		**1,037,484**	67,901
Other gains, net	*2*	**27,007**	5,492
		1,064,491	73,393
Selling expenses		**(53,822)**	(23,055)
Administrative expenses		**(64,778)**	(22,852)
Other operating (expenses)/income	*3*	**(46,257)**	80,533
Operating profit	*2, 4*	**899,634**	108,019
Finance costs	*5*	**(43,461)**	(8,701)
Share of profits less losses of associates		**11,388**	7,787
Profit before income tax		**867,561**	107,105
Income tax (expense)/credit	*6*	**(283,593)**	1,078
Profit for the period		**583,968**	108,183
Attributable to:			
Equity holders of the Company		**579,649**	100,345
Minority interest		**4,319**	7,838
		583,968	108,183
Basic earnings per share	*7*	**HK$0.34**	HK$0.17
Interim dividend per share	*8*	**–**	–

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

	Note	**30 June 2006 (Unaudited) *HK$'000***	31 December 2005 (Audited) *HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**533,007**	504,190
Investment properties		**14,730**	14,730
Land use rights		**15,986**	11,992
Construction in progress		**9,480**	5,415
Interests in associates		**29,060**	85,116
Alumina purchasing rights		**3,532,534**	3,601,301
Long-term receivables		**–**	4,808
Available-for-sale financial assets		**361,057**	313,663
Deferred income tax assets		**23,222**	23,849
		4,519,076	4,565,064
Current assets			
Inventories		**910,453**	943,797
Trade and bills receivable	*9*	**964,887**	502,170
Prepayments, deposits and other receivables		**73,700**	43,639
Amount due from an intermediate holding company		**52,239**	182,925
Alumina purchasing rights		**145,490**	293,160
Amounts due from fellow subsidiaries		**346**	–
Derivative financial instruments		**16,970**	6,009
Pledged bank deposits		**38,996**	49,659
Cash and cash equivalents		**1,393,325**	938,086
		3,596,406	2,959,445
Total assets		**8,115,482**	7,524,509

EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		**85,722**	85,722
Reserves		**3,676,100**	2,995,301
		3,761,822	3,081,023
Minority interest		**204,436**	203,019
Total equity		**3,966,258**	3,284,042
LIABILITIES			
Non-current liabilities			
Deferred income		**25,985**	27,138
Provision for sales contract obligations		**24,859**	24,859
Derivative financial instruments		**–**	14,970
Deferred income tax liabilities		**797,645**	688,438
Bank loans		**–**	617,477
		848,489	1,372,882
Current liabilities			
Trade and bills payable	*10*	**680,812**	475,628
Accruals, receipts in advance and other payables		**530,988**	531,979
Advances from banks for bills discounted		**395,958**	55,779
Amounts due to fellow subsidiaries		**673**	6,890
Amount due to an associate		**335**	–
Provision for sales contract obligations		**516,899**	1,033,799
Derivative financial instruments		**27,596**	165,931
Current income tax liabilities		**115,996**	63,738
Bank loans		**1,031,478**	533,841
		3,300,735	2,867,585
Total liabilities		**4,149,224**	4,240,467
Total equity and liabilities		**8,115,482**	7,524,509
Net current assets		**295,671**	91,860
Total assets less current liabilities		**4,814,747**	4,656,924

Notes:

1. **Basis of preparation**

This unaudited interim financial report is prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim Financial Reporting" and other relevant Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") as well as the disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

This unaudited interim financial report should be read in conjunction with the annual financial statements for the year ended 31 December 2005. The accounting policies used in the preparation of this unaudited interim financial report are consistent with those used in the annual financial statements for the year ended 31 December 2005 except for changes in accounting policies made thereafter in adopting certain new standards, amendments to standards and interpretations which are relevant to the Group's operations as follows:

HKAS 21 (Amendment)	Net investment in a foreign operation
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions
HKAS 39 (Amendment)	The fair value option
HKAS 39 and HKFRS 4 (Amendment)	Financial guarantee contracts
HKFRS 6	Exploration for and evaluation of mineral resources
HKFRS-Int 4	Determining whether an arrangement contains a lease
HKFRS-Int 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds

The adoption of the above new/revised HKFRSs, HKASs and interpretations has no material impact on the Group's results.

The Group has not early adopted any new/revised HKFRSs, HKASs and interpretations which have been issued on or before 30 June 2006 but are not yet effective for the financial year ending on 31 December 2006. The Group is in the process of assessing their impact on the Group's results and operations.

During the six months ended 30 June 2006, the Group acquired certain interests in a jointly controlled entity. Below is the Group's accounting policy for the consolidation of interests in jointly controlled entities:

Jointly controlled entities

The Group's interests in jointly controlled entities are accounted for using the proportionate consolidation method. The Group combines its share of the joint ventures' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Group's financial statements. The Group recognises the portion of gains or losses on the sale of assets by the Group to the joint venture that it is attributable to the other venturers. The Group does not recognise its share of profits or losses from the joint venture that result from the Group's purchase of assets from the joint venture until it resells the assets to an independent third party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets, or an impairment loss.

2. Segment information

By business segments

At 30 June 2006, the Group's operations comprised the following major business segments:

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

Six months ended 30 June 2006 (Unaudited)

	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						
External sales	**5,449,245**	**731,724**	**677,471**	**–**	**–**	**6,858,440**
Inter-segment sales	**104,015**	**2,061**	**3,042**	**–**	**(109,118)**	**–**
Turnover	**5,553,260**	**733,785**	**680,513**	**–**	**(109,118)**	**6,858,440**
Other gains, net	**17,070**	**2,833**	**888**	**7,253**	**(1,037)**	**27,007**
Results						
Segment results	**879,688**	**19,615**	**27,156**	**(25,788)**	**(1,037)**	**899,634**
Finance costs						**(43,461)**
Share of profits less losses of associates	**–**	**–**	**11,388**	**–**	**–**	**11,388**
Income tax expense						**(283,593)**
Profit for the period						**583,968**

Six months ended 30 June 2005 (Unaudited)

	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						
External sales	29,386	618,777	16,052	–	–	664,215
Inter-segment sales	–	1,250	–	–	(1,250)	–
Turnover	29,386	620,027	16,052	–	(1,250)	664,215
Other gains, net	816	2,762	417	1,786	(289)	5,492
Results						
Segment results	28,250	14,416	9,497	56,145	(289)	108,019
Finance costs						(8,701)
Share of profits less losses of associates	–	–	7,787	–	–	7,787
Income tax credit						1,078
Profit for the period						108,183

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 areas.

	Six months ended 30 June (Unaudited)			
	2006		2005	
	Turnover	**Contribution to gross profit**	Turnover	Contribution to gross profit
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
PRC	**6,056,345**	**910,829**	580,933	51,359
Australia	**7,231**	**614**	–	–
Others	**903,982**	**129,083**	84,532	16,542
Inter-segment elimination	**(109,118)**	**(3,042)**	(1,250)	–
Total	**6,858,440**	**1,037,484**	664,215	67,901

3. Other operating (expenses)/income

	Six months ended 30 June	
	2006	2005
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Net (losses)/gains for derivative financial instruments	**(72,030)**	–
– Aluminium forward contracts	**(99,621)**	–
– Foreign exchange forward contracts	**1,080**	–
– Interest rate swaps	**15,898**	–
– Aluminium options	**10,613**	–
Negative goodwill recognised	**8,087**	–
– Acquisition of interest in a jointly controlled entity	**8,066**	–
– Acquisition of additional interest in an associate	**21**	–
Reversal of provision for impairment of receivables	**5,104**	67,910
– Trade and other receivables	**1,235**	54,599
– Amounts due from associates	**3,869**	13,311
Gain on disposal of available-for-sale financial assets	**33,929**	–
Share options granted to directors and employees	**(21,347)**	–
Reversal of provision for a guarantee given to a third party	**–**	6,792
Write back of trade payables and accruals	**–**	5,831
	(46,257)	80,533

4. Operating profit

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

	Six months ended 30 June	
	2006	2005
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Amortisation	**217,254**	508
– Alumina purchasing rights	**216,437**	–
– Land use rights	**817**	508
Staff costs (including directors' emoluments)	**67,639**	33,584
– Salaries and other benefits	**46,292**	33,584
– Share options granted to directors and employees	**21,347**	–
Depreciation	**28,332**	17,383
Operating lease rental on properties	**2,151**	1,117
Direct operating expenses arising from investment properties that generate rental income	**151**	161
Direct operating expenses arising from investment properties that did not generate rental income	**101**	301
Loss on disposal of property, plant and equipment	**14**	2
Exchange (gains)/losses, net	**(3,428)**	123
Interest income	**(18,085)**	(2,381)

5. Finance costs

	Six months ended 30 June 2006 (Unaudited) *HK$'000*	2005 (Unaudited) *HK$'000*
Bank loans wholly repayable within five years	**43,460**	8,700
Other loans wholly repayable within five years	**1**	1
	43,461	8,701

6. Income tax expense/(credit)

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profits for the period. 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.

	Six months ended 30 June 2006 (Unaudited) *HK$'000*	2005 (Unaudited) *HK$'000*
Current income tax		
PRC enterprise income tax	**155,644**	4,373
Overseas income tax	**22,515**	–
	178,159	4,373
Deferred income tax expense/(credit)	**105,434**	(5,451)
Income tax expense/(credit)	**283,593**	(1,078)

7. Earnings per share

The calculation of basic earnings per share is based on the net profit attributable to equity holders of the Company of HK$579,649,000 (2005: HK$100,345,000) and 1,714,440,521 ordinary shares (2005: 607,349,612 ordinary shares) in issue during the period.

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

8. Dividends

The directors do not recommend the payment of interim dividend for the six months ended 30 June 2006 (2005: Nil).

9. Trade and bills receivable

The majority of sales for the trading operation 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 to 90 days.

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

	At 30 June 2006 (Unaudited) *HK$'000*	**%**	At 31 December 2005 (Audited) *HK$'000*	%
Trade receivables				
Less than 6 months	**179,245**	**72**	232,554	77
6 months – 1 year	**4,752**	**2**	4,770	2
Over 1 year	**63,329**	**26**	63,994	21
	247,326	**100**	301,318	100
Less: Provision for impairment of receivables	**(70,402)**		(70,938)	
	176,924		230,380	
Bills receivable *(Note)*	**787,963**		271,790	
	964,887		502,170	

Note: Bills receivable are bills of exchange with maturity dates of less than 6 months, of which approximately HK$680,175,000 (2005: HK$271,790,000) has been discounted to banks or endorsed to suppliers.

10. Trade and bills payable

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

	At 30 June 2006 (Unaudited)		At 31 December 2005 (Audited)	
	HK$'000	*%*	*HK$'000*	*%*
Trade payables				
Less than 6 months	**257,494**	**100**	196,264	100
6 months – 1 year	**79**	**–**	25	–
1 – 2 years	**89**	**–**	26	–
Over 2 years	**112**	**–**	111	–
	257,774	**100**	196,426	100
Trade payables under endorsed bills	**284,218**		216,011	
Bills payable	**138,820**		63,191	
	680,812		475,628	

CORPORATE GOVERNANCE

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 unaudited interim financial report of the Group for the six months ended 30 June 2006.

Corporate Governance Practices

The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Listing Rules throughout the period of the six months ended 30 June 2006 except for the following deviations:

(a) Under code provision A.4.2 of the CG Code, all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once very three years.

To comply with the code provision A.4.2, a special resolution was passed to amend the articles of association of the Company at the Company's annual general meeting held on 15 May 2006 to the effect that (i) all directors appointed to fill a casual vacancy shall retire and be eligible for re-election at the next general meeting, and (ii) every director shall be subject to retirement by rotation at least once every three years.

(b) Under code provision E.1.2 of the CG Code, the chairman of the board of directors of the Company (the "Board") should attend the annual general meeting. The chairman of the Board had not attended the Company's annual general meeting held on 15 May 2006 due to other business commitment. The chairman of the Board will endeavor to attend all future annual general meetings of the Company.

Securities Transactions by Directors

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

Having made specific enquiry of 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 during the six months ended 30 June 2006.

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

During the six months ended 30 June 2006, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

PUBLICATION OF THE INTERIM REPORT ON THE STOCK EXCHANGE'S WEBSITE

The interim report of the Company for the six months ended 30 June 2006 containing all the information required by the Listing Rules will be published on the websites of The Stock Exchange of Hong Kong Limited and the Company (www.minmetalsresources.com) respectively in due course.

By order of the Board
Xu Huizhong
Executive Director and President

Hong Kong, 29 August 2006

As at the date of this announcement, the board of directors of the Company comprised ten directors, of which two are executive directors, namely Mr. Xu Huizhong and Mr. Wang Lixin; five are non-executive directors, namely Mr. Zhou Zhongshu (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."